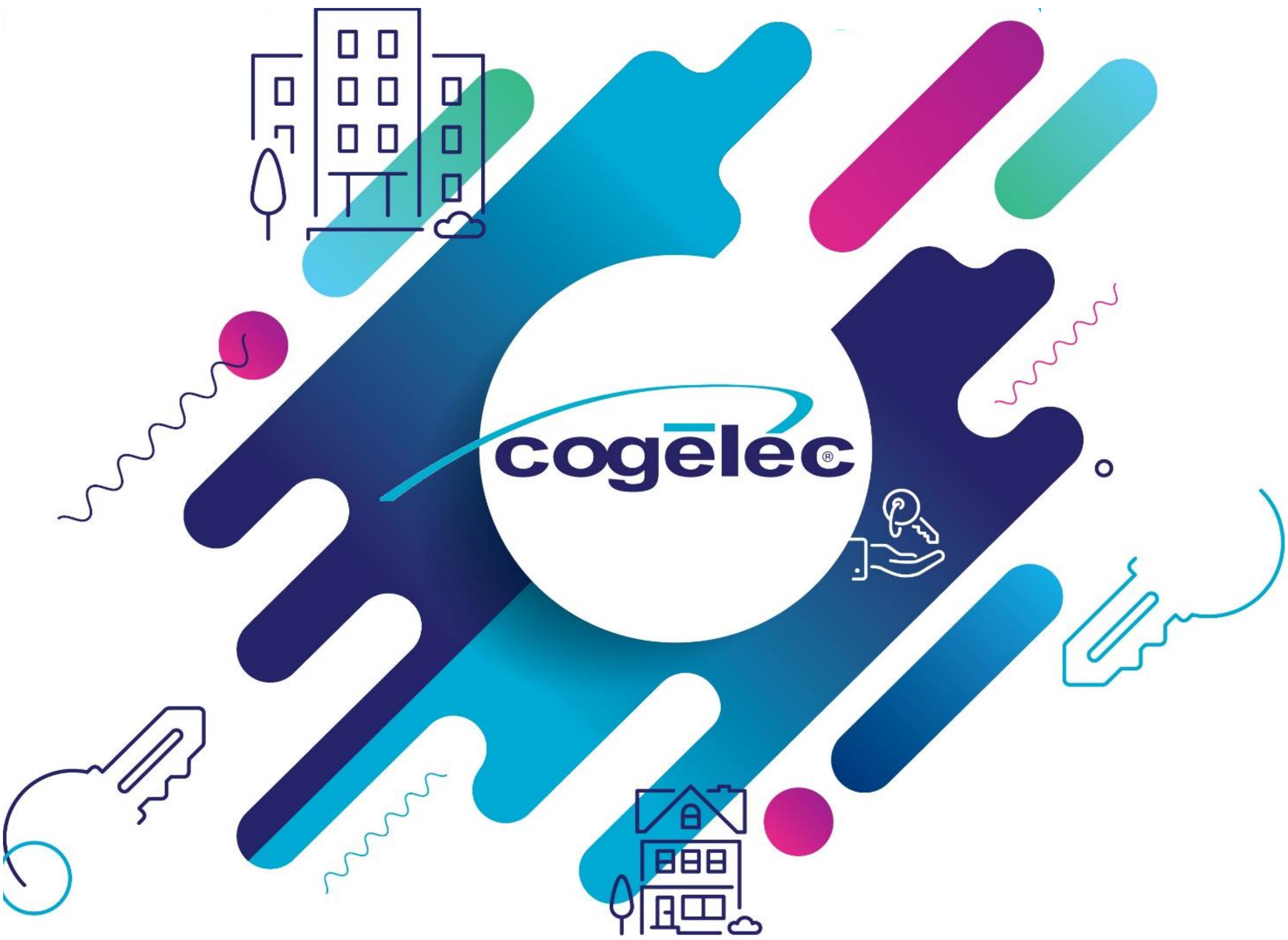
22 April 2020

ANNUAL FINANCIAL REPORT
COGELEC GROUP

2019



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THE MANAGEMENT COMMITTEE

Roger LECLERC,

Chairman and Chief Executive Officer

Patrice GUYET,

Director of operations

Lise GASCHET,

International Development Manager

Valérie MORIO,

Head of Marketing & Communication

Véronique POCHET,

Chief Financial Officer

2019 KEY FIGURES

2.4 MILLION

Badges and Transmitters sold

187,000

Homes equipped

French leader

In GSM intercom and access control

€40m

In Revenue

in **12** countries

3 subsidiaries

260

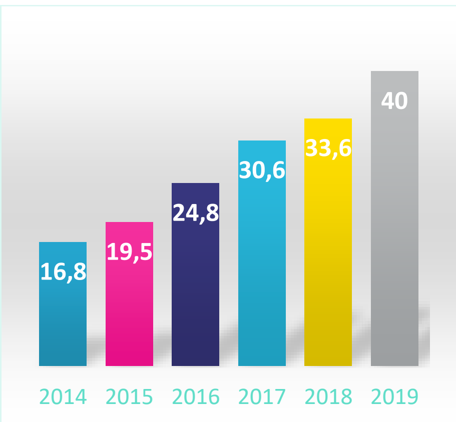
Employees

15 nationalities

HIGHER REVENUE

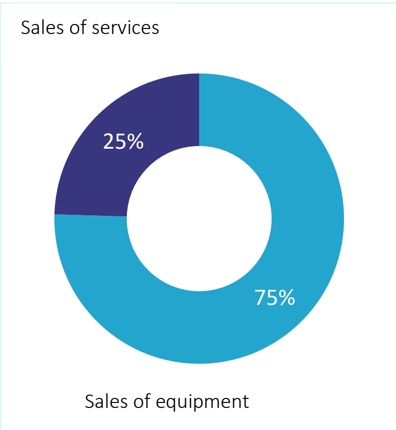
Revenue for the financial year totalled €40m, up 19.1%.

Activity in France rose by 17.4% to €36.4m from €31.0m in 2108, driven mainly by sales of Intratone. International activity totalled €3.5m compared with €2.5m a year earlier, an increase of 39.2%, with the ramp-up of commercial activity in Europe.



Revenue in €m

Revenue up by **19.1%**



Subscriptions, which continued to grow strongly (+22.6%), totalled €9.8m in 2019 and now account for 25% of revenue.

REINFORCED CASH POSITION

The group's cash position stood at €17.4m at the end of 2019, up from 2018. This trend reflects the solidity of the model and the very favourable contribution of prepaid offers.

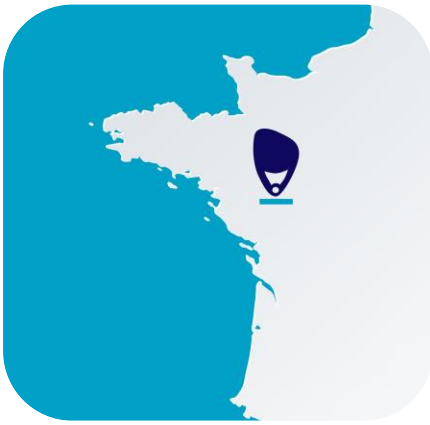
Available cash of **€17.4m**

THE COMPANY AND ITS ACTIVITIES

Established in 2000 in Mortagne-sur-Sèvre (Vendée), Cogelec is a group that is revolutionising access control.

Founded on the values of innovation and quality of service, the company puts its initial objective into practice day after day: making technology available to its customers and users to facilitate their day-to-day lives and increase their security.

Cogelec designs and manufactures all of its product ranges in-house in France, at its headquarters in the Vendée, its Research and Development office in Nantes, and its European subsidiaries.



Our mission

Offer our customers and our networks complete, simple and economical solutions.

Simplify the daily lives of installers, managers and users.

Our DNA

Create to innovate

Be as close as possible to our customers to understand and anticipate their needs and meet them in the best possible way.

Cogelec has filed over 40 patents and launches a new product or service on the market about every two month.

Our values

The trust established with our customers is our driving force.

Team flexibility and availability is proof of their reliability and responsiveness.

Towards a EUROPEAN group

- 2000 – Establishment of Cogelec
- 2003 – France's leader in access control
- 2011 – Launch of export sales
- 2017 – Establishment of the subsidiary in Germany
- 2018 – Establishment of subsidiaries in the United Kingdom and the Netherlands

THE COMPANY AND ITS TRADEMARKS, PRODUCTS AND SERVICES

ITS BRANDS

Cogelec covers the entire access control market (collective and individual housing, tertiary sector and local authorities) through the products of its four trademarks:

ITS PRODUCTS AND SERVICES to meet all the needs of its customers

KEY MANAGEMENT

Remote key management solutions

INTERCOMS and ACCESS CONTROL

A complete range of products to secure exteriors of residences

NOTICE BOARD

Solutions to communicate effectively and in real time to all or part of a residence

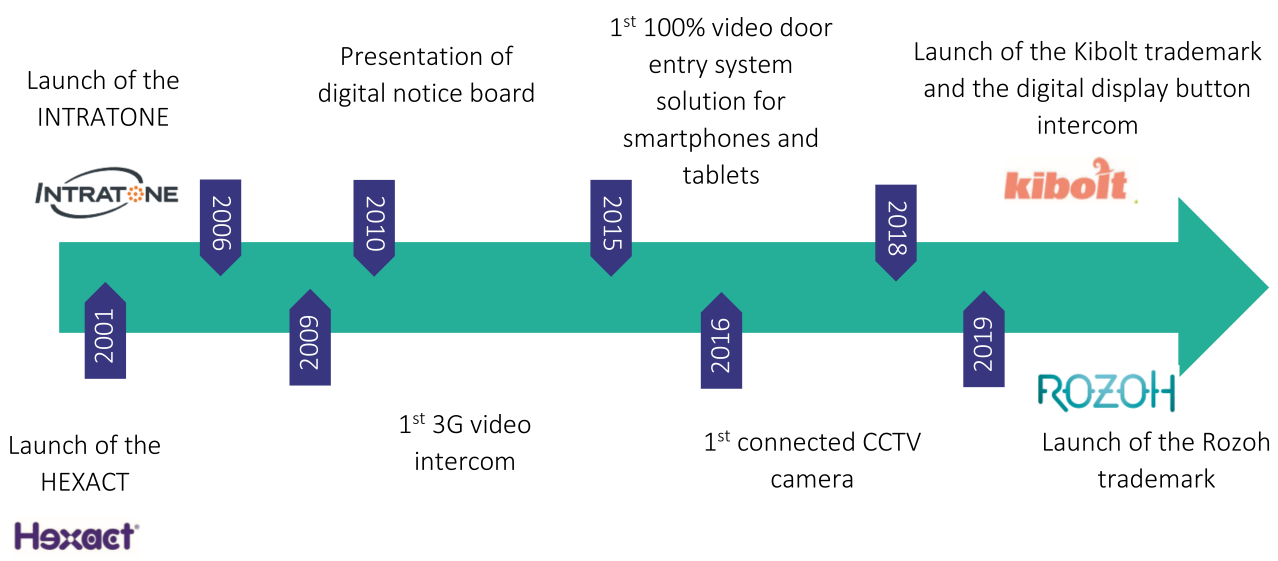
SOFTWARE AND APPLICATIONS

Cogelec provides its customers and partners with free applications and software for the real-time and remote management of all products.

SERVICES

Cogelec has developed numerous services to support its customers and partners on a daily basis: site programming, training, a hotline, on-site intervention.

ITS HISTORY



OUR CSR

LABOUR POLICY AND QUALITY OF WORKING LIFE

Cogelec makes employees the centre of the company's success

Freedom for everyone to express their talents

A pleasant and friendly environment

A leading group with dynamic growth

And provides a fulfilling work environment

- *Sport activities organised on site during the lunch break*
- *Corporate concierge services*
- *Personalised schedules*
- *Wellness breaks (monthly "seated massage" appointments, etc.)*
- *Team-building event*
- *Supports numerous employee-led sport projects*

AN ENVIRONMENTAL APPROACH

The GSM solution applied to door entry systems supports this environmental approach and requires no handsets or in-home wiring at installation.

Every year, 350,000 wired intercom handsets are installed in France, meaning that wireless solutions would avoid tonnes of potential copper and plastic waste.

Similarly, when in use, the GSM solution offers remote display and information update functionalities that drastically reduce CO^2 emissions, thus eliminating the need for on-site travel.

Procurement

85%
of suppliers located in France

Production

100%
of products assembled in France

Packaging

Packaging made from
62%
recycled cardboard

1. Management report

1.1 SIGNIFICANT EVENTS

In 2019, Cogelec continued to implement its strategic plan, which is based on the richness of its convergent offers, its innovation policy and the deployment of its subsidiaries.

COGELEC receives the H'Expo 2019 Innovation Award

ROZOH
CONTRÔLE & GESTION DE VOS ACCÈS

New Rozoh brand introduced at the Salon des Maires

Inauguration of premises in London and Amsterdam

Cogelec signs a technology and sales partnership agreement with Legrand

kibolt
genius access

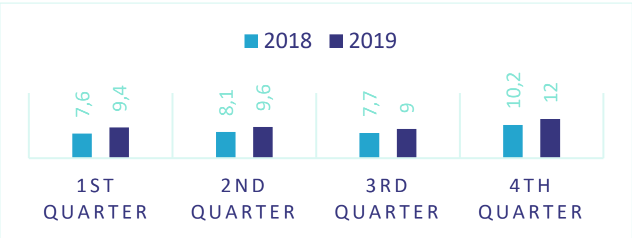
Kibolt pilot sites rolled out

1.2 INFORMATION ON THE GROUP

1.2.1 2019 OPERATIONAL REPORT

Sales

Annual revenue in 2019 was in line with the Company's expectations and forecasts and breaks down as follows:



Revenue in €m

In €m	2019	2018	% change
1st quarter	9.4	7.6	+24.0%
2nd quarter	9.6	8.1	+18.5%
3rd quarter	9.0	7.7	+16.9%
4th quarter	12.0	10.2	+17.5%
TOTAL	40.0	33.6	+19.1%

Human resources

Over the 2019 financial year, there was a significant increase in the number of employees which reached 256 by the end of 2019.

Recruitment has been finalised internationally, and the subsidiaries now have 65 employees as at 31 December 2019, meaning that the average number of employees changed by 38 between 2018 and 2019.

The strengthening of teams in France, particularly in connection with the industrialisation of Kibolt, resulted in a change in the average workforce of 25 people.

1.2.2 CONSOLIDATED REVENUE

Activity in France rose by 17.4% to €36.4m from €31.0m in 2018, driven mainly by sales of Intratone. International activity totalled €3.5m compared with €2.5m a year earlier, an increase of 39.2%, with the ramp-up of commercial activity in Europe.

Subscriptions, which continued to grow strongly (+22.6%), totalled €9.8m in 2019 and now account for 25% of revenue.

In thousands of euros	31/12/2019	31/12/2018
Sales of equipment	30,176	25,578
Sales of services	9,808	7,992
TOTAL	39,984	33,570

In thousands of euros	31/12/2019	31/12/2018
France	36,448	31,029
Export	3,536	2,541
TOTAL	39,984	33,570

1.2.3 KEY INDICATORS

Gross margin

The gross margin in terms of value increased considerably due to volume by €4m. The improvement in the margin rate is due to the combined effect of a product mix favourable to service offerings and the good performance observed for purchasing families.

	31/12/2019	31/12/2018
Revenue	**39,984**	**33,570**
Other operating income	5	4
Purchases consumed	-15,125	-13,898
Change in work in progress and finished product inventories	626	1,016
GROSS MARGIN	**25,490**	**20,692**
As % of revenue	***63.8%***	***61.6%***

EBITDA

Thanks to the solidity of the model in France and despite the expenses related to the development of the subsidiaries, EBITDA remains largely positive.

	31/12/2019	31/12/2018
Operating income	**-885**	**297**
Allocations to depreciation and amortisation	3,301	1,787
Asset impairments net of reversals	370	1,121
EBITDA[1]	**2,787**	**3,205**
As % of revenue	***7.0%***	***9.5%***

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

1.2.4 CONSOLIDATED INCOME STATEMENT

At 31 December 2019, the Group's current operating income was -€884k compared to €715k the previous year. This deterioration in operating income is due mainly to the following items:

- an increase in personnel expenses of **+42%;**
- an increase in external expenses to €8.2m, compared to €6.8m in 2018, which includes an increase in accounting, legal, consulting (patent studies) and recruitment costs and an increase in communication and advertising budgets for our European locations.

In thousands of euros	31/12/2019	31/12/2018
Revenue	39,984	33,570
% change revenue	19.11%	9.61%
Recurring operating income	-884	715
Recurring operating margin	-2.21%	2.13%
Operating income	-885	297
Income taxes	-1,899	-1,111
Consolidated net income	-2,862	-1,064

1.2.5 FINANCIAL STRUCTURE

The total balance sheet stood at €60.624m at 31 December 2019, an increase of 13.42% compared with 31 December 2018.

Simplified balance sheet at 31 December 2019

ASSETS in thousands of euros	31/12/2019	31/12/2018
Intangible assets	8,205	7,387
Property, plant and equipment	8,157	6,104
Other non-current and financial assets	4,372	3,765
Total non-current assets	**20,734**	**17,256**
Inventories and work in progress	10,511	8,349
Trade receivables	9,811	8,978
Other current assets	2,196	1,725
Current tax assets	-	787
Cash and cash equivalents	17,371	16,358
Total current assets	**39,889**	**36,197**
TOTAL ASSETS	60,623	53,453

LIABILITIES in thousands of euros	31/12/2019	31/12/2018
Total equity	15,853	19,490
Borrowings and financial liabilities	8,885	5,950
Provisions	1,649	1,267
Other non-current liabilities	19,553	16,271
Total non-current liabilities	**30,087**	**23,488**
Borrowings and financial liabilities	3,191	2,006
Trade payables	2,803	2,952
Other current liabilities	7,205	5,517
Current tax liabilities	1,485	-
Total current liabilities	**14,684**	**10,475**
TOTAL LIABILITIES	60,624	53,453

Fixed assets and investments

In 2019, the Group invested €2,688k more than in 2018, of which €2,522k corresponded to the restatement of operating leases according to IFRS16.

Intangible assets accounted for 37.9% of investments, i.e. €2.3m. These corresponded to the costs of developing new products and technologies and investment in I.T. solutions.

Main investments in €k	31/12/2019	31/12/2018
Intangible assets	**2,342**	**1,886**
Of which development costs	794	301
Of which intangible assets in progress	1,358	1,390
Of which other intangible assets	190	195
Property, plant and equipment	**3,842**	**1,610**
Of which real estate complex	1,125	
Of which assets under construction	348	599
Of which technical installations, equipment and tooling	557	410
Of which other PP&E	1,812	600
Total investments	**6,184**	**3,496**

Equity

The Group's equity stood at €15,853m at 31 December 2019, compared with €19,490m at 31 December 2018, a decrease of €3.637m.

1.2.6.NET FINANCIAL DEBT

At 31 December 2019, gearing (the net debt-to-equity ratio) stood at -33% (-45% excluding the IFRS 16 restatement), compared with 43% at 31 December 2018.

In thousands of euros	31/12/2019	31/12/2018
Long-term portion of financial debt	8,885	5,950
Short-term portion of financial debt	3,191	2,001
Borrowings at less than one year and creditor banks		5
Total gross debts	12,076	7,956
Cash and cash equivalents	17,371	16,358
TOTAL NET DEBT	-5,295	-8,403

1.2.7 CASH FLOWS

Cash flow improved by €1m, largely driven by business activity of +€3.9m, with a strong contribution from prepaid offers, which made it possible to finance the increase in inventories and cover investment flows mainly focused on R&D.

In €k	2019	2018
Opening cash	16,353	5,666
Cash and cash equivalents at end of period	17,371	16,353
Change in cash and cash equivalents	928	10,701

1.3 INFORMATION ON THE COMPANY

1.3.1 COGELEC REVENUE

COGELEC's revenue was up 18.85%, to €40.10m at 31 December 2019, compared to €33.74m at 31 December 2018.

1.3.2 INCOME

At 31 December 2019, operating income stood at €5.12m, down 113.16% compared with the previous financial year.

1.3.3 RESEARCH AND DEVELOPMENT ACTIVITIES

Information on research and development

In line with its strategy, the Company continues to invest in innovation, improving its products and developing new products. The development teams are divided into two research bureaus and account for 21% of the Group's workforce (32 people out of 180). The main R&D axes are technical innovation, the development of new products, services and concepts, and the evolution of existing ranges.

New products

COGELEC further expands the INTRATONE offer with new products and services.

Communicate directly with building residents and ask them for their opinion on subjects that affect their co-ownership and common life, and while you're at it, choose the date of the next meeting. This is now possible thanks to the Interactive Digital Notice Board. This tool disseminates information and makes it possible to conduct surveys among residents.

It is also part of the new Jumbo monthly subscription offer. This service package includes EVERYTHING: a 10-year hardware warranty, video links and of course the new plug and play notice board that starts sharing information as soon as it is installed.

The export subsidiaries are also benefiting from this momentum, especially Germany and the Netherlands with the release of the DITA video intercom! Its fully modular design can be adapted to any location. Like the famous "interlocking bricks", it can be assembled according to customers' needs and constraints. It offers remote real-time management and has a digital display with names on the buttons.

Finally, the Intratone Pro management application, the first of its kind, is being deployed with great success. It is now used by nearly 7,500 managers and is incorporating more and more functionalities, such as management of residents' names and badges in just a few minutes from any location.

Information on patents and licences

The Company has a range of patents protecting innovations developed by its various research bureaus.

At the end of the 2019 financial year, the Company owned 41 patent families, 28 trademarks and 18 models. During the 2018 financial year, the Company filed one patent and two trademarks.

No patent is individually of strategic importance for the Company. Therefore, this has not resulted in any noteworthy dependency.

1.3.4 NON-TAX-DEDUCTIBLE EXPENSES

The non-tax-deductible expenses pursuant to the provisions of Article 223 of the French General Tax Code are:

- non-deductible vehicle leases in the amount of €126,896 and the corresponding tax of €39,338 (31%);
- the tax on company cars in the amount of €24,213 and the corresponding tax of €7,506;
- the share of attendance fees that are not tax deductible in the amount of €0.

1.3.5 INFORMATION ON SUPPLIER AND CLIENT PAYMENT TIMES

Invoices received and issued and outstanding at 31 December 2019 break down as follows:

	Outstanding invoices received at 31 December 2019 and which are overdue						Outstanding invoices issued at 31 December 2019 and which are overdue					
In days	0	1 to 30	31 to 60	61 to 90	91 and over	Total (1 and over)	0	1 to 30	31 to 60	61 to 90	91 and over	Total (1 and over)
Late payment brackets												
Number of invoices	6					29	400					2,117
Invoice amounts (including taxes in €k)	31	12	12	1	18	44	974	608	223	40	129	999
% of total amount of purchases in the financial year (including taxes)	0.09%	0.03%	0.03%	0.003%	0.05%	0.12%						
% of revenue for the financial year (including taxes)							1.49%	0.93%	0.34%	0.06%	0.20%	1.53%
Invoices excluded relating to liabilities and receivables that are disputed or not recognised												
Number of invoices excluded	0						253					
Total amount of invoices excluded (including taxes in €k)	0						496					
Reference payment terms used (contractual or legal - Article L441-6 or Article L443-1 of the French Commercial Code)												
Payment terms used to calculate late payments	Contractual terms: 30 days from the end of the month Legal terms: 60 days from the invoice issue date						Contractual terms: Receipt of invoices and 45 days from the end of the month Legal terms: 30 days following the date on which the service was delivered					

1.4 STOCK-MARKET INFORMATION

1.4.1 MARKET OF COGELEC SHARES

COGELEC shares are listed on the Euronext Paris regulated stock exchange, compartment C. The number of outstanding shares stood at 8,898,048 at 31 December 2019.

1.4.2 CHANGE IN SHARE PRICE IN 2019

At 31 December 2019 the share price stood at €6.36.

Months	Highest share price	Lowest share price	Most recent share price
January 2019	7.12	6.30	6.93
February 2019	7.10	6.43	6.55
March 2019	6.68	5.92	5.99
April 2019	7.12	5.86	7.12
May 2019	8.90	7.12	8.68
June 2019	8.84	7.82	7.90
July 2019	7.94	7.28	7.30
August 2019	7.48	7.20	7.32
September 2019	7.34	6.58	6.70
October 2019	6.86	6.54	6.66
November 2019	6.80	6.32	6.50
December 2019	6.60	6.00	6.36

1.4.3 REDEEMED SHARES

Summary of shares bought and sold in the 2019 financial year

In the 2019 financial year, the Company bought and resold COGELEC shares as part of a liquidity contract and a share buyback agreement with Louis Capital Markets UK LLP. The breakdown of these purchases and sales is shown below:

	Number of shares	Share value
Shareholding at 31/12/2019	130,709	€885,377
Shares purchased in the 2019 financial year	142,457	€963,792
Shares sold in the 2019 financial year	48,953	€337,137

These shares were purchased as part of a share buyback scheme, in accordance with the authorisation given by the General Meeting of 24 June 2019.

In the 2019 financial year, the Company did not allocate, cancel or reallocate any shares.

1.4.3.2 Dividend per share

In order to comply with provisions of Article 243 bis of the French General Tax Code, the amounts of the dividends distributed in the previous three financial years are detailed below:

Financial year	Number of shares	Net dividends per share
2016	355,922	€4.214
2017	355,922	€5.619
2018	8,898,048	0

1.5 SUBSIDIARIES AND EQUITY INVESTMENTS

The Company owns 100% of the share capital and voting rights in the company INTRATONE GMBH based in Dusseldorf. In 2019, INTRATONE GMBH continued to expand, and its workforce grew from 23 to 33 people at 31 December 2019. This subsidiary does not hold an interest in the Company or in any other company. At 31 December 2019, the share capital of INTRATONE GMBH stood at €25k.

A second subsidiary, INTRATONE Ltd, was created in London in February 2018. In 2019, the company continued to expand, with the number of employees increasing from 15 to 19 people at 31 December 2019. This subsidiary has no equity investment in the Company or in any other company. At 31 December 2019, INTRATONE Ltd's share capital was £100.

A third subsidiary, INTRATONE BV, was created in Amsterdam in October 2018. In 2019, the company underwent significant expansion, with the number of employees increasing from 5 to 13 people. This subsidiary has no equity investment in the Company or in any other company. At 31 December 2019, the share capital of INTRATONE BV stood at €10k.

Included below is a summary of the subsidiaries' operations over the period:

Companies	Methods of consolidation	Revenue excl. taxes	Profit or loss for the period
INTRATONE GMBH	FC	€374,239	-€3,256,015
INTRATONE UK	FC	£804,527	-£1,845,515
INTRATONE BV	FC	€365,974	-€1,221,425

There is no cross-investment within the Group

1.6 BRANCHES

The Company has no branches.

1.7 EVENTS SUBSEQUENT TO THE REPORTING PERIOD AND OUTLOOK

1.7.1 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Due to the Covid-19 health crisis that arrived in France at the beginning of the 2020 financial year and the exceptional measures that were applied by government authorities, the Company announced, in its press release dated 20 March 2020, that it had introduced short-time working measures for some Group employees, with other employees being placed on leave or teleworking. It also recalled its dependence on carriers, which have sharply reduced their activity.

Since these announcements, the Company has seen a significant decline in its activity and had to stop shipping equipment between 18 March and 30 March 2020. Since then, activity has resumed at very low levels.

Currently, the Company is unable to quantify the impact that Covid-19 will have on the Group's activities.

1.7.2 OUTLOOK

The effects of the Covid-19 health crisis are not precisely quantifiable at the date of this annual financial report, although they may have a significant effect on the Group's 2020 financial year.

However, the Company would like to point out that it has a high cash position (€17 million at 31 December 2019) and that a quarter of its activity will not be impacted, or will be impacted only very slightly, as characterised by subscription-based contracts.

At this stage, the Company does not experience any significant delays in payment from its customers, nor any unpaid invoices.

In addition, the Company does not intend to request payment extensions from the tax authorities or extensions on social security contributions or loan payments and has not sought a State-secured loan (PGE).

In terms of activity, the Company is anticipating falling growth and has decided to defer some of its expenses.

Finally, the Company is continuing to pay its suppliers and service providers on time with no extensions.

As indicated in section 3.6.1.3 of this annual financial report, the envisaged outlook detailed in this annual financial report may have to be modified depending on the progression and duration of the Covid-19 crisis.

The risks related to the Covid-19 health crisis are described in section 1.8.1 of this annual financial report.

1.8 RISK MANAGEMENT

1.8.1 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FACED BY THE GROUP

The Group carried out a review of risks which may have a significantly adverse effect on its operations, its financial position or its income (or on its ability to meet its objectives) and considers that there are no other significant risks identified at the date of this financial report.

Pursuant to the provisions of article L. 225-100-1 of the French Commercial Code, as well as the main risks presented below, you will find a presentation of interest rate, exchange rate and liquidity risks in section "3. CONSOLIDATED FINANCIAL STATEMENTS_ NOTE 3.6.4 EXPOSURE TO FINANCIAL RISKS" of this annual financial report.

At this stage, as a systemic risk, the effects of climate change have not been assessed, but its potential consequences are among the risks identified below (technological failures, dependence on suppliers etc.).In accordance with Regulation (EU) 2017/1129 (the so-called "Prospectus 3" Regulation) and Delegated Regulation (EU) 2019/980, this chapter presents only those risks that are specific to the Company and the Group and are material for making an informed investment decision. In each risk category, the most significant risks are presented first.

For each of the risks stated below, the Company has proceeded as follows:

- presentation of gross risk, as it exists in the context of the Company's activity;
- presentation of the measures implemented by the Company to manage that risk.

Application of these measures to gross risk allows the Company to analyse a net risk. The Company has assessed the criticality of the net risk, which is based on a combined analysis of two criteria: (i) the likelihood of the risk occurring and (ii) the estimated magnitude of its negative impact. The degree of criticality of each risk is stated below using the following qualitative scale:

- low;
- moderate;
- high.

Summary table:

Type of risk	Degree of criticality of net risk
Emerging risks Covid-19 health crisis	High - Monitoring and evaluation ongoing
RISKS ASSOCIATED WITH THE COMPANY'S OPERATIONS AND MARKET - Dependence on telephone operators - Technological failures - Dependence on subcontractors - Dependence on suppliers - Dependence on key persons - Competition - Technological breakthrough - Reputation of the Company - International development	 Moderate Moderate Moderate Moderate Moderate Moderate Moderate Moderate Moderate
LEGAL RISKS - Intellectual property	Moderate
FINANCIAL RISKS - Financing needs	Moderate

Emerging risks

RISKS ASSOCIATED WITH THE COVID-19 HEALTH CRISIS

The effects of the Covid-19 health crisis are not precisely quantifiable at the date of this annual financial report, although they may have a significant effect on the Group's activity.

In its press release dated 20 March 2020, the Company announced that it had introduced short-time working measures for some Group employees, with other employees being place on leave or teleworking. It also recalled its dependence on carriers, which have sharply reduced their activity.

Since these announcements, the Company has seen a significant decline in its activity and had to stop shipping equipment between 18 March and 30 March 2020. Since then, activity has resumed at very low levels.

However, the Company anticipates a decline in revenue of around 20% due to the Covid-19 health crisis, although this figure may be subject to adjustment in future depending on its progress and duration, and has decided to postpone several investment decisions indefinitely.

It should also be noted that, in the context of a global pandemic, the Group could be faced with decisions taken by government authorities in the various countries in which it operates, which could have an impact on the Company's results and financial position. The risks related to the global Covid-19 pandemic include a decline in activity, the deterioration of the Company's economic position related to that decline and possible delays in payment caused by an economic crisis resulting from the health crisis.

With regard to these items, the degree of criticality of that net risk is high but still under evaluation. The Company will release a statement on the impact of this crisis on the Company in the near future.

Risks associated with the Company's operations and market

RISKS ASSOCIATED WITH DEPENDENCY ON TELEPHONE OPERATORS

Given the nature of its operations, the Company is dependent on its relationship with telephone operators and contracts entered into with them (contracts are currently in place with Orange, SFR and Bouygues Télécom).

Due to its dependence on these operators, the Company has identified the following risks, which could have a significant adverse effect on the Company, its business, financial position, earnings, growth and outlook:

- the loss of the telecommunications operator's license, by one or more operators;
- the loss of one or more frequencies by one or more operators;
- the unavailability of a network or several networks at the same time;
- the degradation of existing networks and/or the quality of services relating to these networks;
- the termination of a contract entered into with the Company by an operator or by several operators at the same time;
- the significant increase in pricing conditions negotiated with one or more operators.

In order to reduce the impact of these risks, the Company has chosen to enter into agreements with several operators, rather than just one. The Company can therefore replace an operator with another, depending on the specific needs of its projects.

Furthermore, the risk relating to a possible increase in pricing conditions negotiated with one or more operators is limited, given that the Company is able to pass these price increases on to end clients.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the level of dependence on telephone operators is extremely high;
- although dependence on telephone operators is mitigated by the spreading of risks related to that dependence among many operators, several operators could be confronted at the same time with the stated risks (e.g. unavailability of several networks at the same time, loss of frequencies by several operators, degradation of existing networks managed by several different operators).

RISKS ASSOCIATED WITH TECHNOLOGICAL FAILURES

The disruptions that could affect the Group's activities have a variety of causes, many of which are beyond the Group's control, including: loss of power and failure of telecommunications systems; errors, failures, defects or crashes in software and hardware; computer viruses and other similar disruptive problems; fires, floods and other natural disasters; network attacks or damage to business intelligence tools, software and systems introduced by hackers or cybercriminals; and the performance of third-party suppliers.

The Company has put in place measures (security systems, data back-up procedures, access protection and emergency plans) to ensure the reliability and security of its IT systems, both for internal IT resources (Design Department, sales, marketing, production and accounting) and for external IT resources to ensure business continuity in the event of the occurrence of one of the aforementioned risks.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the Company has put in place security measures regarding failures that could occur; however, the prevention of such technological failures depends on the expertise of third-party organisations whose core business is this activity;
- if, in the future, the Company is not able to handle any of these risks relating to the management of IT systems, its business, earnings, financial position, growth and outlook may be affected.

Risks relating to dependence on subcontractors

As part of its cost control policy, the Company outsources the manufacturing of circuit boards used in its products. All circuit board manufacturing is outsourced to two companies located as close to the Company as possible, in the Pays de la Loire region of France, in order to favour responsive and fluid exchanges.

The Company ensures that its subcontractors have the necessary equipment and staff to support its development, and/or diversify its supply sources. Despite these measures, the Company may be faced with delivery times that are longer than the initial schedule. Such a backlog could result in a delay in generating revenue from the products concerned.

The Company has not put any specific contractual provisions in place with its subcontractors (such as volume commitments).

The Company is currently preparing to double its number of subcontractors, in order to limit risks inherent to production and to secure additional production capacities, which may be used in full or in part, depending on the rate of its future growth.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the Company cannot guarantee that its subcontractors will continue their business relationships with it in the long term or maintain an operational level in line with its needs, and in the event of the failure by subcontractors, the Company may not be able to replace them quickly;

- the occurrence of the events described in this section could have a significant negative impact on the business of all of the Company's subcontractors at the same time despite an increase in the number of subcontractors used by the Company.

Risks relating to dependence on suppliers

In manufacturing its products, the Company relies on a large number of components delivered by various suppliers, most of which are interchangeable. The Company's main procurement markets are Europe and Asia (resulting in a currency risk, described in section 3. CONSOLIDATED FINANCIAL STATEMENTS_ NOTE 3.6.4 EXPOSURE TO FINANCIAL RISKS of this annual financial report).

Although the Company considers the quality of its suppliers highly important, the use of suppliers presents a certain number of risks, such as supply disruption, inadequate component quality, product origin and non-compliance with applicable regulations and intellectual property rights by third parties. The use of suppliers can therefore give rise to financial risks, as well as risks relating to the Company's reputation, in the event that these suppliers do not comply with applicable regulations, specifically with regard to product safety.

The crystallisation of any of these risks may have a significant adverse effect on the Company, its business, financial position, earnings, growth and outlook.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the Company cannot guarantee that its suppliers will continue their business relationships with it in the long term or maintain an operational level in line with its needs, and in the event of the failure by suppliers, the Company may not be able to replace them quickly;

- the occurrence of the events described in this section could have a significant negative impact on the business of all of the suppliers used by the Company.

Risks associated with dependence on key persons

The Group relies on key individuals within Management and its other employees. In this sense, any departure from those members of management or employees could be detrimental to the Group's activities.

The Group also faces the challenge of attracting, training and retaining qualified employees while controlling its labour costs. The Group's ability to support its strategy may be limited by its ability to recruit, train, motivate and retain a sufficient number of qualified employees.

The Company's inability to attract and retain key personnel may prevent it from achieving its objectives and, as a result, may have a significant adverse impact on its business, earnings, financial position, growth and outlook.

The Company believes that the degree of criticality of that net risk is moderate, considering that the occurrence of the events described in this section could have a high negative impact on the Company (failure to achieve the Company's objectives, disorganisation, impact on revenue and profitability).

Risks relating to competition

Cogelec must face active competition mainly with regard to prices as well as the ability to offer GSM services. Competitors' innovation may impact the Company's future growth indeed, More generally, it is highly likely that the vast majority of market players will soon begin using methods similar to those developed by the Company.

In response, Cogelec is making significant investments in innovation.

Faced with this competition, Cogelec may have to reposition its strategy to maintain its market share and margin.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the effectiveness of the measures implemented by the Company to address the heightened competitive environment in which it operates may be mitigated (in the event of delays in the development of innovative projects or in the event of the development of new products competing with the ones offered by the Company);
- the occurrence of the events described in this section could have a significant negative impact on the Company (impact on the Company's revenue and level of profitability).

Risks relating to technological breakthroughs

Innovative technology currently under development, potentially more efficient, safer and/or less expensive, or other techniques not yet known, may be marketed in the near future.

In order to prepare for these technological changes, the Company has a team responsible for monitoring technological advances, and stays abreast of the latest research and progress in its areas of activity.

Nevertheless, it is possible that the Company may not accurately assess technological, IT and commercial opportunities that these new technologies may offer, and runs the risk of falling behind the competition.

The Company believes that the degree of criticality of that net risk is moderate, considering that the occurrence of the events described in this section could have a high negative impact on the Company (impact on the Company's revenue and level of profitability).

Reputational risk

The Company's reputation mainly relates to the presentation of its products and services, as well as its strategies for building customer loyalty and conquering new markets. The Company's success over the next few years will therefore largely depend on its reputation and reliability in relation to the quality of its products and services. This reputation has already enabled the Company to consolidate its market share and has significantly contributed to its growth.

The Company may find itself in a weakened position if a negative experience of one or more customers is shared online or via other communication methods, a phenomenon which is extremely difficult to control.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the Company believes that the dissemination of criticism about the Company is probable, but that the Company will be able to respond thanks to the monitoring of Internet tools and social networks;

- the occurrence of the events described in this section could have a negative impact on the Company (deterioration of the Company's reputation, loss of attractiveness of the Group's products, impact on the Company's revenue and level of profitability).

RISKS ASSOCIATED WITH INTERNATIONAL DEVELOPMENT

International expansion is an important element in the Company's growth strategy. To extend its leadership in Europe, the Company, which offers its solutions in ten European countries, has created its first foreign subsidiaries in Germany (Düsseldorf), the United Kingdom (London area) and the Netherlands (Amsterdam). The international scope of the Company's activities is an element of complexity that increases the risks inherent in its activity. Some of the numerous risks associated with international expansion:

- compliance with legal and regulatory requirements, taxation or commercial laws;
- the possibility of unexpected changes in the legal, political or economic framework in countries in which the Company provides or sells its products;
- the difficulty in finding, hiring and retaining talented and skilled employees in foreign countries;
- the need to adapt its product offerings to the local market, to adapt to local practices and different cultural standards, and the need to stay competitive vis-à-vis competitors that may have a better understanding of the local market;
- different labour regulations from one country to another;
- the limitations of the Company to reinvest the profits from its operations in one country to finance capital requirements of operations in other countries;
- exchange rate fluctuation against the Euro for the Company's operations outside the Euro Zone;
- increase in costs relating to the Company's presence abroad;
- changing regulations in a country or region relating to data security, and unauthorised access and use of business and personal data;
- limited or unfavourable intellectual property protections in certain countries.

The Company believes that the degree of criticality of that net risk is moderate, considering that the occurrence of the events described in this section could have a negative impact on the Company (deterioration of the Company's reputation, loss of attractiveness of the Group's products, impact on the Company's revenue and level of profitability and on its development and outlook).

Legal risks

RISKS RELATING TO INTELLECTUAL PROPERTY

The Company currently holds 41 patent families, 28 trademarks and 18 models. It has also obtained several VIGIK trademark operating licences for products it designs, manufactures and markets. The Company's success depends on its ability to obtain, retain and protect its patents, trademarks, drawings and models, as well as its other intellectual property or related rights (such as trade secrets and know-how).

The Company takes pro-active steps to protect its intellectual property rights, and is assisted by two law firms specialising in this area; one focusing on patents, and the other on trademarks, models and logos.

Furthermore, as part of its development projects, the Company cannot be certain that the confidentiality of its un-patentable technology or trade secrets will be guaranteed by the protections in place, and that in the event of a breach, that satisfactory measures can be taken. In these cases, the Company requires stakeholders to sign non-disclosure agreements (specifically as part of partnership agreements). Indeed, unpatented and/or unpatentable technology, processes, know-how and proprietary data are considered trade secrets that the Company attempts to protect in part using such non-disclosure agreements, where applicable.

Intellectual property claims by a third party or the Group's failure or inability to protect its intellectual property rights could diminish the value of the Group's brand and weaken its competitive position.

As of the date of publication of this annual financial report, the Company is involved in a single dispute, deemed not to be of significance for the Company: On 21 September 2016, EOZ brought patent infringement proceedings against the Company (in relation to the manufacture of a type of keypad). The financial risk is minimal and the keypad in question is no longer manufactured by the Company (the disputed keypad was only sold by the Company in 2015 and 2016). This dispute was the subject of a provision at 31 December 2018 for an amount of €140k, which correlates to management's best estimate of the risk to date.

However, in order to mitigate such risks, the Company begins all of its R&D projects by assessing current technologies, in particular by reviewing existing patents that may relate to the project and in order to ensure that, if it succeeds in overcoming the technological obstacles identified, the Company will be free to make use of its innovation. Next, after having obtained approval for the patents filed, the Company begins marketing its new products and services.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the number of patents registered in its sector of activity is very high, with significant levels of technical complexity for related technologies, thus increasing the likelihood of being confronted with claims for unauthorised use of third-party patents;
- the occurrence of the events described in this section could have a significant negative impact on the Company (loss of competitive advantages, impact on the Company's revenue and profitability, risk of litigation).

Financial risks

RISK RELATED TO FINANCING

The Company's annual cash requirements have, until now, been ensured by mechanisms such as capital increase, public innovation grants, (BPI repayable advance), the French Research Tax Credit and Innovation Tax Credit, and bank loans.

In the future, the Company will continue to have substantial financing requirements for the development and marketing of its products. The Company may find itself unable to self-finance its growth, forcing it to seek alternative sources of financing, such as leveraged bank loans, the issuance of financial instruments classified as financial liabilities, or the issuance of new shares.

The Company's ability to raise additional funds depends on financial, economic and market conditions, as well as other factors over which it has little to no control. In addition, the Company cannot guarantee that additional funds will be made available when needed and, where relevant, that said funds will be made available under acceptable conditions.

If the required funds are not available, the Company may be forced to curb the development of new products, or delay or abandon expansion into new markets.

Furthermore, given that the Company raises capital via the issuance of new shares or other financial instruments that may give future access to the Company's capital, its shareholders' interests could be diluted.

The Company believes that the degree of criticality of that net risk is moderate, considering that:

- the Company is taking steps to obtain the financing necessary for the development of its activity;
- the occurrence of the events described in this section could have a significant negative impact on the Company (impediments to the development of the Company's activity, impact on the Company's revenue and level of profitability).

1.8.2 INSURANCE AND RISK HEDGING

The Company implemented a hedging policy for its main insurable risks, with guarantee amounts that it deems consistent with the nature of its business.

The costs incurred by the Company for all of its insurance policies were €116k for the year ended 31 December 2019 and €106k for the year ended 31 December 2018.

The Company's main policies with insurance companies are as follows:

Type of insurance	Main guarantees
Goods transport	Supply procurement Sales Own account
Buildings	Material damage to insured property Loss of rent and/or loss of use/financial loss Expenses and losses (including expert fees, excavation costs, security fees) Liability
Car fleet	Company fleet One-off assignments using private vehicles
Multi-risk	Fire and related risks Theft Glass breakage Machinery breakdown Operating losses
Professional civil liability	Damage before, during and after delivery Defence Legal action
Global secure **Key personnel**	Employee roadside assistance Guarantee Death-Total and Permanent Disability Accident/Illness Guarantee Total Permanent Disability
Civil liability	Corporate officers Directors
Data theft/hacking and cyber-attacks	Breaches of personal data Breaches of confidential data Operating losses Cyber-liability Virus

A detailed summary of policies is set out under section 4.8 of the Company's Base Document, which is available on the Company's website.

1.9 PROCEDURES FOR INTERNAL CONTROL AND RISK MANAGEMENT RELATIVE TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

1.9.1 INTERNAL CONTROL OBJECTIVES

The internal control system implemented by the companies in the Group is intended to ensure:

- compliance with laws and regulations;
- the implementation of instructions and policies set by General Management;
- the smooth running of processes, particularly those relating to safeguarding assets;
- the reliability of financial information; and
- in general terms, the system supports operational management and efficacy and the efficient use of resources.

As with any control system, this cannot provide an absolute guarantee that all risks are under control. Its main aim is to reduce the likelihood of them occurring and their potential impact by taking appropriate measures.

1.9.2 PREPARATION OF FINANCIAL INFORMATION

Reporting planning, steering and process

The budgeting and monthly monitoring procedures are as follows:

- at the end of the year, a detailed budget is prepared for the following financial year by the management. This budget is subsequently presented to the Board of Directors;
- a monthly meeting of the Management Committee aims to monitor and measure discrepancies with the budget and determine any corrective measures.

Procedures to approve the financial statements

The Group produces a monthly statement of certain key indicators and full half-yearly consolidated financial statements. These are produced by the chartered accountancy firm that has worked with the Company since it was established.

A chartered accountant to prepare the consolidation package under IFRS standards. The financial statements are then checked by the Statutory Auditors and approved by the Board of Directors.

Applicable standards

In general terms, all of the Company's accounting options are determined by the management, discussed with General Management and the Statutory Auditors then presented to the Audit Committee. The Group's consolidated financial statements are prepared in accordance with IFRS standards.

The Company's financial statements are prepared in accordance with French regulations.

1.10 ELEMENTS OF THE MANAGEMENT REPORT PRESENT IN OTHER PARTS OF THE ANNUAL FINANCIAL REPORT

The elements of the management report are included in full in the various sections of this document:

- Exchange rate and currency risk hedging strategy, and risk factors – section 3.6.2 of the chapter on the consolidated financial statements;
- Information on corporate governance - chapter on the corporate governance report– section 2.1;
- Table of profit/loss over the last 5 financial years – section 4.4 of the chapter on the Company's annual financial statements;
- Information on equity, shareholders and treasury share transactions - section 2.4.3 of the chapter on the corporate governance report;
- Employee shareholdings on the last day of the financial year - section 2.4.11 of the chapter on the corporate governance report;
- Redeemed shares – section 2.4.10 of the chapter on the corporate governance report.

2. REPORT ON CORPORATE GOVERNANCE

2.1 CORPORATE GOVERNANCE

In accordance with the provisions of article L. 225-37 of the French Commercial Code, and supplementing the management report, the present report from the Board of Directors is intended to report to shareholders:

- the composition, functioning and powers of the Board;
- the conditions for the preparation and organisation of the work of the Board;
- the compensation of corporate officers;
- agreements concluded between a manager or a significant shareholder and a subsidiary;
- procedures for the participation of shareholders in the General Meeting.

Since June 2018, the Company has referred to the MiddleNext Corporate Governance Code. The code can be consulted on the website www.middlenext.com.

Also, in accordance with recommendation R19, the Board of Directors has taken note of the elements presented in the section "warning factors", which are essential provisions of the code, and declares having reviewed them when preparing the present report.

All of the recommendations of the code were studied and the Company complies with them or has provided detailed explanations.

For the financial year ending on 31 December 2019, in addition to the information shown in the present report, the status of the application of the recommendations of the reference code is as follows:

MiddleNext code recommendations	Compliant	Expects to be compliant	Considered be not be applicable
R1: Board members' code of ethics	X		
R2: Conflicts of interest	X		
R3: Composition of the Board – Independent members on the Board	X		
R4: Information for Board members	X		
R5: Organisation of Board and committee meetings	X		
R6: Formation of committees	X		
R7: Introduction of the Board's internal rules and procedures	X		
R8: Selection of individual directors	x		
R9: Duration of Board members' terms of office	X		
R10: Directors' compensation	X		
R11: Introduction of an assessment of the Board's work	X		
R12: "Shareholder" relations	X		
R13: Definition and transparency of compensation for executive directors	X		
R14: Preparation of succession plans for "managers"	X		
R15: Concurrent employment contracts and corporate offices	X		
R16: Severance pay	X		
R17: Supplementary pension schemes	X		
R18: Stock options and bonus share awards	X (1)		
R19 : Review of things to look out for	X		

(1) No allocation has been made to date.

2.1.1 THE BOARD OF DIRECTORS

Composition of the Board of Directors

Since 23 April 2018, the Board of Directors has been composed of five members as follows:

First name, Last name, Function	Independent Member	Date of 1st appointment	Expiry of term of office	Audit Committee	Appointments and compensation committee	Experience and expertise provided
Roger LECLERC, Chairman	No	23 April 2018	2021	No	No	Chairman and Chief Executive Officer since the creation of the Company Research and development
Lydie DELEBARRE	Yes	23 April 2018	2020	Chairman	No	Member of the Management Committee Finance, Audit and risk management Company restructuring Merger-acquisition
Patrick FRUNEAU	No	23 April 2018	2022	Member	No	Technical Expertise Research and development
Cécile VACHER	Yes	23 April 2018	2021	No	Chairman	Company manager Company strategy Corporate Social Responsibility International Development
Patrice GUYET	No	23 April 2018	2020	No	Member	Manager Production and Finance

Table on the composition of the Board of Directors and the Committees in accordance with recommendation R3 of the MiddleNext Code

The maximum period of terms of office is 3 years. Certain directors were appointed for shorter periods, in compliance with the Company's articles of association, to enable terms of office to be staggered in accordance with recommendation R9 of the MiddleNext code.

LIST OF TERMS OF OFFICE AND FUNCTIONS EXERCISED AT 31 DECEMBER 2019 BY EACH MEMBER OF THE BOARD OF DIRECTORS

name	Company	Function/Term of office
Roger LECLERC	COGELEC SA INTRATONE GMBH INTRATONE UK INTRATONE BV SRC HRC SCI La Crume	Chairman of the Board of Directors and Chairman and Chief Executive Officer Chairman Chairman Chairman Chairman of HRC, Chairman of SRC Chairman Manager
Lydie DELEBARRE	COGELEC SA	Director
Patrick FRUNEAU	COGELEC SA	Director
Cécile VACHER	Cabinet VERTUEL COGELEC SA	Co-managing partner Director
Patrice GUYET	COGELEC SA SC PRONOIA	Director of operations Manager

REPRESENTATION OF MEN AND WOMEN WITHIN THE BOARD OF DIRECTORS

The Board has two women and three men, thus respecting the legal provisions of law n° 2011-103 dated 27 January 2011, on the balanced representation of women and men within boards of directors and supervisory boards and on professional equality, pursuant to which the boards of directors of companies listed on regulated markets must achieve a proportion of each of the genders of at least 40%.

INDEPENDENCE OF DIRECTORS

Ms Lydie DELEBARRE and Ms Cécile VACHER are, in accordance with recommendation R3 of the Middlenex Code, independent members of the Board. They fulfil the five criteria for independence within the meaning of the MiddleNext Code.

Absence of sentencing for fraud
To the best of the Company's knowledge and on the day of preparing this report:
- no sentence for fraud has been pronounced over the last five years against one of the members of the Board of Directors;
- no incrimination and/or official public sanction has been pronounced against one of the members of the Board of Directors of the Company by the statutory or regulatory authorities (including designated professional organisations);
- no director has been prevented, by a court, from acting in the capacity of member of an administrative, management or supervisory body or from intervening in the management or conduct of the business of an issuer.

Absence of potential conflicts of interest
As far as the Company is aware, there is no potential conflict-of-interest between the duties, with regard to COGELEC, of the members of the administrative bodies and the General Management and their private interests.

Mission of the Board
The duties of the Board of Directors comply with article L. 225-35 of the French Commercial Code.
The Board of Directors:
- appoints and dismisses the Chairman and the Chief Executive Officer, sets the amount of their compensation and the extent and duration of the powers of the directors;
- appoints the members of the specialised committees that are attached to it;
- examines and validates the policies concerning the business of the Company and oversees their implementation, handles all questions related to the proper operation of the Company and settles the affairs concerning it through its deliberations;
- carries out any checks and verifications that it deems necessary;
- studies and validates the plans put in place to cope with the main risks of the Company, and the plans for internal control, regularly monitors the activity and performance of the Company and makes sure that there is transparency in communicating information;
- establishes and checks the limits on the powers of the executive directors.

Functioning of the Board
In accordance with recommendation R7 of the MiddleNext Code, the Board of Directors has established internal regulations for which the latest update was approved on 23 April 2018. The internal regulations can be consulted on the Company's website.

In accordance with recommendation R1 of the MiddleNext Code, each member of the Board is made aware of the responsibilities and obligations incumbent upon them, notably at the time of their appointment, by being presented with the internal regulations reiterating all rights and duties of members of the Board, its functioning procedures and the ethical rules that they must apply.

Duties of the Chairman of the Board of Directors
The Chairman of the Board of Directors organises and directs the work of the Board of Directors and reports on said work to the General Meeting. The Chairman ensures that the Company's bodies are operating smoothly and, in particular, that directors are in a position to fulfil their duties

Frequency of meetings
The Board meets as often as the interests of the Company require it or the legislation imposes it, and at least once per quarter. During the elapsed financial year, it met three times. The average rate of participation at these meetings was 100%. The meetings of the Board are held, upon invitation from the Chairman, at the registered office. Also, and in accordance with recommendation R5 of the MiddleNext Code, the members of the Board hold regular and informal discussions outside the meetings.

During the 2019 financial year, the Board examined and approved the half-yearly and annual financial statements and its development policy. Also, the question of the succession of managers is a point that is regularly put on the agenda in order to consider solutions to be put in place in case of accident or sudden unavailability.

Convening directors

The directors are convened by email (and informed in advance by telephone). An agenda is attached to the notice of meeting and a working document is sent by email prior to the meeting.

Informing directors

In accordance with recommendation R4 of the MiddleNext Code, and pursuant to the conditions specified in the internal regulations, the members of the Board receive, prior to meetings, the documents necessary to their duties in sufficient time, and operational updates are regularly sent to them.

Minutes of meetings

The minutes of meetings of the Board of Directors are prepared following each meeting and they are approved at the following Board meeting.

2.1.2 THE COMMITTEES OF THE BOARD OF DIRECTORS

The Board has established internal specialised committees intended to improve its functioning and to contribute effectively to the preparation of its decisions:

Appointments and compensation Committee

This committee has a duty to review and propose recommendations on the compensation of corporate officers, managers and executive managers concerning their principles and procedures, and makes sure that compensation is coherent with the performance of the Group.

Another duty of the Committee is to propose to the Board of Directors the appointment and renewal of members of the Board of Directors. The Members of the Appointments and compensation Committee were Ms Cécile VACHER, Chair, and Patrice GUYET.

The Committee follows recommendation R13 of the MiddleNext Code on the compensation of executive directors.

The Committee met three times during 2019, with an attendance rate of 100%.

Audit Committee

The Audit Committee provides its assistance to the Board in its duties relative to examination of the financial statements and the control of accounting and financial information as well as for matters relative to risk management and internal control.

The Committee's duties include:

- monitoring the process of preparing financial information;
- monitoring the effectiveness of the internal control and risk management systems;
- monitoring the statutory control carried out by the Statutory Auditors, verifying their independence, and issuing a recommendation on the designation of candidacies to the General Meeting of Shareholders.

The members of this Committee at 31 December 2018 were Lydie DELEBARRE, Chair and Patrick FRUNEAU. The chairmanship of the Audit Committee is assigned to an independent member, in accordance with recommendation R6 of the MiddleNext Code. The Audit Committee met four times during 2019, with a rate of attendance of 100%.

2.1.3 THE GROUP'S GENERAL MANAGEMENT

The General Management provides its skills to the Board of Directors in preparing and monitoring the strategy validated in Board meetings. It does everything possible to ensure the due management of the company and the implementation of the budget validated by the Board of Directors.

The Chairman and Chief Executive Officer

During the meeting of the Board of Directors of 23 April 2018, it was decided to combine the functions of Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company. He/she exercises these powers within the limit of the corporate purpose subject to those that the French Commercial Code expressly assigns to meetings of shareholders and to the Board of Directors. The Chief Executive Officer represents the Company in its dealings with third parties.

Also, the internal regulations list various operations for which the Chairman and Chief Executive Officer must obtain prior authorisation from the Board as follows:

- acquisition or disposal of the Company's direct, or indirect, interests in any existing or future companies, involvement in the formation of any companies, groups and bodies, subscription for any share issues, equity interests or bonds, where the Company's financial exposure in respect of the transaction in question exceeds five million euros (€5,000,000);
- grant of any transfers or exchanges involving assets, stocks or securities (apart from any current account transfer from the Company to its subsidiaries), for an amount in excess of five million euros (€5,000,000);
- in the event of dispute, the approval of any treaties, agreements and settlements, for an amount in excess of one million euros (€1,000,000);
- transactions for the acquisition or disposal of property where the amount in question exceeds three million euros (€3,000,000);
- grant or receipt by the Company of any loans, borrowings, credit or advances, or authorisation of Company subsidiaries to this end, for an amount in excess of five million euros (€5,000,000);
- acquisition or disposal, by any means, of any receivables worth more than one million euros (€1,000,000);
- grant of any guarantees, deposits and sureties for an amount in excess of one million euros (€1,000,000).

The Management Committee

The Executive Committee must first and foremost implement the company's vision and strategy. It is of course the forum where decisions, guided by this vision, are made to optimise the management and growth of the company. It allows both to deal with important topics requiring management decisions, strategic communications topics, the opportunity to upload and download structuring information, but also a meeting to summarize the key figures of the divisions and projects.

It is currently composed of five members:

- Lise GASCHET, International Development Manager;
- Patrice GUYET, Director of Operations;
- Roger LECLERC, Chief Executive Officer;
- Valérie MORIO, Head of Marketing & Communication;
- Véronique POCHET, Chief Financial Officer.

2.2 INFORMATION ON COMPENSATION

In accordance with Article L. 225-37-3 of the French Commercial Code, the total compensation (fixed, variable and exceptional items) and benefits of any kind paid during the past financial year to each executive corporate officer and non-executive corporate officer, as well as the criteria on the basis of which they were calculated or the circumstances under which they were established, are set forth below.

The general principles of the compensation policy are proposed by the Appointments and Compensation Committee and determined by the Board of Directors.

The compensation of executive corporate officer includes a fixed and a variable portion.

2.2.1 COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

Compensation policy for the Chairman and Chief Executive Officer for the 2019 financial year

It should be noted that, at its meeting of 18 April 2019, the Board of Directors set the principles and criteria for establishing the items composing the annual compensation of the Chairman and Chief Executive Officer as follows. This compensation policy was put to the vote and adopted by the shareholders at the Annual General Meeting of 24 June 2019.

FIXED COMPENSATION

The fixed compensation of the Chairman and Chief Executive Officer is set at €300,000 gross.

The fixed part is determined taking into account the level of responsibility, experience in a management role and market practices.

VARIABLE COMPENSATION

The fixed compensation will only be supplemented with variable compensation if the annual EBITDA made by the Company is at least equal to €10,000,000.

If this performance condition is met, the Chief Executive Officer's variable pay will be calculated as follows:

- 2.5% of the fraction of annual EBITDA made by the Company less than or equal to €10m, and
- 1.25% of the fraction of annual EBITDA made by the Company greater than €10m.

The term "EBITDA" means earnings before interest, taxes, depreciation, and amortisation. It refers to net operating income/loss before depreciation, amortisation and impairment, net of reversals. It shows profit generated by operations independent of the terms of its financing, tax constraints and the upgrading of operating equipment.

Please note that the EBITDA to be taken into consideration when calculating the aforementioned variable compensation is that arising from the Company's (IFRS-compliant) consolidated financial statements.

The payment of the variable share of compensation due pursuant to the 2019 financial year will depend upon the approval by an Ordinary General Meeting of the items of compensation of the Chairman and Chief Executive Officer under the conditions specified by Article L. 225-100 of the French Commercial Code.

EXCEPTIONAL COMPENSATION

The Chairman and Chief Executive Officer may not claim the payment of exceptional compensation.

COMPENSATION IN RESPECT OF HIS DIRECTORSHIP

The Chairman and Chief Executive Officer is entitled to compensation in respect of his directorship provided he meets the following conditions:

- is an independent director; or
- exercises a salaried function within the Company or its subsidiaries; and
- is not a direct or indirect shareholder of the company SRC S.A.S.

It should be noted that the current Chairman and Chief Executive Officer does not fulfil these conditions and therefore cannot be paid attendance fees.

Stock options and bonus shares

As an executive corporate officer of the Company, the Chairman and Chief Executive Officer may be awarded bonus shares of the Company or stock options under profit-sharing plans implemented for the benefit of all or some of the employees and managers of the Group.

Compensation, indemnities or benefits due upon taking of office

None.

Benefits in kind

None.

Any other item of compensation for the position held in the Company

None.

Compensation or contractual benefits within the Group

The Chairman and Chief Executive Officer has not concluded any agreement with the Company pursuant to his appointment.

Exclusively for informational purposes, the Board of Directors reiterates that, on 23 April 2018, the Company and HRC SAS (of which Roger LECLERC is the Chairman and majority partner) concluded a service provision agreement, which does not specify the provision of any services related to the functions of manager (the services are exclusively technical and commercial).

This agreement is described in the Statutory Auditors' special report on regulated agreements and commitments presented in section 5 of this annual financial report.

Severance pay – supplementary pension plans

None.

Fixed and variable compensation allocated to the Chairman and Chief Executive Officer for the 2019 financial year

2019 fixed compensation (in €k)

Roger Leclerc	300

2019 variable compensation (in €k)

Roger Leclerc	None

The performance objectives (EBITDA of €10 million) that conditioned the activation of Roger Leclerc's variable portion were not achieved. As a result, the variable portion was not activated in 2019.

Compensation policy for the Chairman and Chief Executive Officer planned for the 2020 financial year

The principles and criteria determined by the Board of Directors to establish the components of the Chairman and Chief Executive Officer's annual compensation for the 2020 financial year, which will be put to a vote at the next Ordinary General Meeting, are as follows:

Fixed compensation

The fixed compensation of the Chairman and Chief Executive Officer is set at €300,000 gross.

The fixed part is determined taking into account the level of responsibility, experience in a management role and market practices.

Variable compensation

The fixed compensation will only be supplemented with variable compensation if the annual EBITDA made by the Company is at least equal to €10,000,000.

If this performance condition is met, the Chief Executive Officer's variable pay will be calculated as follows:

- 2.5% of the fraction of annual EBITDA made by the Company less than or equal to €10m, and
- 1.25% of the fraction of annual EBITDA made by the Company greater than €10m.

The term "EBITDA" means earnings before interest, taxes, depreciation, and amortisation. It refers to net operating income/loss before depreciation, amortisation and impairment, net of reversals. It shows profit generated by operations independent of the terms of its financing, tax constraints and the upgrading of operating equipment.

Please note that the EBITDA to be taken into consideration when calculating the aforementioned variable compensation is that arising from the Company's (IFRS-compliant) consolidated financial statements.

The payment of the variable share of compensation due pursuant to the 2020 financial year will depend upon the approval by an Ordinary General Meeting of the items of compensation of the Chairman and Chief Executive Officer under the conditions specified by Article L. 225-100 of the French Commercial Code.

Exceptional compensation

The Chairman and Chief Executive Officer may not claim the payment of exceptional compensation.

Attendance fees

The Chairman and Chief Executive Officer may claim the payment of attendance fees pursuant to his appointment as director if he fulfils the following conditions:

- is an independent director; or
- exercises a salaried function within the Company or its subsidiaries; and
- is not a direct or indirect shareholder of the company SRC S.A.S.

It should be noted that the current Chairman and Chief Executive Officer does not fulfil these conditions and therefore cannot be paid attendance fees.

Any other item of compensation for the position held in the Company

None.

Stock options and bonus shares

As an executive corporate officer of the Company, the Chairman and Chief Executive Officer may be awarded bonus shares of the Company or stock options under profit-sharing plans implemented for the benefit of all or some of the employees and managers of the Group.

Compensation, indemnities or benefits due upon taking of office

None.

Benefits in kind

None.

Compensation or contractual benefits within the Group

The Chairman and Chief Executive Officer has not concluded any agreement with the Company pursuant to his appointment.

Exclusively for informational purposes, the Board of Directors reiterates that, on 23 April 2018, the Company and HRC SAS (of which Roger LECLERC is the Chairman and majority partner) concluded a service provision agreement, which does not specify the provision of any services related to the functions of manager (the services are exclusively technical and commercial).

This agreement is described below and in the Statutory Auditors' special report on regulated agreements and commitments presented in section 5 of this annual financial report.

Severance pay – supplementary pension plans

None.

Service provision agreement between Cogelec and HRC

On 18 April 2019, the Board of Directors authorised the continuation of the service provision agreement relating to the technical and commercial services component of the Company's activities. This service agreement with HRC SAS, of which Roger LECLERC is the Chairman and majority partner, resulted in the payment by the Company of compensation distributed as follows:

- a fixed amount of €377,340 excluding tax for technical services and €317,760 for commercial services;
- a variable amount attached to the provision of commercial services, for which the maximum amount may not be greater than the fixed amount previously determined and calculated as follows:
  - 2.5% of the fraction of annual EBITDA made by the Company less than or equal to €10m,
  - 1.25% of the fraction of annual EBITDA made by the Company greater than €10m.

HRC SAS also bills the Company, upon submission of supporting evidence, for expenses incurred (outside France) in providing the services.

2019 compensation paid to HRC SAS (of which Roger Leclerc is the Chairman and majority partner) under the current regulated agreement (in €k)

Fixed portion technical services	377,340
Fixed portion Marketing/Commercial services	317,760
Variable portion linked to commercial performance	69.7
Total	**764.8**
Percentage of variable portion (as a % of the fixed portion)	**10%**

2.2.2 COMPENSATION OF OTHER CORPORATE OFFICERS

Director compensation policy for the 2019 financial year

At its meeting on 23 April 2018, the Board of Directors decided on the compensation policy for directors. The compensation policy for members of the Board of Directors is based on the allocation of compensation whose total amount is validated by the General Meeting, and distributed between its members at the discretion of the Board according to the following principles in accordance with recommendation R10 of the MiddleNext Code:

- only directors with the status of independent director or holding a salaried position within the Company or its subsidiaries, will be allocated attendance fees (given that attendance fees will not be paid to directors who are direct or indirect partners of SRC S.A.S.);
- attendance fee amounts will be determined in consideration of rates of attendance at Board of Directors' and committee meetings;
- directors who are members of the Board's committees (and, in particular, the chairs of said committees) will receive a bigger share than other directors.

Each member of the Board of Directors is entitled to the reimbursement of travel expenses incurred during the exercise of his/her functions.

There are no particular commitments to directors in terms of pension, severance pay or under non-compete clauses. The Company does not have a stock option plan.

Director compensation policy planned for the 2020 financial year

The total amount set by the shareholders will be distributed in accordance with the following principles:

- only directors who (i) are classified as independent directors or (ii) hold a salaried position within the Company or its subsidiaries, will be allocated compensation (it being specified that no compensation will be paid to directors who are direct or indirect shareholders of SRC S.A.S.);
- the amount to be allocated to each one will be determined by taking into account attendance at Board of Directors and committee meetings;
- directors who are members of the Board's committees (and, in particular, the chairs of said committees) will receive a bigger share than other directors.

Compensation of Patrice Guyet

It should be noted that Patrice Guyet, Director, holds an employment contract entered into prior to his appointment as Director by the General Meeting of 23 April 2018. Patrice Guyet is compensated under this employment contract.

Compensation assigned in respect of the 2019 financial year

Under the 12th resolution of the general meeting of shareholders of 23 April 2018, Company shareholders set the amount of attendance fees to be shared between the members of the Board of Directors and/or of ad hoc committees for the financial year ending on 31 December 2019, at €20,000.

At its meeting on 21 April 2020, the Board of Directors decided to allocate the following amounts on the advice of the Appointments and Compensation Committee:

- Lydie Delebarre, Chair of the Audit Committee: €11K
- Cécile Vacher, Chair of the Appointments and Compensation Committee: €9K

Mr Fruneau, director and shareholder, does not receive any compensation as a corporate officer.

2.2.3 ANALYSIS OF CHANGES IN THE COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Compensation of the Chairman and Chief Executive Officer considered

History of the total direct and indirect compensation of Roger Leclerc (in €k)

	2015	2016	2017	2018	2019
Cogelec Group compensation	119,99	93,74		200*	300
Change	12%	-22%	-100%		

Prior to the listing of Cogelec shares on the Euronext Paris regulated market, the Chairman and Chief Executive Officer was compensated via the regulated agreement that has existed between HRC and Cogelec since 20 September 2011. At the time, HRC provided general policy, technical and commercial services to Cogelec SAS (of which HRC was the non-compensated Chairman).

*Compensation due for 2018 relates to the period from 23 April to 31 December 2018 since Roger LECLERC was appointed Chief Executive Officer of the Company on 23 April 2018.The remuneration due pursuant to 2018 relates to a financial year of 8 months.

Background of the service provision agreement with HRC

	2015	2016	2017	2018	2019
Technical Services	282,80	283,65	338,53	378,02	377,34
Marketing/Commercial services – fixed portion	587,37	642,65	571,85	136,96	0
Marketing/Commercial services – variable portion			185,36	371,74	387,46
Total	870,167	926,302	1 095,734	886,726	764,800
Change	19%	6%	18%	-19%	-14%

In economic terms, the service provision agreement between HRC and Cogelec may be considered an indirect component of Roger Leclerc's compensation which, however, does not fall within the scope of his compensations in respect of his office as Chairman and Chief Executive Officer (see 2.2.1).

Analysis in relation to the Company's performance

Financial indicators considered (in €k)

	2015	2016	2017	2018*	2019*
Revenue	19 496	24 822	30 290	33 570	39 934
Change		27%	22%	11%	19%
Net income	559	1 945	2 495	-1 064	-2 862
Change		248%	28%	-143%	-169%
EBITDA	1 951	3 578	7 411	3 205	2 787
Change		83%	188%	-37%	49%

* Group consolidated financial statements

Change in compensation under the CEO mandate in relation to financial indicators

	2015	2016	2017	2018	2019
in relation to revenue	1%	0%	0%	1%	1%
in relation to EBITDA*	6%	3%	0%	6%	10%

*After reinstatement of the CEO's remuneration

Change in compensation under under the service agreement in relation to financial indicators

	2015	2016	2017	2018	2019
rapportée au chiffre d'affaires	4%	4%	4%	3%	2%
rapportée à l'EBITDA*	31%	21%	13%	22%	22%

* After reinstatement of service provision

The order of magnitude of the compensation of the Chairman and Chief Executive Officer is stable, whereas the Group's sales and revenue are increasing.

The falling EBITDA, related to the model of international expansion, increases the share of compensation for the office of Chairmanship and Chief Executive Officer in respect of the previous financial year.

At this stage, human investments (recruitment and associated training) in the subsidiaries are not having their full effect.

Analysis in relation to employee compensation

Change in employee gross annual salaries*(in €k)

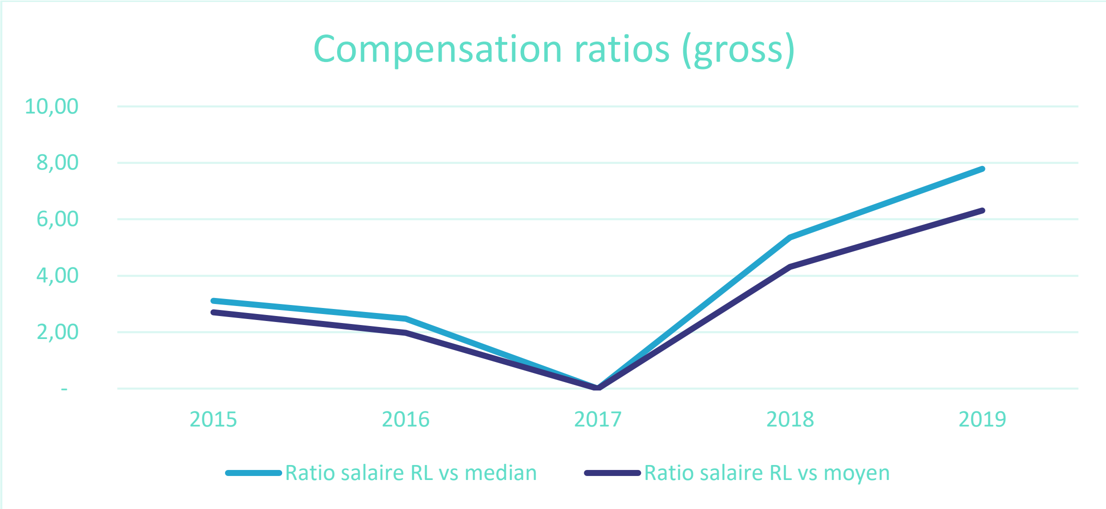
	Median salary	Average salary	Workforce
2015	38,55	44,37	76
2016	37,85	47,41	82
2017	39,18	48,75	91
2018	37,29	46,36	115
2019	38,52	47,53	173

* excluding: Apprentices/Pro Contract/Internship, Hirings/Departures during the year, Parental leave, Long Illnesses (>3 months), Expatriates, Corporate Officers

There is a gap between the average salary and the median compensation of employees other than corporate officers, which is the result of various factors:

- the growth in the Group's revenue increases the variable portion of the sales force;
- recruitment in production to support the Group's development.

Equity Ratios for Roger Leclerc's Compensation for his Mandate as CEO



The equity ratios for only the compensation received by Roger Leclerc for his term of office as Chairman and Chief Executive Officer changed significantly due to the change in compensation strategy adopted at the time of Cogelec's initial public offering on Euronext Paris.
The equity ratio in 2019 was 6.31 for the mean salary and 7.79 for the median salary.

Analysis of minority shareholder votes relating to the compensation policy for the Chairman and Chief Executive Officer

Some of the minority shareholders took a position against the 2019 compensation policy for the Chairman and Chief Executive Officer at the General Meeting of 24 June 2019 for the following reasons:

- Lack of performance criteria for regulated agreements;
- Lack of cap on the variable portion of the Chairman and Chief Executive Officer's compensation.

These reasons were included in the recommendations made by the Appointments and Compensation Committee for the 2019 financial year, which were proposed to the Board of Directors for consideration as soon as possible.

Analysis of the compensation of the Chairman and Chief Executive Officer with regard to the Middlenext Code criteria

Criteria	Compliance			Comment
	Yes	Partially	No	
Comprehensiveness	X			According to this principle, the work of the Appointments and Compensation Committee includes the direct compensation (fixed and variable) and indirect compensation (regulated agreement between Cogelec and HRC) of the Chairman and Chief Executive Officer.
Balance		X		Per the reasoning for the compensation components, and in accordance with the recommendations of the AMF, the Appointments and Compensation Committee renewed its request for the production of a report on the services provided by HRC through the agreement entered into between HRC and Cogelec.

Benchmark			X	According to the benchmarks studied by the Appointments and Compensation Committee, the fixed compensation of Roger Leclerc is consistent with the Compartment C panel. It should be noted, however, that the variable compensation (not activated in 2019) is not capped and that the amounts related to the service agreement between Cogelec and HRC are not included.
Consistency		X		Equity ratios are consistent but do not consider the amounts related to the service agreement between Cogelec and HRC.
Ease of comprehension		X		Variable portion rules are easily understood and consistent with the company's performance objectives. However, the fact that the variable portion of the compensation is not capped but subject to performance conditions, whereas the variable portion of the regulated agreement in force between HRC and Cogelec is capped but not subject to conditions, is detrimental to consistency and ease of comprehension.
Measurement		X		The balance between the general interest of the company, market practices and executive performance is adhered to, provided that the stability of the compensation is taken into account in the light of the Group's growth. The conditions for activation of the variable portion of compensation make it possible to align the interests of the Chairman and Chief Executive Officer with those of the shareholders, provided that they are extended to the regulated agreement and the variable portion is capped.
Transparency	X			Annual information provided to shareholders of all compensation and benefits received by executives is disclosed in accordance with applicable regulations.

2.3 OTHER ELEMENTS OF THE REPORT ON CORPORATE GOVERNANCE

2.3.1 AGREEMENTS CONCLUDED BETWEEN MANAGERS OR SIGNIFICANT SHAREHOLDERS AND THE SUBSIDIARIES OF THE COMPANY

No agreement was entered into during the 2019 financial year between an executive or significant shareholder of the Company and a company controlled by the Company within the meaning of Article L. 233-3 of the French Commercial Code.

2.3.2 REGULATED AGREEMENTS

On April 23, 2018, the Company entered into a service agreement with HRC SAS (of which Roger LECLERC is the Chairman and majority partner). The purpose of this agreement was the provision of technical and commercial services by HRC SAS for the Company. This agreement was renewed for a period of one (1) year upon authorization by the Board of Directors on April 18, 2019.

No other regulated agreements are in force within the Company.

2.3.3 PROCEDURE FOR THE EVALUATION OF CURRENT AGREEMENTS ENTERED INTO UNDER NORMAL CONDITIONS

In accordance with Article L. 225-39 of the French Commercial Code, as amended by Law No 2019-486 of 22 May 2019 relating to the growth and transformation of companies (the so-called Pacte Law), the Board of Directors has begun work on drafting the procedure for evaluating agreements relating to current transactions entered into under normal conditions. It will be submitted to the Board of Directors for approval in 2020.

2.3.4 GENERAL MEETINGS

General Meetings are convened under the conditions set by law and the regulations. They are held at the registered office or at any other location according to the instructions in the notice of meeting.

The right to attend General Meetings is subject to registration of the shares in the share account in accordance with the terms and deadlines provided for by the regulations.

The meetings are held and deliberate in accordance with the law and regulations.

Furthermore, the managers are available to shareholders who wish to discuss or obtain information outside General Meetings in accordance with recommendation R12 of the MiddleNext Code.

2.3.5 AGREEMENTS ENTERED INTO BY THE COMPANY AND AMENDED IN THE EVENT OF A CHANGE OF CONTROL

The Company signed a partnership and "machine to machine" services contract with Société Française du Radiotéléphone (SFR) on 18 October 2011, subsequently amended by several additional clauses.

The purpose of this contract was to provide the Group with SIM cards and related services, to equip the products sold by the Group, in exchange for a fee paid by the Company in accordance with the tariff set by the contract. The contract covered over 50 geographical regions, as well as France.

The contract was signed for an initial period expiring on 31 December 2012. Since then, it has been automatically renewed every 12 months and will continue to be renewed unless it is terminated by one or other of the parties. The contract also provides for several cases where cancellation may be initiated by SFR (e.g.: improper use of SIM cards, termination or revocation of SFR authorisations for the establishment and operation of services, compulsory liquidation, low rate of achievement of targets by the Company, change of control of the Company or stake in the Company taken by a competitor of SFR).

2.4 INFORMATION CONCERNING THE SHARE CAPITAL

2.4.1 SHARE CAPITAL

At 31 December 2019, the share capital stood at €4,004,121.60, comprised of 8,898,048 shares with a par value of €0.45, all of the same category and fully paid-up.

	01/01/2018	31/12/2019
Number of shares	8,898,048	8,898,048
Of which single voting right shares	3,550,963	3,550,963
Of which shares with double voting rights	5,347,085	5,347,085
Par value (€)	€0.45	€0.45
Share capital (€)	**4,004,122**	**4,004,122**

2.4.2 CHANGES IN SHARE CAPITAL

During 2019, the Company did not carry out any capital transactions.

2.4.3 STRUCTURE OF THE CAPITAL AND NUMBER OF VOTING RIGHTS AT 31 DECEMBER 2019

At 31 December 2019				
Breakdown of capital and voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights
SAS SRC(1)	5,347,065	60.09%	10,694,130	75.77%
PUBLIC	3,420,254	38.44%	3,420,254	24.23%
SAS HRC(2)	20	0.00%	40	0.00%
COGELEC²	130,709	1.47%	0	0.00%
TOTAL	8,898,048	100%	14,114,424	100%

(1) A French simplified public limited company with share capital of €2,808,326with its registered office at 370 rue de Maunit, 85290 Mortagne- sur-Sèvre, listed in the La Roche-sur-Yon Trade and Companies' Register under number 802 817 585.

(2) A French simplified public limited company with share capital of €5,050,618, with its registered office at Chambrette, 85130 Les Landes-Genusson, listed in the La Roche-sur-Yon Trade and Companies' Register under number 451 628 309. HRC's majority partner is Roger LECLERC (94.63%).

2.4.4 HOLDING AND CONTROL

The Company is currently controlled by SRC. The Company has not put any special measures in place with a view to ensuring that this control is not exercised in an abusive manner. However, in accordance with the third recommendation of the MiddleNext code, at least two of the Board members are independent directors (Lydie DELEBARRE and Cécile VACHER).

The application of other recommendations of the MiddleNext code and, in particular, the composition of Board of Directors' committees, ensures that minority shareholders' interests are protected.

2.4.5 MANAGER TRANSACTIONS

In accordance with article L. 621-18-2 of the French Monetary and Financial Code and article 19 of regulation EU n° 596/2014 dated 16 April 2014 on market abuses, it is specified that no transaction was carried out by the managers of Company, or a related person, on COGELEC's shares, during the 2019 financial year.

2.4.6 SHAREHOLDERS' AGREEMENT

A shareholders' agreement was concluded on 25 May 2018 between the six shareholders of the company SRC. The main provisions of this agreement are described in section 3.4.3 of the AMF Securities Note dated 28 May 2018 under number n°18-203.

2.4.7 COLLECTIVE UNDERTAKINGS

A collective undertaking to retain shares was signed by the partners of SRC on 13 June 2018.

2.4.8 EQUITY INVESTMENT THRESHOLDS

Any natural or legal person acting alone, or in concert, that acquires ownership of a number of shares or voting rights in excess of one or more of the thresholds set by the law must comply with mandatory disclosure obligations within the deadline stated. The same information is also given when the capital interest or voting rights fall below legal thresholds.

If declarations are not made in accordance with the requirements listed above, shares in excess of the fraction that should have been declared lose their voting rights in accordance with the provisions of the French Commercial Code.

2.4.9 DELEGATIONS AND AUTHORISATIONS IN MATTERS OF CHANGES TO THE CAPITAL

In accordance with the provisions of article L 225-37-4, paragraph 3 of the French Commercial Code, the table below summarises the delegations valid at 31 December 2019 in respect of capital increases and the uses made of these delegations during the financial year ending on 31 December 2019.

The General Meeting of 24 June 2019 gave certain delegations to the Board of Directors authorising it to increase the capital of the Company, with the option to sub-delegate under the conditions specified by the law:

Subject	Date of General Meeting	Term of the delegation	Ceiling/Limit	Use made of these delegations
Authorisation for the Board of Directors to trade in the Company's shares	24 June 2019	18 months	€5,000,000 10% of the share capital	None
Delegation of powers to the Board of Directors for the purpose of issuing, with maintenance of preferential subscription rights, shares and/or securities giving access to new Company shares	24 June 2019	26 months	€2,300,000*	None
Delegation of powers to be granted to the Board of Directors to issue, with removal of preferential subscription rights, shares and/or securities giving access to new Company shares, in accordance with article L. 225-136 of the French Commercial Code, in particular as part of a public offer	24 June 2019	26 months	€2,300,000*	None

Authorisation to be given to the Board of Directors for the purposes of implementing one of the offers referred to in article L. 411-2 II of the French Monetary and Financial Code to implement the 10th resolution, in accordance with article L. 225-136 of the French Commercial Code	24 June 2019	26 months	€2,300,000*	None
Authorisation to be given to the Board of Directors for the purposes of waiving the terms set by the 10th resolution in order to set the share issue price within the limit of an immediate capital increase representing less than 10% of the share capital per year, in accordance with article L. 225-136 of the French Commercial Code	24 June 2019	26 months	€2,300,000* 10% of the share capital	None
Delegation of powers to be granted to the Board of Directors with a view to issuing shares and/or securities giving access to new shares, with removal of preferential subscription rights for one category of persons**	24 June 2019	18 months	€2,300,000*	None
Authorisation to be given to the Board of Directors for the purposes of increasing, in accordance with article L. 225-135-1 of the French Commercial Code, the number of securities to be issued with maintenance or removal of preferential subscription rights	24 June 2019	26 months	€2,300,000*	None
Delegation of powers to be granted to the Board of Directors for the purposes of issuing shares and/or securities giving access to new Company shares, reserved for employees who are members of the company savings scheme, with removal of their preferential subscription rights, in accordance with article L. 225-129-6 of the French Commercial Code	24 June 2019	26 months	1% of the share capital *	None
Delegation of powers to be granted to the Board of Directors for the purposes of increasing the share capital by issuing shares in the event of a public exchange offer (OPE) initiated by the Company	24 June 2019	26 months	Capital increases likely to be implemented under this authorisation may lead to the Company doubling its share capital	None
Delegation of powers to be granted to the Board of Directors for the purposes of increasing the share capital by issuing shares in exchange for contributions in kind of up to 10% of the share capital, apart from in the event of a public exchange offer	24 June 2019	26 months	10% of the share capital	None
Delegation of powers to be granted to the Board of Directors for the purposes of issuing securities giving access to new Company shares, with no preferential subscription rights, as part of an exchange of financial securities	24 June 2019	18 months	Future capital increases likely to be implemented under this authorisation may lead to the Company doubling its share capital	None
Authorisation to be given to the Board of Directors for the purposes of awarding bonus shares, with removal of preferential subscription rights, to eligible employees or corporate officers of the Company or its associates	24 June 2019	38 months	10% of the share capital	None
Authorisation to be given to the Board of Directors for the purposes of granting stock options, with removal of preferential subscription rights, to eligible employees or corporate officers of the Company or its associates	24 June 2019	38 months	10% of the share capital	None
Delegation of powers to be granted to the Board of Directors for the purposes of increasing the share capital through the incorporation of reserves, premiums, profits or other in accordance with article L. 225-130 of the French Commercial Code	24 June 2019	26 months	Capital increases may be conducted on one or more occasions and in the proportions, and at the times, to be decided by the Board of Directors	None
Authorisation to be given to the Board of Directors for the purposes of reducing the share capital by cancelling shares, subject to the Float going ahead	24 June 2019	24 months	10% of share capital per 24-month period	None

*the maximum nominal amount of immediate or future capital increases likely to be completed counts towards the overall cap on cash issue authorisations of €2,300,000 (16ème resolution of the General Meeting of 24 April 2019).

**definition of categories of person: (i) investment firms or French or foreign collective savings funds, investing on a habitual basis, or having invested in the last 36 months, over €5 million in small and mid caps conducting their business within the security and/or new technologies sectors, or (ii) French or foreign companies or groups operating within these sectors, or (iii) French or foreign companies or groups having set up a joint venture with the Company as part of its business operations.

2.4.10 ELEMENTS LIKELY TO HAVE AN IMPACT IN CASE OF A PUBLIC OFFER OR EXCHANGE OFFER

In accordance with the provisions of article L225-37-5 of the French Commercial Code, please take note the following elements:

Capital structure of the Company and direct or indirect shareholdings in the Company's capital

The Company's capital structure and the shareholdings of which the Company is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code are presented in section 2.4.3 of this annual financial report.

Statutory restrictions and agreements relative to transfers of shares

No statutory clause restricts the exercise of voting rights or free transfer of shares, which may be registered or bearer shares, at the choice of the shareholder.

Thresholds crossed

By letter dated 1 April 2019, Sycomore Asset Management declared that it had crossed above the 5% threshold of the Company's share capital.

Holders of securities constituting special rights of control over the Company

A double voting right has been assigned since 23 April 2018 to all fully paid-up shares that have been registered for at least two years in the name of the same shareholder.

Control mechanism provided for in a possible employee share ownership scheme

There is no control mechanism relating to the employee shareholding system within the Company.

Rules applicable to the appointment or replacement of members of the Board of Directors and amendment of the articles of association

The rules for the appointment and dismissal of members of the Board of Directors and for amendments to the articles of association comply with the laws in force and the articles of association.

Powers of the Board in matters of share buybacks

The General Meeting of 24 June 2019 authorised the Board, for a period of eighteen months from the date of the said meeting, in accordance with legal provisions, to buy back the shares of the company in order to:

- add liquidity to the market for the Company's shares, under a liquidity contract in accordance with a code of ethics recognised by the French financial markets authority (AMF) and concluded with an investment service provider in accordance with market practices acceptable to the AMF;
- implement any purchase option plan in the shares of the Company according to the provisions of articles L. 225-177 et seq. of the French Commercial Code;
- assign bonus shares under the provisions of articles L. 225- 197-1 et seq of the French Commercial Code;
- assign shares to employees to allow them to benefit from the expansion of the company and implement any company savings plan under the conditions specified by the law, notably articles L. 3332-1 et seq of the French Employment Code;
- retain shares to be subsequently presented as payment or in exchange under external growth transactions;
- grant shares during the exercise of rights attached to securities giving access to capital;
- cancel all or part of the shares thus purchased in order to reduce the capital, subject to valid authorisation from an Extraordinary General Meeting;
- and, more generally, perform any transaction authorised now or in future by the law or any market practice that may be accepted by the AMF, it being understood that the company will make a statement informing its shareholders of this.

The maximum number of shares that may be bought back by the Company may not exceed 10% of the share capital on the date of these purchases.

The maximum price for the Company to buy its own shares may not exceed €23.50 per share, and the overall amount assigned to this programme may not be greater than €5,000,000.

The Company commissioned Louis Capital Markets UK LLP to implement a liquidity agreement, from 16 July 2018, in accordance with the Code of Ethics drawn up by the Association française des marchés financiers (AMAFI) on 8 March 2011 and approved by the French Financial Markets Authority (AMF) on 21 March 2011.

The Company also entered into a share redemption agreement with Louis Capital Markets UK LLP on 30 October 2018.

In accordance with the authorisation granted by the General Meeting on 23 April 2018, the Company carried out a share buyback programme, and during the 2019 financial year, bought back 93,504 treasury shares net of disposals, for an amount totalling €627k net of disposals, as follows:

	Number of shares	Share value
Shareholding at 31/12/2019	130,709	€885,377
Shares purchased in the 2019 financial year	142,457	€963,792
Shares sold in the 2019 financial year	48,953	€337,137

The treasury shares acquired were deducted from consolidated shareholders' equity. No profit or loss resulting from the purchase, sale or cancellation of the shares affects the income statement.

Agreements entered into by the Company that are amended or terminated in the event of a change of control

There are no agreements entered into by the Company that would be amended or terminated in the event of a change of control.

Agreements providing for indemnities for members of the Board of Directors or employees if they resign or are dismissed without real and serious cause or if their employment is terminated due to a takeover or exchange offer

There is no agreement providing for the compensation for members of the Board of Directors or employees if they resign or are dismissed without real and serious cause or if their employment is terminated due to a takeover or exchange offer.

2.4.11 STATEMENT OF EMPLOYEE SHAREHOLDINGS IN THE EQUITY CAPITAL ON THE LAST DAY OF THE ELAPSED FINANCIAL YEAR

The Company has set up a company savings plan.

Now that the Company has passed the 50-employee threshold, mandatory employee profit-sharing is calculated on the basis of the profit/loss for the financial year.

3. GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

In all financial statements and notes, amounts are shown in thousands of euros (€k), unless otherwise indicated, and differences of ± €1,000 are due to rounding.

3.1 CONSOLIDATED BALANCE SHEET

3.1.1 ASSETS

ASSETS	Notes	31/12/2019	31/12/2018
Intangible assets	**3.6.7.1**	8,205	7,387
Property, plant and equipment	**3.6.7.2**	8,157	6,104
Other financial assets	**3.6.7.3**	264	255
Other non-current assets	**3.6.7.4**	4,108	3,510
Non-current tax assets	**3.6.7.5**		
Total non-current assets		**20,734**	**17,256**
Inventories and work in progress	**3.6.7.6**	10,511	8,349
Trade and other receivables	**3.6.7.7**	9,811	8,978
Other current assets	**3.6.7.7**	2,196	1,725
Current tax assets	**3.6.10.1**		787
Cash and cash equivalents	**3.6.7.8**	17,371	16,358
Total current assets		**39,889**	**36,198**
TOTAL ASSETS		**60,624**	**53,453**

3.1.2 LIABILITIES

LIABILITIES	Notes	31/12/2019	31/12/2018
Share capital	**3.6.7.9 and 3.5**	4 ,004	4,004
Share premium	**3.5**	18,551	18,551
Other comprehensive income	**3.5**	-159	4
Consolidated reserves, group share	**3.5**	-3,681	-2,005
Consolidated income, group share	**3.5**	-2,862	-1,064
Equity, group share	**3.5**	**15,853**	**19,490**
Consolidated reserves - Minority interests	**3.5**		
Consolidated income - Minority interests	**3.5**		
Shareholders' equity - minority interests	**3.5**		
Total equity		**15,853**	**19,490**
Borrowings and financial liabilities	**3.6.7.10**	8,885	5,950
Provisions for pension obligations	**3.6.7.12**	606	396
Other long-term provisions	**3.6.7.13**	1,043	871
Other non-current liabilities	**3.6.7.15**	19,419	16,214
Non-current tax liabilities	**3.6.7.5**	134	57
Total non-current liabilities		**30,087**	**23,487**
Borrowings and financial liabilities	**3.6.7.10**	3,191	2,006
Trade payables and related accounts	**3.6.7.15**	2,803	2,952
Other current liabilities	**3.6.7.15**	7,205	5,517
Current tax liabilities	**3.6.10.1**	1,485	
Total current liabilities		**14,683**	**10,476**
TOTAL LIABILITIES		**60,624**	**53,453**

3.2 CONSOLIDATED INCOME STATEMENT

	Notes	31/12/2019	31/12/2018
REVENUE	**3.6.8.1**	**39,984**	**33,570**
Other operating income		5	4
Purchases consumed	**3.6.8.2**	-15,125	-13,898
Personnel expenses	**3.6.8.3**	-14,213	-10,011
External expenses	**3.6.8.4**	-8,205	-6,844
Taxes and charges		-590	-429
Allocation to/reversal of depreciation and amortisation	**3.6.7.1 and 3.6.7.2**	-3,301	-1,787
Allocation to/reversal of provisions and impairments		-370	-1,121
Change in work in progress and finished product inventories		626	1,016
Other current operating income and expenses	**3.6.8.5**	305	215
CURRENT OPERATING INCOME		**-884**	**715**
Other operating income and expenses	**3.6.8.6**	-1	-418
OPERATING PROFIT	**3.6.4.25**	**-885**	**297**
Income from cash and cash equivalents		22	7
Cost of gross financial debt		-232	-303
Cost of net financial debt	**3.6.4.25 and 3.6.8.7**	**-210**	**-295**
Other financial income and expenses	**3.6.8.7**	132	45
Tax expenses	**3.6.10.1**	-1,899	-1,111
Share of the profit or loss of equity-accounted affiliates			
CONSOLIDATED NET INCOME		**-2,862**	**-1,064**
Group share		-2,862	-1,064
Attributable to minority interests			
BASIC EARNINGS PER SHARE	**3.6.4.26**	- 0.3265	- 0.1319
DILUTED EARNINGS PER SHARE	**3.6.4.26**	- 0.3265	- 0.1319

3.3 COMPREHENSIVE INCOME

	31/12/2019	31/12/2018
PROFIT OR LOSS FOR THE PERIOD	**-2,862**	**-1,064**
Items that may be reclassified subsequently to profit or loss		
Exchange rate differences	-76	
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	30	-6
Actuarial gains or losses	-117	25
Income and expenses recognised directly in equity		
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**-163**	**18**
TOTAL PROFIT OR LOSS FOR THE PERIOD	**-3,025**	**-1,046**
Group share	-3,025	-1,046
Attributable to minority interests		

3.4 CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31/12/2019	31/12/2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit or loss from continuing operations	3.2	**-2,862**	**-1,064**
Net allocation to amortisation, depreciation and provisions	3.6.7.1-3.2-3.3-3.7-3.12-3.13	3,567	2,323
Grant reversals	3.6.8.5	-421	-245
Share of prepaid income recognised in profit and loss	3.6.7.15	-1,948	-1,633
Gains or losses on disposals	3.6.9.1	-13	75
Exchange rate differences on reciprocities		-135	14
Cash flow after cost of net financial debt and tax		**-1,813**	**-530**
Cost of net financial debt	3.6.8.7	210	295
Tax expense (including deferred taxes)	3.6.9.2	1,609	883
Cash flow before cost of net financial debt and tax		**6**	**648**
Tax paid	3.6.9.3	771	-1,873
Change in operating working capital:			
- Other non-current assets	3.6.7.4	-598	-491
- Inventories	3.6.9.4	-2,174	-1,385
- Trade receivables	3.6.9.5	-823	-638
- Other current assets (excluding loans and guarantees)	3.6.9.6	-466	-91
- Other non-current liabilities	3.6.9.7	3,197	2,999
- Trade payables	3.6.9.8	-91	-635
- Other current liabilities	3.6.9.9	4,055	2,332
	Total	**3,100**	**2,091**
Net cash flow from operating activities		**3,877**	**866**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets	3.6.9.10	-3,728	-3,400
Disposals of fixed assets	3.6.8.6	39	3
Change in loans and advances granted	3.6.9.11	-23	-118
Net cash flow from investing activities		**-3,712**	**-3,515**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the parent company	3.5		-2,000
Capital increase in cash	3.5		19,352
Treasury shares	3.5	-612	-345
Debt issues	3.6.9.12	4,334	
Repayment of borrowings	3.6.7.10	-2,749	-3,362
Cost of net financial debt	3.6.8.7	-210	-295
Net cash flow from financing activities		**763**	**13,350**
CHANGE IN CASH AND CASH EQUIVALENTS		**928**	**10,701**
Opening cash		16,353	5,666
Cash and cash equivalents at end of period	3.6.7.8	17,371	16,353
Change in exchange rate differences		-90	14
Change in cash and cash equivalents		**928**	**10,701**

3.5 TABLE OF CHANGES IN SHAREHOLDERS' 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 issue premiums	2,264	-2,264						
Capital increase following IPO	801	20,110				20,910		20,910
Allocation of IPO expenses net of income tax		-1,558				-1,558		-1,558
Treasury shares				-345		-345		-345
Actuarial gains or losses			18			18		18
Consolidated profit or loss					-1,064	-1,064		-1,064
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			
Treasury shares				-612		-612		-612
Actuarial gains or losses			-87			-87		-87
Foreign exchange gains and losses			-76			-76		-76
Consolidated profit or loss					-2,862	-2,862		-2,862
At 31 December 2019	**4,004**	**18,551**	**-159**	**-3,681**	**-2,862**	**15,853**	**0**	**15,853**

The issue premium of €2,264k originated on 23 May 2014, as part of a capital increase as result of the repayment of convertible bonds (ORA) in shares. This premium was incorporated in the share capital on 23 April 2018.

The capital increase of 13 June 2018 related to the Company's initial public offering generated a new issue premium of €20,110k, against which were charged the IPO expenses net of corporation tax for €1,558k.

Treasury shares are restated in accordance with the Note in section 3.6.7.9 of this annual financial report.

3.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The information below constitutes the notes to the IFRS financial statements and forms an integral part of the financial statements submitted for the financial years ended on 31 December 2019 and 31 December 2018. Each of these financial years was twelve months long and covered the period from 1 January to 31 December.

In all financial statements and notes, amounts are shown in thousands of euros (€k), unless otherwise indicated, and differences of ± €1,000 are due to rounding.

3.6.1. PRESENTATION OF THE GROUP AND SIGNIFICANT EVENTS

3.6.1.1 Information about the Company and its business

COGELEC is a French public limited company (*Société Anonyme* – SA). IFRS financial statements comprise the parent company, COGELEC, and its subsidiaries.

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 for residential apartment buildings and single-family dwellings. The Company's organisation enables it to provide customers with the best global offering, and develop new products by investing in research and development.

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 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.

These companies were created to facilitate the marketing of INTRATONE products globally. They are currently in the launch phase and generated €6.7m in losses in 2019, broken down as follows:

- INTRATONE GMBH : - 3,2 M€
- INTRATONE UK : - 2,1 M€
- INTRATONE BV : - 1,4 M€

3.6.1.2 Significant events in the 2019 financial year

Revenue for 2019 totalled €40.0m, compared with €33.6m in 2018, up +19.1%.

Activity in France rose by 17.4% to €36.4m from €31.0m, driven mainly by sales of Intratone. International activity totalled €3.5m compared with €2.5m a year earlier, an increase of 39.2%, with the ramp-up of commercial activity in Europe.

Subscriptions, which continued to grow strongly (+22.6%), totalled €9.8m in 2019 and now account for 25% of revenue.

COGELEC now services over one million homes. The gross margin was up 23% at €25.5m, representing 63.7% of revenue. This growth confirms the increase in terms of subscribers.

Recruitment has been finalised internationally, and the subsidiaries now have 65 employees as at 31 December 2019, meaning that the average number of employees changed by 38 between 2018 and 2019. The strengthening of teams in France, particularly in connection with the industrialisation of Kibolt, resulted in a change in the average workforce of 25 people. In total, COGELEC had 256 employees at 31 December 2019 compared to 169 employees at 31 December 2018.

With a dynamic innovation policy and the implementation of subsidiaries internationally, external charges were also higher at €8.2m vs. €6.8m, including in particular an increase in accounting, legal and consulting (patent study) and recruitment costs 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 €0.66m with an impact on allocations to depreciation, amortisation and provisions of €0.67m.

EBITDA therefore came out at €2.8m and operating income at -€0.9m. The tax expense is up, compared to the same period of the previous financial year, which benefited from a deferred tax income. Net income showed a loss of -€2.9m.

At 31 December 2019, shareholders' equity stood at €15.9m vs. €19.5m at 31 December 2018. Financial debt was higher at €12.1m vs. €7.9m at 31 December 2018, including €1.9m, in accordance with IFRS 16, and €4.3m in bank loans taken out to cover the launch and industrialisation phases of new products. At the end of December 2019, the Group had a gross cash position of €17.4m.

3.6.1.3 Overview and outlook

The strategy was confirmed by the acceleration of growth compared to the previous financial year, even though international business represents only a small part of revenue. France drove the Group's annual performance, thanks in part to the marketing of new innovative products such as the push-button station.

The investment effort to strengthen the R&D teams will produce its first effects in 2020, and we will see the positive effects of this action when the connect'IT range is released. This new range enriches and supplements our product offering for multi-unit dwellings and is, of course, based on a subscription model.

The continued conquest of the geographical regions of our subsidiaries and the strengthened presence of the company in its home market give the Group strong potential for development over the coming year.

The deployment of GSM solutions more adapted to a market in search of economic and above all ecological performance further confirms the strategic choice of the company and the GSM global offer solutions proposed by COGELEC for the future.

In accordance with the values that have enabled us to develop the COGELEC Group as we know it today, we will continue to develop and create innovations that will support the world of access control while ensuring that, with each day, we preserve the human dimension and the environment, which are our priorities.

The Company notes that it is not in a position to accurately assess the impact of the health crisis and the global Covid-19 pandemic on its business (see sections 1.7 and 1.8.1 of this annual financial report for more details on the impact of Covid-19 on the Company). The Company will issue a statement as soon as possible on the impacts of the Covid-19 crisis on the outlook as soon as it is able to quantify them precisely.

3.6.2 ASSESSMENT OF RISK FACTORS

In accordance with Article L. 225-100-1 of the French Commercial Code, the Company presents the financial risks: market risk, credit risk and liquidity risk (other risk factors are presented in section 1.8.1 of this annual financial report). Where applicable, COGELEC takes simple measures, commensurate with its size, to minimise the potential unfavourable effects of such risks on financial performance. COGELEC's policy is not to subscribe for financial instruments for speculation purposes.

- Credit risk

Credit risk is the risk of financial loss for the Group if a client or a counterparty to a financial instrument fails to fulfil its contractual obligations.

The group is not exposed to any significant credit risk, such risk being primarily concentrated on trade receivables. The net carrying amount of receivables recognised reflects the fair value of net cash flows receivable estimated by Management, in accordance with reporting date information.

With regard to trade receivables, the Company performs regular internal assessments of customer credit risk and the financial position of its customers. Please note that the trade receivables line item includes a large number of invoices of small amounts issued to numerous third parties. This breakdown has the effect of mitigating this risk.

- Liquidity risk

The Group's cash and cash equivalents amounted to €17,371k at 31 December 2019.

Available cash is mainly held in (i) bank accounts and (ii) highly liquid short-term investment accounts (term deposits) and easily convertible at a maturity of less than 3 months into a known amount of cash, the value of which is only exposed to minor fluctuation risks.

The Company is not exposed to liquidity risk resulting from the application of any bank loan early repayment clauses (covenants).

The Company completed an in-depth assessment of its liquidity risk, and believes it is able to meet its future maturities over the next 12 months.

A significant liquidity-related risk would be that the subscribers in question could simultaneously request the termination of their pre-paid subscription contracts and demand repayment of amounts received in advance by the Company (PCA). The Company considers the probability of this risk occurring to be low.

- Currency risk

The Group's strategy is to favour the euro as its currency when signing contracts.

The Group is exposed to currency risks in relation to its procurement of components in the United States and in Asia (purchases made in dollars). These purchases in foreign currencies stood at $5.7m in 2019, against $5.2m in 2018.

The group has not, as yet, made any arrangements to safeguard its business against exchange rate fluctuations. For the time being, these are all spot dollar purchases.

- Interest rate risk

As at 31 December 2019, the Company's borrowings were not subject to risk of volatility of interest rates, given that such borrowings are at fixed rates.

- Market risk

Financial risks related to markets (risks concerning treasury shares) are monitored by an external service provider. For details of the financial year's transactions, see Note 6.7.9.

3.6.3 EVENTS SUBSEQUENT TO THE 2019 REPORTING PERIOD

The COVID-19 epidemic is considered a 2020 event.

Between 31 December 2019, the reporting date, and the date of issue of the financial statements by the Board of Directors, 21 April 2020, the evolving Covid-19 health crisis arose with lockdown measures in France and in multiple countries. In the current context, the situation remains uncertain and is subject to change. The company has updated its cashflow forecasts for the next twelve months to take into account this new context, with the small amount of information available as of the date of this annual financial report. On this basis, the management considers that the going concern accounting principle for issuing the accounts at 31 December 2019 remains appropriate.

3.6.4 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.

3.6.4.1 Declaration of compliance

The Company has prepared its financial statements, which were adopted by the Board of Directors on 21 April 2020, 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.

3.6.4.2 Basis of presentation of the financial statements

The Group's IFRS financial statements are prepared according to the historical cost principle, with the exception of certain categories of assets and liabilities in accordance with the provisions laid down by IFRS standards: employee benefits valued according to the projected credit unit method, borrowing and financial debts valued according to the amortised cost method (see note 6.10.3).

3.6.4.3 Going concern basis

The Board of Directors chose the going concern principle.

3.6.4.4 Accounting methods

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

<u>Standards, amendments to standards 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 - Employee Benefits: Amendment, Curtailment or Liquidation of a Plan
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 – Early Redemption Features with Negative Compensation
- Annual Improvements (2015-2017 cycle) – Annual Improvements to IFRS Standards, 2015–2017 cycle (Standards concerned: IFRS 3, IFRS 11, IAS 12 and IAS 23)

First adoption of IFRS 16

The Group has applied IFRS 16 "Leases" since 1 January 2019. Previously, each lease was classified as either a finance lease or an operating lease 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 of euros		
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 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 summarised as follows:

In thousands of euros	31/12/2018 published	Impact of the transition to IFRS16	01/01/2019 restated
Intangible assets	7,387	33	7,420
Property, plant and equipment	6,104	1,065	7,169
Non-current borrowings and financial liabilities	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 to standards and interpretations published but not yet applicable or not applied in advance by the Group:

- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IAS 39, IFRS 7 and IFRS 9 – Reference Interest Rate Reform

The Group is currently assessing the impact of the initial application of these new texts. It does not anticipate any significant impact on its financial statements at this stage.

3.6.4.5 Consolidation method

The Group applies IFRS 10, "Consolidated financial statements", IFRS 11, "Joint arrangements" and IFRS 12, "Disclosures of interests in other entities".

IFRS 10, which deals with the recognition of consolidated financial statements, presents a single consolidation model which identifies control as the criterion to be met in order for any entity to be consolidated. An investor controls an investee if it has power over said investee, if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are entities controlled by the Group.

3.6.4.6 Use of judgements and estimates affecting assets and liabilities

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.

The main items requiring estimates on the reporting date based on assumptions about future changes and for which there is a significant risk of material change in the value as recognised on the balance sheet at the reporting date, are:

- The measurement of intangible assets related to developments (see notes 3.6.6.1 and 3.6.7.1);
- The measurement of inventories (refer to notes 3.6.4.11 and 3.6.7.6);
- Measurement of provisions for pension obligations (refer to notes 3.6.4.15 and 3.6.7.13);
- Provisions for charges (refer to notes 3.6.4.16 and 3.6.7.14);
- The research tax credit (refer to note 3.6.4.19).

3.6.4.7 Breakdown of current/non-current assets and liabilities

In accordance with IAS 1, the Company presents its assets and liabilities by distinguishing between current and non-current items:

- Assets and liabilities constituting the working capital requirement falling within the normal operating cycle of the activity in question are classed as current;
- Fixed assets are classed as non-current, apart from financial assets which are broken down into current and non-current;
- Provisions recognised under liabilities falling within the normal operating cycle of the activity in question, and the portion due in less than one year, are classed as current assets. Provisions not fulfilling these criteria are classed as non-current liabilities;
- Financial debts falling due within 12 months of the financial year-end are classed as current. Conversely, the portion of financial debt maturing in more than 12 months is classed as a non-current liability;
- Deferred taxes are shown, in full, in non-current assets and liabilities.

3.6.4.8 Intangible assets

Intangible assets are primarily development costs and assets in progress. Assets in progress comprise expenses for projects that are not yet capitalised.

Development costs are primarily costs incurred to develop the products that result in one or several patents.

Development costs are fixed insofar as the six criteria defined by IAS 38 are respected:

- Technical and commercial feasibility;
- Intention to complete it and use it or sell it;
- Ability to use it or sell it;
- Probable economic benefits;
- Availability of resources to complete the development and to use it or sell it;
- Ability to reliably measure different project-related expenses.

Capitalised development costs are direct project-related costs, measured by monitoring costs per project. The portion of the research tax credit relating to capitalised projects is restated under prepaid income.

Application of IAS 23, Borrowing costs, did not result in interest being included in development costs.

The Company analyses compliance with capitalisation criteria on a regular basis. These costs continue to be recognised as assets, as long as the Company retains most of the project-related benefits and risks, particularly when the Company retains intellectual ownership and has granted a temporary right to use and/or exploit the results of development phases.

Ongoing development projects are tested for impairment using the procedures defined in note 3.6.6.1.

Capitalised expenses are amortised on a straight-line basis over the period of use expected by the company, over a five-year period.

Intangible assets also include the cost of winning contracts. In accordance with IFRS 15, these contract-related costs, including services provided over several financial years, are capitalised and amortised over the term of each contract.

Lastly, intangible assets include software and licences, amortised over 1 to 3 years. The rights of use are amortised over the term of the lease, i.e. a period ranging from 3 to 4 years.

3.6.4.9 Property, plant and equipment

Property, plant and equipment largely correspond to land and buildings, general fixtures and fittings, equipment and tooling, transport, office and IT equipment, and furniture. In accordance with IAS 16, they are measured at cost and amortised over their estimated useful life upon acquisition and reviewed on an annual basis.

Components have been identified for the building complex. Each component has been depreciated over an appropriate useful life:

- Major work: 35 years
- Cladding: 20 years
- General installations: 15 years
- Fittings: 10 years

For other property, plant and equipment, the depreciation periods used are as follows:

- General installations and fittings: 2 to 10 years
- Equipment and tools: 1 to 10 years
- Transport equipment: 2 to 5 years
- Office equipment: 3 to 5 years
- IT equipment: 3 to 5 years
- Furniture: 3 to 10 years

Rights of use are amortised over the term of the lease, i.e. a period ranging from 3 to 7 years.

Where they exist, amortisation schedules and residual values are reviewed on an annual basis.

3.6.4.10 Monitoring the value of non-current assets (excluding financial assets)

The value of non-current assets (intangible and tangible assets) is reviewed on a yearly basis, or more frequently if internal, or external, events or circumstances, indicate that an impairment is likely to have occurred.

The recoverable amount of an asset is the fair value or the value in use, whichever is highest.

The value in use of assets to which independent cash flows can be attached is determined according to the following principles:

- Cash flows are taken from five-year profit and loss forecasts prepared by the Group's Management, combined with the calculation of a terminal value (discounting future cash flows to infinity);
- The current discounting rate is determined on the basis of the weighted average cost of capital.

To determine the value in present use, intangible and tangible assets, to which independent cash flows cannot be directly linked, are grouped together in the Cash Generating Unit (CGU) to which they belong. The recoverable value of the cash generating unit is determined by the discounted cash flow method according to the same principles as those detailed above.

The recoverable value of said Cash Generating Unit, calculated in accordance with the above, is then compared with the contributory value of its fixed assets to the consolidated balance sheet.

Impairments are recognised when the carrying amount of an asset would appear to be considerably higher than its recoverable value.

3.6.4.11 Inventories

Inventories are recognised at cost or at their net realisable value, if lower. The net realisable value is the estimated selling price under normal trading conditions, less selling costs.

The cost of inventories includes the purchase price, customs duties and other taxes, but not taxes that can subsequently be recovered by the entity from the tax authorities, as well as transport, handling and other costs directly attributable to the production cost of raw materials, merchandise, works in progress and finished products. Trade discounts and rebates, cash discounts and other similar items are deducted to determine acquisition costs.

The products manufactured are valued at their production cost which includes all materials, direct and indirect production costs and amortisation of assets used in the production. The cost of under-capacity is not included in the cost of inventories. Interest is not included in the measurement of inventories. Inventories are valued using the first in, first out, method.

Inventory write downs amounting to the difference between the gross value determined using the methods shown above and the daily rate or the realisable value less proportional selling costs, are recognised when said gross value is higher than the other term listed.

3.6.4.12 Trade receivables and other receivables

Trade and other receivables are valued at their nominal value, less impairment, where applicable. The impairment is recognised in profit or loss. Impairment exists when there is an objective indicator of the Group's inability to recover all, or part, of its receivable.

The Management regularly reviews and measures the recoverable value of trade receivables. Where the recoverable value is less than the net carrying amount, an impairment or a loss on a bad debt is recognised in profit or loss. This credit risk assessment is based on past debt recovery experience and payment defaults, the length of time by which receivable is overdue, as well as the payment terms granted.

Liabilities include liabilities linked to equipment leasing contracts to customers.

All receivables due in more than one year are shown in other non-current assets.

3.6.4.13 Financial assets and liabilities

Financial assets

Financial assets include loans, bank shares, guarantee deposits, equity securities.

The Group applies IAS 32, IFRS 9 and IFRS 7. IFRS 9 defines two categories of financial assets:

- Financial assets at fair value for which variations are recognised either in the income statement if they are held in the short term, or in equity if they correspond to a long-term investment;
- financial assets recognised at amortised cost, such as loans and receivables.

In any case, COGELEC values financial assets at cost, less any impairment.

Financial liabilities

All interest-bearing loans and liabilities are initially recognised at the fair value of the amount received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are valued at amortised cost, using the effective interest method.

Borrowings are classed as current liabilities, unless the Group has an unconditional right to defer settlement of the debt to at least 12 months after the reporting date, in which case, these borrowings are classed as non-current liabilities. The portion of borrowings and financial liabilities due in less than one year is shown in current liabilities.

3.6.4.14 Cash and cash equivalents

Cash and cash equivalents are made up of bank accounts and highly liquid short-term investment accounts (term deposits) easily convertible into a known amount of cash, the value of which is only exposed to minor fluctuation risks.

Statements of cash flow are shown using the indirect method in accordance with IAS 7. Tax expenses are shown as an overall total in operational cash flows. Financial interest paid is recognised in financing flows. Dividends paid are classed as financing flows.

3.6.4.15 Employee benefits

Employee benefits are recognised under IAS 19. COGELEC's obligations in terms of pension, supplementary pension and severance pay commitments are those laid down by legislation applicable in France. Pension and supplementary pension commitments are completely covered by payments to bodies that discharge the employer of any further obligation; the body in question being responsible for paying employees the amounts that they are due. These are, in particular, French state pension schemes.

Since the foreign companies were just created, there are no employee benefits at this stage.

Post-employment benefits

Severance payments are made to employees as soon as they retire, according to their length of service and salary at retirement age. These benefits are covered by a defined-benefits scheme. As a result, the method used to measure the Company's commitments in terms of pension commitments is the retroactive projected unit credit method.

It represents the probable current value of the rights acquired, measured in consideration of increases in salaries until retirement age and departure and survival probabilities.

The past commitment formula can be broken down into four main terms as follows:

The main assumptions used for this estimate are as follows:

Assumptions	31/12/2019	31/12/2018
Reference discounting rate	IBOXX corporate AA + 10 years	
Discounting rate	0.60%	1.57%
Mortality table	INSEE 2010-2012	INSEE 2010-2012
Wage progression	4% degressive	4% degressive
Turn-over rate	2.44%	2.47%
Age at retirement	65 years	65 years

Actuarial gains and losses in other comprehensive income.

Other post-employment benefits

These benefits are primarily based on a defined-contribution scheme (general scheme).

Under this scheme, the Company's only obligation is to pay contributions; the charge corresponding to the contributions paid is recognised in net income for the financial year.

Other long-term benefits

The Company has set up a company savings plan. Short-term benefits include the profit-sharing agreement in accordance with the legal formula calculated on the basis of taxable income. Long-service awards are negligible. Where applicable, provisions are made for severance pay.

No other long-term benefits are granted within the Group.

3.6.4.16 Provisions and contingent liabilities

In accordance with IAS 37, a provision is set up when an obligation to a third party is certain, or likely, to cause an outflow of resources without at least an equivalent inflow. The provision is maintained for as long as the timing and amount of the outflow of resources cannot be accurately determined. The amount of provision is the best possible estimate of the outflow of resources required to discharge the obligation.

A possible liability is based on a potential obligation arising from past events, the existence of which will only be confirmed by the occurrence (or non-occurrence) of one, or more, uncertain future events which are not totally within the control of the undertaking. A possible liability is also a current obligation arising from past events but not recognised because, on the one hand, it is not likely that an outflow of resources embodying economic benefits will be necessary to discharge the obligation and, on the other, the amount of the obligation cannot be measured with sufficient reliability.

In accordance with IAS 37, the Company has had to set up a provision for "After-sales Service". Provision has been made for the cost of the after-sales service based on the length of the product warranty, i.e. 3 to 10 years depending on the products. The rates used for the calculation were set on the basis of the costs observed over the last 5 years and were reported as a percentage of revenue for the year in which the products in respect of which the after-sales service costs were incurred, were sold. The costs incurred include the cost of labour and spare parts.

3.6.4.17 Taxes

Deferred taxes are recognised according to the liability method in respect of temporary differences between the tax basis of assets and liabilities and their corresponding accounting basis in the consolidated financial statements.

The carrying amount of the deferred tax assets is reviewed as of each reporting date and is reduced to the extent where it is not likely that a sufficient taxable profit will be available to permit the use of this benefit for all or a portion of these deferred tax assets. Deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes likely that a future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured using the tax rate that has been enacted or substantively enacted at the reporting date, on a permanent basis, and the application of which is expected for the financial year in which the asset will be realised or the liability settled for each tax regulation. The tax rates used are as follows:

	31/12/2019	31/12/2018
Rate France	25.825%	25.825%
Rate Germany	31.225%	31.225%
Rate United Kingdom	17.000%	17.000%
Rate Netherlands	15.000%	19.000%

Taxes relating to items recognised directly in shareholders' equity are recognised in shareholders' equity and not in profit or loss.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available, against which temporary differences can be charged.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are only offset where they relate to the same tax authority and the same rate.

They are offset in the Group's balance sheet and documented by proof of tax (see 6.10.1).

In the income statement, the corporate income tax credit (*Crédit d'Impôt Compétitivité Emploi* - CICE) was deducted from staff costs in 2018 (and eliminated starting 1 January 2019) and the corporate value added tax (*Cotisation sur la Valeur Ajoutée des Entreprises* - CVAE) is included in tax expenses.

3.6.4.18 Recognition of income

Income from ordinary activities is recognised when the Group fulfils a service obligation by transferring goods or services promised to a client. An asset is transferred when the client takes control of the asset.

Income from Company activities is the fair value of the consideration received, or receivable, for goods and services sold in the usual course of the Company's activities. This income is shown before value added tax, returns, discounts and rebates and deductions for intragroup sales.

Maintenance services cover periods of more than 12 months. These services are recognised as they are provided, in a linear fashion, over time, as costs are incurred over this period.

Equipment sales are recognised on the date of delivery. This is deemed to be the date on which the client approves the characteristics of the goods delivered. A receivable is recognised when the goods have been delivered, i.e. when the consideration is unconditional, only the passage of time sufficing to render the consideration payable.

There are two types of income:

1/ Equipment sales recognised immediately in profit/loss.

For these types of contracts, each delivery is considered as a separate service obligation recognised on the delivery date.

The contracts to which it is subject are:

- Contracts for the sale of equipment to distributors;
- Sales of equipment associated with Prepaid offers. This equipment comprises the station, the door controller and the data transmission module;
- Revenues associated with finance agreements for "packages" (see details in point i) below).

2/ Service contracts.

Revenue from Services is represented by 3 major families:

a) **Prepaid offers**: all equipment that supports these offers is sold to Cogelec customers. These offers are entered into either as part of door entry systems without an intercom (so-called prepaid data offers) or as part of door entry systems with an intercom (prepaid voice offers). These offers are invoiced all at once for a period of 10 or 15 years (sometimes less). Whenever Cogelec sells "prepaid kits", the Company recognises the sale of equipment at its selling price and the related provision of services separately.
   Revenue from the equipment portion is recognised immediately in the income statement on the delivery date.

   The provision of services includes access to the web management applications developed by Cogelec, maintenance of those applications, training of managers, etc.

   Service provisions are recognised according to the percentage of completion method, on a straight-line basis, over the term of the contracts, since the costs do not change from one financial year to the next, in accordance with IFRS 15.

b) **Subscription offers**:
These offers include:

i) Subscription packages: they cover the equipment leasing (stations, etc.) and services. These packages are for a fixed or indefinite period of commitment. The provision of services includes the provision of a transmission module, maintenance of the leased equipment, and access to the management web applications developed by Cogelec, maintenance of those applications, training of managers, etc.
The leased equipment is treated as a finance lease in accordance with IFRS 16 (discounted payments covering the fair value of the leased asset). Accordingly, income is recognised as equipment revenue at the delivery date for an amount corresponding to the discounted value of future payments.
Service provisions are recognised according to the percentage of completion method, on a straight-line basis, over the term of the contracts, since the costs do not change from one financial year to the next, in accordance with IFRS 15.

ii) Standard subscription offers: Since 2017, these offers have no commitment period and are open-ended (the so-called Standard Offer). Revenue from the equipment portion (stations, etc.) is recognised immediately in the income statement on the delivery date.
The provision of services includes the provision of a transmission module, maintenance of the leased equipment, and access to the management web applications developed by Cogelec, maintenance of those applications, training of managers, etc.

Services related to these offers are recognised using the percentage-of-completion method on a straight-line basis over the term of the agreement, in accordance with IFRS 15.

iii) Mixed subscription offers (Jumbo offer):
These offers are entered into for an indefinite period without a commitment period. Part of the equipment is sold to the customer (stations, etc.). Revenue from the equipment portion is recognised immediately in the income statement on the delivery date. Another part (the notice board) is made available to the customer and remains the property of Cogelec.
The provision of services includes the provision of a transmission module, maintenance of the leased equipment, and access to the management web applications developed by Cogelec, maintenance of those applications, training of managers, etc.
Services (including the provision of the notice board) related to these offers are recognised on a straight-line basis over the term of the contract in accordance with IFRS 15 and with the costs incurred.

All of these subscription offers constitute recurring business for Cogelec. The unfulfilled obligations under fixed-term and open-ended offers with a fixed-term commitment are set forth in the table below. Outstanding service obligations correspond to the services that the Group is required to provide to customers during the remaining firm term of the contract.

Open-ended offers without a commitment or with expired commitments constitute a significant part of Cogelec's potential portfolio but, by definition, are not included in the unfulfilled obligations mentioned above.

c) **Other services** include after-sales services, for example, or any other services that do not fall within the scope of the offers mentioned below.

Revenue is explained in section 3.6.8.1.

Contract assets are transferred to trade receivables when the right to payment becomes unconditional. Contract liabilities related to advance payments received from Group customers, for which revenue is recognised when maintenance services are provided.

Asset and liability items on contracts are explained in sections 3.6.7.4, 3.6.7.7 and 3.6.7.15.

Two types of revenue will be recognised over the next few financial years:

1. Unfulfilled obligations under fixed-term or open-ended offers with a long-term commitment;
2. Revenue already invoiced and collected on prepaid service contracts in the portfolio (currently under prepaid income);
3. Revenue to be invoiced and collected from contracts with or without commitments that have not been terminated to date.

The table below shows only the revenue from prepaid offers and the unfulfilled obligations from committed offers

Types of contracts	Details	Note	TOTAL	2020	2021	2022	2023	2024	Beyond
Contracts for Packages	Revenue still to be invoiced for service contracts	3.6.4.18	5,864	2,105	1,439	790	554	408	568
Prepaid offer contracts	Deferred income	3.6.7.15	19,919	1,952	1,859	1,841	1,812	1,781	10,672
Total			**25,783**	**4,058**	**3,298**	**2,632**	**2,367**	**2,189**	**11,240**

For the purposes of this table, the residual term of contracts with a commitment is used:

- ✓ Premium: 5 and 10 years,
- ✓ Prepaid: 15 years.

The Company incurs costs, in the form of commissions, in order to win contracts. Equipment sales-related commissions are recognised immediately as expenses and service provision-related commissions are classed as intangible assets.

	31/12/2019	31/12/2018
Gross value	633	559
Depreciation and amortisation	205	-125
Net values	**434**	**434**

Commission is amortised over a 5 or 10-year period, in line with the terms of the contract to which it relates. These assets are not impaired.

3.6.4.19 Subsidies

Government grants are subsidies taking the form of transfers of resources to an entity, in exchange for the fact that said entity is compliant, or will be compliant, with certain conditions relating to its operating activities. Under IAS 20, asset-related grants are government subsidies whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

Government grants are recognised in profit or loss on a systematic basis for periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Asset-related grants are shown in the balance sheet as deferred income and amortised over the same period as the asset being subsidised.

The Company receives a repayable interest-free advance for the financing of R&D project costs for a new product. The difference between the value of the advance, discounted at market rate, and the cash amount received from the public body constitutes a grant, within the meaning of IAS 20. This difference is recognised as a grant over time, in line with repayments, given that the corresponding costs are capitalised. The financial cost of repayable advances, calculated at the market rate, is recognised as a financial expense.

The Company also receives research tax credit and innovation tax credit. These sums are recognised as grants in the results at the same pace as the amortisation of the development expenses for each project.

Grants are recognised as deferred income.

3.6.4.20 Leases

According to IFRS 16, any contract giving the right to use an identified asset for a given period of time in exchange for a periodic payment is considered a lease.

Lessee

For the lessee, IFRS 16 no longer distinguishes between finance leases and operating leases. 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. Each lease payment is broken down into the financial charge and the amortisation of the balance of the debt so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Rights of use of property, plant and equipment and intangible assets are amortised over the term of the lease.

Property, plant and equipment acquired under finance leases are amortised over the useful life of the asset.

The entry costs and depreciation periods are explained in sections 3.6.4.8 and 3.6.4.9.

Lessor

Assets held under finance leases are shown as receivables amounting to the net investment in the lease.

Financial income is recognised on the basis of a constant periodic rate of return on the lessor's net investment in the finance lease.

3.6.4.21 Net financial debt

Long-term borrowings comprise i) loans taken out with credit institutions and ii) loans recorded as a contra-entry against property used as part of finance leases recognised under assets. These long-term borrowings are recorded under non-current liabilities for the portion exceeding one year, and are measured at amortised cost at the balance sheet date using the effective interest rate method, with amortisation of issuance costs, when these costs are material. All of these borrowings are at fixed rates as at the balance sheet date.

Short-term borrowings include the current portion of long-term debt, as well as bank loans and overdrafts and other short-term bank liabilities.

Net financial debt comprises the borrowings defined above, less cash and cash equivalents.

The cost of net debt includes interest on loans, other financial liabilities, and income on loans and receivables relating to equity interests.

3.6.4.22 Conversion of transactions in foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("Functional currency"). Consolidated financial statements are presented in euros, which is COGELEC's reporting currency.

According to IAS 21, the monetary elements of entities consolidated in foreign currencies are converted using closing prices.

The non-monetary elements are valued at historical cost, using the exchange rate in force on the date at which the transaction was initially recognised. Income and expenditure are converted at the average exchange rate of the financial year reported. Foreign exchange gains and losses resulting from this treatment are recognised in the income statement, except for those relating to non-monetary items, which are recognised in other comprehensive income.

3.6.4.23 Segment reporting

The chief operating decision maker only monitors performance at Group level; application of IFRS 8 resulted in the Company only reporting on a single operating segment.

3.6.4.24 Shareholders' equity

Shareholders' equity comprises parent company share capital, issue premium, reserves and profit or loss. Reserves and consolidated income are the Company's share of accumulated consolidated income, less dividends.

The treasury shares held are charged to deductions from consolidated shareholders' equity; no expense or income resulting from the cancellation affects the income statement.

Minority interests are defined as the portion of a subsidiary's profit or loss or net assets not directly owned by COGELEC, i.e. indirectly owned via another subsidiary controlled by COGELEC.

3.6.4.25 Presentation of the income statement

The Group presents its income statement using the by nature method.

Procurement and subcontracting costs

Procurement and subcontracting costs mainly comprise:

- purchases of components, and other products required to produce the goods sold;
- third party services for the manufacture, assembly and testing of the goods sold;
- customs duties, transport costs and other taxes directly attributable to such purchases.

Gross margin

The gross margin is an indicator defined by COGELEC as revenue plus other operating income, less the cost of goods sold, corrected for inventoried production.

The indicator is presented in note 3.6.10.5.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) is an indicator defined by COGELEC as operating income before depreciation, amortisation and impairment of assets net of reversals and is presented in note 3.6.10.5.

Operating income

Operating income includes all income and expenses directly relating to the Group's activities, whether recurring income and expenses (recurring operating income) or resulting from extraordinary decisions or one-off transactions (non-recurring operating income). The indicator is presented in note 3.2.

Cost of net financial debt

All income and expenses resulting from net financial debt for the period (see note 3.6.8.7) represent the company's overall cost of financing, excluding the cost of equity.

3.6.4.26 Methods for calculating net earnings per share

Net earnings per share are calculated by dividing the net income available to shareholders by the weighted average number of shares outstanding over the course of the financial year.

Diluted earnings per share are calculated by dividing the net income available to shareholders by the weighted average number of ordinary shares outstanding over the course of the financial year, adjusted for the impact of the conversion of dilutive instruments into ordinary shares. The Company does not have any dilutive instruments.

During the 2019 financial year, the weighted average number of ordinary shares is as follows:

	Number of ordinary shares	Treasury shares	Number of ordinary shares excluding treasury shares
At 31/12/2019	8,898,048	- 130,709	8,767,339

3.6.5 SCOPE OF CONSOLIDATION

Unless expressly stated otherwise, the percentages of voting rights are identical to the portion of capital held.

2019 scope

Entities	Consolidation methods	% 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%	LONDON	United Kingdom
INTRATONE BV	FC	100.00%	100.00%	AMSTERDAM	The Netherlands

2018 scope

Entities	Consolidation methods	% 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%	LONDON	United Kingdom
INTRATONE BV	FC	100.00%	100.00%	AMSTERDAM	The Netherlands

3.6.6 ASSET IMPAIRMENT

3.6.6.1 Impairment of non-financial assets

Impairment tests are carried out on finite-life tangible and intangible fixed assets as soon as an impairment appears. These tests consist of comparing the assets' net carrying amount with their recoverable value which is their market value less disposal costs or their value in use estimated according to the discounted cash flow (DCF) method, whichever is highest.

Cash flows are discounted over a maximum of 5 years and the discounting rate is the weighted average cost of capital of the entity in question.

The weighted average cost of capital used for 2019 and 2018 was estimated at 12.6%.

Intangible fixed assets which are not yet ready to be brought into service are subject to impairment testing at least once a year and any time that there is an indication that the asset may have depreciated.

For intangible assets for which the period of use is undetermined, impairment tests are carried out at least once a year on a set date and between two dates if there is an indication of impairment.

Impairment tests, carried out in accordance with the methodology described above, showed that no impairment was necessary. The sensitivity analysis of key assumptions (growth rate, EBITDA, discounting rate) involved in the determination of the value in use showed that a variation of +/-10% would have no impact on the findings of the impairment tests carried out (no impairment would need to be recorded).

3.6.6.2 Impairment of financial assets

At each reporting date, the Group assesses whether there is an objective indicator of the impairment of a financial asset or a group of financial assets.

3.6.7 BALANCE SHEET

3.6.7.1 Intangible assets

Change in gross intangible assets (in €k)

Gross value	Development expenses	Other intangible assets	Intangible assets in progress	TOTAL
At 31 December 2017	**8,368**	**1,001**	**4,235**	**13,604**
Acquisitions	301	195	1,390	1,886
Disposals			-69	-69
Transfers between items	987		-992	-6
Change in scope				
At 31 December 2018	**9,655**	**1,195**	**4,564**	**15,415**
Acquisitions	794	190	1,358	2,342
Disposals				
Transfers between items	3,652	22	-3,674	
Change in scope				
At 31 December 2019	**14,102**	**1,408**	**2,247**	**17,757**

Change in impairment of intangible assets (in €k)

Depreciation and amortisation	Development expenses	Other intangible assets	Intangible assets in progress	TOTAL
At 31 December 2017	**6,514**	**492**		**7,005**
Allocations	900	122		1,022
Reversals				
Transfers between items				
Change in scope				
At 31 December 2018	**7,413**	**614**		**8,027**
Allocations	1,345	180		1,524
Reversals				
Transfers between items				
Change in scope				
At 31 December 2019	**8,758**	**794**		**9,552**

Change in net intangible assets (in €k)

Net values	Development expenses	Other intangible assets	Intangible assets in progress	TOTAL
At 31 December 2017	1,854	509	4,235	**6,598**
At 31 December 2018	2,242	581	4,564	**7,387**
At 31 December 2019	5,344	614	2,247	**8,205**

The useful lives used to amortise identifiable intangible assets are the following:

- Software 1 to 3 years
- Research and development costs 5 years

The integrated electronic cannon project was commissioned on 1 May 2019. For that reason, €3.9m of expenses were activated, of which €3.6m 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.

At 31 December 2019, intangible assets in progress correspond mainly to the Lora (connected house/hall) and Rozoh (creation of a product range/trademark specific to the local authority market) projects, which are scheduled to be commissioned sometime in 2020.

Flows on intangible assets recognised in accordance with IFRS 16 are as follows:

Gross value	Development expenses	Other intangible assets	TOTAL
At 31 December 2017			
Acquisitions			
Disposals			
Transfers between items			
Change in scope			
At 31 December 2018			
Acquisitions		33	33
Disposals			
Transfers between items			
Change in scope			
At 31 December 2019		**33**	**33**

Depreciation and amortisation	Development expenses	Other intangible assets	TOTAL
At 31 December 2017			
Allocations			
Reversals			
Transfers between items			
Change in scope			
At 31 December 2018			
Allocations		19	19
Reversals			
Transfers between items			
Change in scope			
At 31 December 2019		**19**	**19**

Net values	Development expenses	Other intangible assets	TOTAL
At 31 December 2017			
At 31 December 2018			
At 31 December 2019		**14**	**14**

3.6.7.2 Property, plant and equipment

Change in gross property, plant and equipment (in €k)

Gross value	Land	Buildings	Technical facilities, equipment and tools	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			410	600	599	1,610
Disposals				-46		-46
Transfers between items			325		-320	6
Change in scope						
At 31 December 2018	**213**	**3,449**	**3,331**	**1,489**	**1,009**	**9,491**
Acquisitions		1,125	557	1,811	348	3,842
Disposals			-1	-91		-93
Transfers between items			1,101		-1,101	
Change in scope						
At 31 December 2019	**213**	**4,574**	**4,988**	**3,208**	**257**	**13,240**

Change in impairment of property, plant and equipment (in €k)

Depreciation and amortisation	Land	Buildings	Technical facilities, equipment and tools	Other property, plant and equipment	Property, plant and equipment in progress	TOTAL
At 31 December 2017		**407**	**1,747**	**504**		**2,659**
Allocations		175	396	194		765
Reversals				-37		-37
Transfers between items						
Change in scope						
At 31 December 2018		**582**	**2,143**	**662**		**3,387**
Allocations		473	604	700		1,777
Reversals			0	-81		-82
Transfers between items						
Change in scope						
At 31 December 2019		**1,055**	**2,746**	**1,281**		**5,082**

Change in net property, plant and equipment (in €k)

Net values	Land	Buildings	Technical facilities, equipment and tools	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 31 December 2018	213	2,867	1,188	827	1,009	**6,104**
At 31 December 2019	213	3,519	2,241	1,928	257	**8,157**

Flows on property, plant and equipment recognised in accordance with IFRS 16 are as follows:

Gross value	Land	Buildings	Technical facilities, equipment and tools	Other property, plant and equipment	TOTAL
At 31 December 2017	**213**	**3,449**	**25**	**225**	**3,912**
Acquisitions					
Disposals				-46	-46
Transfers between items					
Change in scope					
At 31 December 2018	**213**	**3,449**	**25**	**179**	**3,866**
Acquisitions		1,125		1,364	2,490
Disposals				-90	-90
Transfers between items					
Change in scope					
At 31 December 2019	**213**	**4,574**	**25**	**1,453**	**6,265**

Depreciation and amortisation	Land	Buildings	Technical facilities, equipment and tools	Other property, plant and equipment	TOTAL
At 31 December 2017		**407**	**17**	**130**	**554**
Allocations		175	4	44	223
Reversals				-37	-37
Transfers between items					
Change in scope					
At 31 December 2018		**582**	**21**	**137**	**740**
Allocations		473	3	368	844
Reversals				-81	-81
Transfers between items					
Change in scope					
At 31 December 2019		**1,055**	**24**	**424**	**1,503**

Net values	Land	Buildings	Technical facilities, equipment and tools	Other property, plant and equipment	TOTAL
At 31 December 2017	213	3,041	9	95	**3,358**
At 31 December 2018	213	2,867	4	42	**3,126**
At 31 December 2019	213	3,519	1	1,030	**4,762**

3.6.7.3 Other financial assets

In thousands of euros	31/12/2019	31/12/2018
Other long-term investments[1]	16	16
Loans[2]	38	38
Loan impairment[2]	-38	-38
Deposits and guarantees[3]	247	238
TOTAL	264	255

[1] Bank shares

[2] DIAMO loan

[3] Deposits and guarantees correspond to amounts paid on BPI loans and rental guarantees.

3.6.7.4 Other non-current assets

In thousands of euros	31/12/2019	31/12/2018
Trade receivables > 1 year	3,121	2,809
Impairment of trade receivables	-380	-390
Prepaid expenses > 1 year	1,367	1,091
TOTAL	4,108	3,510

Details of trade receivables net of impairments

	31/12/2019	31/12/2018
Doubtful debt	456	467
Impairment of doubtful debts	-380	-390
Trade receivables under rental agreements	2,665	2,342
TOTAL	2,741	2,419

Doubtful debts are fully written down.

Prepaid expenses

Prepaid expenses represent the SIM cards purchased as part of the blanket offering contract (note 3.6.4.18). The purchases are spread over the term of the commitment, i.e. the subscription plan.

3.6.7.5 Deferred taxes

	31/12/2019		31/12/2018	
	Basis	Tax	Basis	Tax
Temporary differences				
Capitalisation of deficits	181	45	413	107
C3S	41	10	30	8
Employee profit-sharing	368	95		
Tax amortisation	-21	-4		
Restatements				
Exchange rate differences on reciprocities in the balance sheet	-36	-6		
IFRS 16 finance leases	-429	-111	-341	-88
IFRS 16 operating leases	27	6		
Leases	-1,516	-393	-898	-232
CG-IT internal fixed asset disposals	50	13	92	24
CG-IT UK inventory internal margins	81	21		
SIM card internal margins	3	1		
Internal transfer of demo equipment to subsidiaries	-15	-5		
Provision for customer guarantees	55	14		
Alignment of impairment methods	1	0		
Business introducer fees	143	37	145	37
Impairment of treasury shares	-57	-15	-57	-15
Pension commitments	606	156	396	102
TOTAL	**-519**	**-134**	**-221**	**-57**

Proof of tax is given in section 3.6.10.1.

Non-capitalised deficits, since the origin of the subsidiaries, are as follows:

Company	31/12/2019
IT BV	1,672
IT GMBH	5,012
IT UK	3,024
Total	**9,709**

According to IAS 12, the tax planning as at 31 December 2019 shows the due dates of the deferred tax liabilities:

In thousands of euros	Portion due in less than one year	Portion due in more than 1 year and less than 2 years	Portion due in more than 2 years and less than 3 years	Portion due in more than 3 years and less than 4 years	Portion due in more than 4 years and less than 5 years	Portion due in more than 5 years	TOTAL
Losses	15	6	5	3	2	14	45
C3S	10						10
Employee profit-sharing	95						95
Tax amortisation	-4						-4
Exchange rate differences on reciprocities in the balance sheet	-6						-6
Finance leases	31	32	35	38	40	-287	-111
Operating leases	3	2	1	0	0		6
Leases	-108	-108	-92	-62	-23	0	-393
CG-IT internal transfers	8	4	0	0	0	0	13
CG-IT UK inventory internal margins	21						21
SIM card internal margins	0	0	0	0	0	1	1
Internal fixed asset disposals	-1	-1	0	0	0	-2	-5
Provision for customer guarantees	2	2	2	2	1	5	14
Alignment of impairment methods	-1	-1	0	1	1		0
Business introducer fees	7	7	7	6	4	5	37
Impairment of treasury shares	-15						-15
Pension commitments						156	156
TOTAL	60	-59	-43	-12	25	-106	-134

3.6.7.6 Inventories and work in progress

Changes in inventories and work in progress

In thousands of euros	31/12/2019	31/12/2018
Raw materials and other supplies	5,533	4,080
Work in progress	3,707	3,163
Intermediate and finished products	1,814	1,650
Goods	117	0
Provisions for impairment	-660	-545
TOTAL	**10,511**	**8,349**

Changes in provisions for impairment	31/12/2019	31/12/2018
Value at start of period	545	229
Increase	403	393
Decrease	-288	-77
Value at end of period	**660**	**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).

3.6.7.7 Trade receivables and other current receivables

Receivables

In thousands of euros	31/12/2019	31/12/2018
Gross trade receivables	9,811	8,979
Provisions for impairment		-1
TOTAL	**9,811**	**8,978**

Details of trade receivables net of impairments:

	31/12/2019	31/12/2018
Ordinary trade receivables	8,563	7,997
Impairment of ordinary trade receivables		-1
Trade receivables under rental agreements	1,248	982
TOTAL	**9,811**	**8,978**

Other current assets

In thousands of euros	31/12/2019	31/12/2018
Loans	1	2
Loan impairment		
Deposits and guarantees	37	37
Advances and down payments paid	67	149
Social receivables	50	56
Tax receivables	1,048	764
Other operating receivables	553	450
Prepaid expenses	441	268
TOTAL	**2,196**	**1,725**

Trade receivables and other receivables are valued at their nominal value minus the provisions calculated according to the actual collection potential. The maturities of receivables are shown in table 6.11.2.

Loans break down as follows:

Loans	31/12/2019	31/12/2018
Diamo loan		
Loans to staff	1	2
TOTAL	**1**	**2**

Other receivables break down as follows:

Other receivables	31/12/2019	31/12/2018
Receivables related to the CIR and the CII	518	413
Advance payments to suppliers and outstanding receivables	25	29
Expenses to be charged back to IT GMBH		
Miscellaneous receivables	9	7
TOTAL	**553**	**450**

Current assets include amounts obtained each year for the CIR and CII. The 2018 amount was reimbursed by the State, while that of 2019 remains to be collected over 2020.

Schedule of trade receivables

Trade receivables by due date are broken down as follows:

ASSETS (in €k)	Balance sheet value	Not due	Past due < 90d	Past due >90d <6 months	Past due > 6 months
Trade receivables (non-current assets)	**2,741**	2,665			76
Trade receivables (current assets)	**9,811**	7 ,759	1,876	71	105
TOTAL	12,551	10,424	1,876	71	181

3.6.7.8 Cash and cash equivalents

In thousands of euros	31/12/2019	31/12/2018
Term deposits	8,505	8,501
Cash and cash equivalents	8,866	7,858
Total cash and cash equivalents at end of period	**17,371**	**16,358**
Bank overdrafts	0	-5
Total net cash and cash equivalents at end of period	**17,371**	**16,353**

Cash includes cash assets and term deposits. Term deposits are classified as cash equivalents when they meet the definition of cash provided by IAS 7. Consequently, term deposits in COGELEC's name that bear negligible risk and have short-term liquidity maturities are classified as cash equivalents. Term deposits may be terminated at any time.

3.6.7.9 Share capital

Changes in share capital

At 31 December 2019, COGELEC's share capital consisted of 8,898,048 shares, with the following changes during the financial year:

	01/01/2019	Increase	Reduction	31/12/2019
Number of shares	8,898,048			8,898,048
of which ordinary shares	*3,550,963*			*3,550,963*
of which shares with double voting rights	*5,347,085*			*5,347,085*
Par value (€)	0.45			0.45
Share capital (€)	**4,004,122**			**4,004,122**

Information about share capital

COGELEC share ownership

Shareholders	Number of shares	Holding percentages
SAS H.R.C.	20	0.00%
SAS S.R.C.	5,347,065	60.09%
Float	3,550,963	39.91%
Total	**8,898,048**	**100.00%**

Capital management and distribution of dividends

No dividend will be paid for financial year 2019.

Treasury shares

Following the approval of the share buyback scheme granted at the General Meeting on 23 April 2018, COGELEC has redeemed 130,709 equity shares, corresponding to €885k.

The treasury shares acquired are deducted from consolidated shareholders' equity. No profit or loss resulting from the purchase, sale or cancellation of the shares affects the income statement.

- Number of treasury shares held at 31 December /2019: 130,709 shares
- Value of treasury shares held at 31 December 2019: €885,377
- Number of treasury shares acquired in 2019: 142,457 shares
- Value of treasury shares acquired in 2019: €963,792
- Number of treasury shares sold in 2019: 48,953 shares
- Value of treasury shares sold in 2019: €337,137.

3.6.7.10 Financial liabilities

Current/non-current borrowings and financial liabilities

In thousands of euros	31/12/2019	31/12/2018
Bank borrowings	5,642	3,477
OSEO loans		30
OSEO Innovation repayable grant		
Lease payables	2,136	2,442
Operating lease liabilities	1,108	
Other financial liabilities		
Non-current borrowings and financial liabilities	**8,885**	**5,950**
Bank borrowings	2,079	1,394
OSEO loans	30	60
Accrued interest (not yet due)		
OSEO Innovation repayable grant		253
Bank overdrafts		5
Lease payables	306	294
Operating lease liabilities	776	
Current loans and financial liabilities	**3,191**	**2,006**
TOTAL	**12,076**	**7,956**

Variations in current and non-current borrowings and financial liabilities

Gross value	Bank borrowings	OSEO loans	Accrued interest (not yet due)	OSEO Innovation repayable grant	Bank overdrafts	IFRS 16 debts	Other financial liabilities	TOTAL
At 31 December 2017	**6,343**	**210**	**2**	**530**	**5**	**3,033**	**1,193**	**11,317**
New								
Repayments	-1,472	-120	-2	-278		-297	-1,193	-3,362
Changes during the period					0			
At 31 December 2018	**4,871**	**90**	**0**	**253**	**5**	**2,736**	**0**	**7,956**
New	4,334					2,523		6,857
Repayments	-1,485	-60	0	-253		-952	0	-2,749
Changes during the period					-5			-5
Foreign exchange gains and losses						18		18
At 31 December 2019	**7,720**	**30**	**0**	**0**	**0**	**4,326**	**0**	**12,076**

Remaining term of the borrowings at 31 December 2019

In thousands of euros	Portion due in less than one year	Portion due in more than 1 year and less than 2 years	Portion due in more than 2 years and less than 3 years	Portion due in more than 3 years and less than 4 years	Portion due in more than 4 years and less than 5 years	Portion due in more than 5 years	TOTAL
At 31 December 2019							
Bank borrowings	2,079	1,817	1,303	1,119	873	529	7,720
OSEO loans	30						30
Accrued interest (not yet due)							
OSEO Innovation repayable grant							
Bank overdrafts							
Finance lease payables	306	302	312	321	331	870	2,442
Operating lease liabilities	776	587	293	99	69	60	1,884
Other financial liabilities							
Borrowings and financial liabilities	3,191	2,707	1,908	1,539	1,273	1,459	12,076
Trade payables	2,803						2,803
Tax and social liabilities	3,582						3,582
Other debts	1,210						1,210
Prepaid income	2,413	2,298	2,238	2,197	1,968	10,717	21,831
Other liabilities	10,007	2,298	2,238	2,197	1,968	10,717	29,426
TOTAL	13,198	5,004	4,147	3,736	3,241	12,176	41,502

3.6.7.11 Analysis of net financial debt

Changes in cost of net financial debt

In thousands of euros	31/12/2019	31/12/2018
Long-term portion of financial debt	8,885	5,950
Short-term portion of financial debt	3,191	2,001
Borrowings at less than one year and creditor banks		5
Total gross debts	**12,076**	**7,956**
Cash and cash equivalents	**17,371**	**16,358**
TOTAL NET DEBT	-5,295	-8,403

Details regarding gross debt are provided in note 3.6.7.10.

Financing of WCR

	31/12/2019		31/12/2018	
	Jobs	Human	Jobs	Human
Inventory	10,511		8,349	
Net trade receivables	12,551		11,397	
Net trade payables		2,803		2,952
Social and tax receivables and payables		4,103		950
Other receivables & payables		20,614		17,274
WCR		**4,457**		**1,430**
Financing of WCR	**4,457**		**1,430**	
Working capital	-12,914		-14,923	
Cash	17,371		16,358	
Current bank facilities	0		-5	

In 2018 and 2019, the Company generated working capital amounting to, respectively, €1.4m and €4.5m, primarily due to the weight of prepaid amounts.

In 2019, with a working capital requirement of €13m, cash stood at €17.4m.

3.6.7.12 Provisions for pension obligations

Changes in the commitments

In thousands of euros	Retirement commitments
At 31 December 2017	**366**
Allocations	55
Reversals	
Change in scope	
Actuarial gains and losses	-25
At 31 December 2018	**396**
Allocations	93
Reversals	
Change in scope	
Actuarial gains and losses	117
At 31 December 2019	**606**

3.6.7.13 Other provisions

In thousands of euros	ASS provision	Tax provision	Provisions for disputes	TOTAL
At 31 December 2017	**281**	**118**		**399**
Allocations	273	11	265	548
Reversals		-77		-77
Change in scope				0
At 31 December 2018	**554**	**52**	**265**	**871**
Allocations	122	0	50	172
Reversals	0	0	0	0
Change in scope	0	0	0	0
At 31 December 2019	**676**	**52**	**315**	**1,043**

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 according to the payments made for €77k offset by supplementary calls sent by the tax authorities for €11k. As at 31 December 2019, the provision was maintained.

The provision for disputes concerns employment tribunal and commercial disputes.

3.6.7.14 Contingent assets and liabilities

No contingent assets or liabilities were recognised by the Company.

3.6.7.15 Trade payables and other debts

Breakdown by nature of trade and other payables

Trade payables

In thousands of euros	31/12/2019	31/12/2018
Trade payables	2,644	2,727
Fixed asset liabilities	159	226
TOTAL	**2,803**	**2,952**

Other non-current liabilities

In thousands of euros	31/12/2019	31/12/2018
Tax and social security liabilities		
Advances and prepayments received		
Other debts		
Prepaid income(1)	19,419	16,214
TOTAL	**19,419**	**16,214**
(1) of which		
Liabilities on prepaid contracts	17,966	14,774
CIR and CII	1,406	1,378
BPI – subsidy on interest-free advance		
Investment grants	46	62
	19,419	**16,214**

For the settlement of prepaid income, see note 3.6.11.2.

Other current liabilities

In thousands of euros	31/12/2019	31/12/2018
Tax and social security liabilities	3,582	2,500
Advances and prepayments received		
Other debts	1,210	1,060
Prepaid income	2,413	1,957
TOTAL	**7,205**	**5,517**
of which liabilities on contracts for prepaid amounts	**1,952**	**1,580**
of which reversal of prepaid contract liabilities	1,948	1,633
of which new prepaid contract liabilities	5,512	4,916

3.6.8 INCOME STATEMENT

3.6.8.1 Revenue

Revenue consists of the sale of products and services. It is valued at the fair value of the expected returns, net of any potential discounts and rebates and excluding VAT and other taxes.

In thousands of euros	31/12/2019	31/12/2018
Sales of equipment	30,176	25,578
Sales of services	9,808	7,992
TOTAL	**39,984**	**33,570**

Sales of services include €5,044k in sales of "no commitment with expired commitment" subscriptions in 2019 versus €2,247k in 2018.

In thousands of euros	31/12/2019	31/12/2018
France	36,448	31,029
Export	3,536	2,541
TOTAL	**39,984**	**33,570**

Revenue is primarily generated in France, even though the Company is starting to develop its export activities, which account for 9% and are up 39.2% over the previous financial year.

Revenue is up by 19.1% at €39,984k compared to €33,570k last year.

This growth was primarily due to the development of the intratone equipment range accounting for €4,468k and subscriptions for €1,817k.

Equipment sales include both sales to distributors (equipment only) and "sales" of equipment components (stations, etc.) under Standard and Premium package contracts.

These sales correspond to service obligations recognised at the specific time of delivery of the equipment in question.

Service provisions include maintenance and secure access management services, including provision of a SIM card, giving access to access control management services (access to web applications developed internally and supplied to building managers, training of said building managers, telephone support, maintenance of such applications etc.).

Such service provisions constitute multi-annual service obligations recognised according to the percentage of completion method, in line with the costs incurred, in accordance with IFRS 15. Given the structure and the pace at which funds are committed to expenses incurred in order to provide the services (expenses unchanged from one financial year to the next), the percentage of completion method used corresponds to the transaction price prorated over the contract term). Furthermore, since the transaction is not subject to any variation, the degree of uncertainty regarding the total revenue amount and, therefore, the percentage of completion on the closing date, is nil.

3.6.8.2 Purchases consumed

In thousands of euros	31/12/2019	31/12/2018
Raw materials purchased	-14,062	-12,255
Change in raw materials inventory	1,452	685
Goods purchases	-199	
Change in goods inventory	199	
SIM card purchases	-2,171	-1,955
Purchases not held in inventory	-664	-543
Freight in	-50	-38
Capitalised production	355	209
Transfers of expenses	14	
TOTAL	**-15,125**	**-13,898**

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

3.6.8.3 Personnel expenses and headcount

In thousands of euros	31/12/2019	31/12/2018
Wages and salaries	-10,984	-7,879
Change in provisions for paid leave	-94	-96
Additional paid-in capital	-21	-19
Bonuses and other benefits	-292	-167
Social security contributions	-3,951	-3,045
Employee profit-sharing	-368	
Subsidies and reclassification of employee benefits expense	274	122
Capitalised production	1,223	1,072
TOTAL	**-14,213**	**-10,011**

Until 30 April 2018, H.R.C. SAS was the Chairman of COGELEC SAS and was compensated by COGELEC SAS, with which a service agreement had been entered into (for management services in particular). On 18 April 2019, the Board of Directors authorised the continuation of the service agreement relating to the technical and commercial services component of the Company's activities. These expenses are not included in staff costs but are included in external expenses. The amounts stipulated by this agreement are indicated in note 3.6.10.2.

Since 1 May 2018, the Chairman and Chief Executive Officer of the company has been directly compensated by COGELEC.

In 2018, social contributions included the tax credit for competitiveness and employment (CICE). In France, the Group benefits from the CICE, calculated on the basis of a portion of the compensation paid to the employees of French companies. This tax credit is paid by the French government, regardless of the situation of the entity in respect of corporation taxes: it is reimbursed by the State if the entity does not pay corporation tax. The CICE was abolished starting 1 January 2019, but we recognised a permanent reduction in expenses.

Group workforce

	31/12/2019	31/12/2018
Managers	52	42
Employees	160	112
Operators	20	17
Apprentices	2	1
TOTAL	234	172

The workforce presented is an average workforce calculated in accordance with the French Social Security Code and does not include temporary workers.

At 31 December 2019, IT GmbH, IT UK and IT BV had 33, 19 and 13 employees respectively (for an average workforce in 2019 of 29, 15 and 9 employees respectively). In these countries, there are no occupational categories as presented above. Salaried employees were therefore integrated into employees for a total of 53.

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.

3.6.8.4 External expenses

In thousands of euros	31/12/2019	31/12/2018
Compensation of intermediaries and professional fees	-2,161	-1,968
Advertising expenses	-2,036	-1,388
Travel and entertainment expenses	-1,086	-801
Leases	-440	-675
Freight out	-405	-342
Temporary staff	-521	-363
Other items	-1,556	-1,308
TOTAL	-8,205	-6,844

The professional fees are mainly composed of technical, marketing and general management services performed by HRC (until 30 April 2018), and accounting, legal and consulting fees (notably for patent studies).

Advertising expenses are composed of expenses for fairs and exhibitions, media advertisements and marketing/communication. Subsidiaries abroad have focused on communication as part of their development

Rentals are down due to the application of IFRS 16 from 1 January 2019. It is now composed of one-off rentals of vehicles and office equipment, rental charges, and leases on contracts with a remaining term of less than 12 months as of 1 January 2019 or contracts with a value of less than US$5,000.

3.6.8.5 Details of other recurring operating income and expenses

In thousands of euros	31/12/2019	31/12/2018
Share of investment grant restated in profit or loss (1)	421	245
Other income	41	35
Other expenses	-157	-66
TOTAL	**305**	**215**
(1) of which		
Reversal of CIR and CII grants	366	165
Reversal of subsidised interest-free advance	47	77
Reversal of grant for property finance lease	8	3
	421	**245**

3.6.8.6 Details of other recurring operating income and expenses

In thousands of euros	31/12/2019	31/12/2018
Proceeds from sale of fixed assets	39	3
Carrying amount of assets sold	-26	-22
Reversals of exceptional provisions (1)		77
Other non-current expenses (1)	-13	-86
IPO expenses not charged against the share premium (marketing expenses & prospectus, travel expenses)		-390
TOTAL	**-1**	**-418**

(1) In 2018, reversal of tax provision corresponding to the VAT tax surcharge, for which the expense is shown in "other non-current expenses" for the same amount.

3.6.8.7 Cost of net debt

Cost of net financial debt

In thousands of euros	31/12/2019	31/12/2018
Income from term deposits	22	7
Income from cash and cash equivalents	**22**	**7**
Interest on borrowings	-95	-119
Interest on leases	-79	-88
Interest on operating leases	-4	
Interest on OSEO Innovation repayable grant	-47	-77
Bank interest	-4	-19
Interest on other debts	-1	0
Cost of gross financial debt	**-232**	**-303**
Cost of net financial debt	**-210**	**-295**

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

Other financial income and expenses

In thousands of euros	31/12/2019	31/12/2018
Foreign exchange gains	147	13
Income from trade receivables	58	63
Income from other loans	0	0
Other financial income	4	1
Other financial income	208	77
Foreign exchange losses	-76	-22
Loan impairment	0	-10
Other financial expenses	-76	-32
TOTAL	132	45

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

3.6.9 CONSOLIDATED STATEMENT OF CASH FLOWS

The following options are used:

- The interest and dividends paid are classified as financing cash flows because they represent the costs incurred for obtaining financial resources or returns on investments;
- The impacts of increases in interest rates and disposals are classified as cash flows used by investing activities.

Changes in cash flows from operations reflect changes in the Group's activities.

The working capital requirement related to the activity generated net working capital over the 2018 and 2019 financial years, notably due to advance invoicing on prepaid amounts, which are recognised as contract liabilities when invoices have not been paid. Changes in liabilities on contracts for prepaid amounts are shown under the following items:

- "Other non-current liabilities" for €2,963k in 2018 and €3,192k in 2019;
- and "Other current liabilities" for €1,953k in 2018 and €2,320k in 2019;

The notes below provide details regarding certain elements of the cash flow table.

6.9.1			
Disposal price	3.6.8.6	-39	-3
Corrected disposal price		**-39**	**-3**
Net carrying amount	3.6.8.6	26	22
The net carrying amount of capital assets in progress settled as external expenses			56
Corrected net carrying amount		**26**	**79**
Gains or losses on disposals		**-13**	**75**

6.9.2		
Tax owed expense	1,501	730
Deferred tax expense	107	146
Deferred taxes	0	7
Tax expense (including deferred taxes)	**1,609**	**883**

6.9.3			
Tax receivable/payable at opening	**3.6.10.1**	787	-320
Tax owed expense		-1,501	-730
Tax owed at end of period	**3.6.10.1**	1,485	-787
Cancellation of corporation tax savings generated by IPO expenses offset against shareholders' equity			-36
Tax paid		**771**	**-1,873**

6.9.4			
Change in inventories	**3.6.7.6**	-2,162	-1,385
Impact of foreign exchange differences		-12	
Change in trade receivables in WCR		**-2,174**	**-638**

6.9.5			
Change in trade receivables	**3.6.7.7**	-833	-636
Impact of foreign exchange differences		10	-2
Change in trade receivables in WCR		**-823**	**-638**

6.9.6			
Change in other current assets (excluding loans and guarantees)	**3.6.7.7**	-472	-91
Impact of foreign exchange differences		5	-1
Change in other current assets in WCR		**-466**	**-91**

6.9.7			
Change in other non-current liabilities	**3.6.7.15**	3,205	2,998
Impact of foreign exchange differences		-7	1
Change in other non-current liabilities in WCR		**3,197**	**2,999**

6.9.8			
Change in trade payables	**3.6.7.15**	-83	-636
Impact of foreign exchange differences		-81	9
Impact of exchange rate differences on reciprocities		73	-8
Change in trade payables in WCR		**-91**	**-635**

6.9.9			
Grant reversals	**3.6.8.5**	421	245
Share of prepaid income recognised in profit and loss	**3.6.7.15**	1,948	1,633
Changes in other current liabilities	**3.6.7.15**	1,688	454
Impact of foreign exchange differences		-1	0
Other current liabilities		**4,055**	**2,332**

6.9.10			
Acquisitions of fixed assets	**3.6.7.1 and 3.6.7.2**	-6,184	-3,495
- New finance leases	**3.6.7.10**	2,523	
Changes in liabilities on assets	**3.6.7.15**	-67	95
- Changes in liabilities on assets related to the buyout of INTRATONE minority interests			
Acquisitions of fixed assets		**-3,728**	**-3,400**

6.9.11			
Other financial assets at beginning of period		255	142
Other financial assets at end of period	**3.6.7.3**	-264	-255
Change in loans and advances on non- current assets		**-9**	**-113**
Impairment adjustments			-38
Net carrying amount of guarantee deposits and sureties		-15	-1
Change in loans and advances granted on non-current assets		**-24**	**-151**
Other current assets at beginning of period (property, financial)		39	43
Other current assets at end of the period (long-term financial assets)	**3.6.7.7**	-38	-39
Changes in current assets		**1**	**5**
Impairment adjustments			28
Change in loans and advances granted on current assets		**1**	**33**
Change in loans and advances granted		**-23**	**-118**

6.9.12			
New borrowings	**3.6.7.10**	6,857	
- New finance leases	**3.6.7.10**	-2,523	
Impact of foreign exchange differences		-61	7
- Impact of exchange rate differences on reciprocities		61	-7
New borrowings		**4,334**	

3.6.10. OTHER INFORMATION

3.6.10.1 Taxes

Balance sheet liabilities (in €k)

	31/12/2019	31/12/2018
NON-CURRENT ASSETS		
Deferred taxes		
Net current tax receivable		
CURRENT ASSETS		
Net current tax receivable [1]		787
TOTAL ASSETS	-	787

[1] Tax receivable from the separate financial statements, excluding the CIR and CII

Balance sheet liabilities (in €k)

	31/12/2019	31/12/2018
NON-CURRENT LIABILITIES		
Deferred taxes	134	57
Current tax liability		
CURRENT LIABILITIES		
Current tax liability [1]	1,485	
TOTAL LIABILITIES	1,619	57

[1] Tax liability from the separate financial statements, excluding the CIR and CII

Net tax liability (in €k)

	Current		Non-current	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net current tax receivable	-	787		
Net tax liability owed	1,485	-		

Analysis of tax expense (in €k)

	31/12/2019	31/12/2018
Accounting income before tax	-963	47
Theoretical tax expense	-249	12
Impact of permanently non-tax-deductible expenses net of income that is definitively non-taxable	43	73
Impact of tax credits	-98	-99
Impact of non-activated losses for the financial year	1,714	789
Impact of differences in tax rates	256	166
Impact of company value added contribution (CVAE)	216	169
Impact of foreign exchange differences	17	
Effective tax expense	**1,899**	**1,111**

The Group's tax expense in 2019 was €1,899k against €1,111k in 2018.

IAS 12 recommends the use of the latest tax rate in effect for the calculation of deferred taxes. In France, the tax rate will change over time until 2022. The Group adopted the rate of 25% increased by the contribution of 3.3%.

3.6.10.2 Related parties

The related parties identified at 31 December 2017 and 31 December 2018 were the following:

- SAS H.R.C., Chairman of COGELEC, represented by Roger LECLERC in his capacity as Chairman;
- S.R.C., whose Chairman is H.R.C. represented by Roger LECLERC in his capacity as Chairman.

It should be noted that a service contract has been concluded between HRC SAS and COGELEC cf 2.2.1.

COGELEC distributed €2,000k in dividends to S.R.C. over the 2018 financial year.

The impact of relations with related parties on the various items of the balance sheet and income statement was the following:

LIABILITIES	31/12/2019	31/12/2018
Other non-current liabilities		
Total non-current liabilities		**0**
Borrowings and financial liabilities		3
Trade payables and related accounts	48	72
Total current liabilities	**48**	**75**
TOTAL LIABILITIES	**48**	**75**
	31/12/2019	31/12/2018
External expenses	-741	-893
Taxes and charges		
OPERATING PROFIT	-741	-893
Cost of gross financial debt		-3
CONSOLIDATED NET INCOME	-741	-896

3.6.10.3 Compensation of the main managers

The Group has defined and limited the definition of key executives to the Chairman and Chief Executive Officer of COGELEC. The Chairman and Chief Executive Officer was compensated by HRC until 30 April 2018. Since 1 May 2018, Roger LECLERC has been the Chairman and Chief Executive Officer of COGELEC, with the resulting termination of executive management benefits.

The compensation paid to the main managers can be broken down in the following manner (in €k):

In thousands of euros	31/12/2019	31/12/2018
Provision of HRC services	747	893
Wages and salaries	300	200
MANAGER COMPENSATION	1,047	1,093

The manager does not receive:

- short-term benefits;
- post-employment benefits;
- other long-term benefits;
- end of employment contract payments;
- share-based payments.

3.6.10.4 Statutory Auditors' fees

	ARC			
	31/12/2019		31/12/2018	
	Statutory Auditors (ARC)	Network	Statutory Auditors (ARC)	Network
Certification and half-yearly limited review of the separate and consolidated financial statements • Issuer • Fully consolidated subsidiaries	75		50	
Sub-total	75		50	
Services other than the certification of the financial statements • Issuer • Fully consolidated subsidiaries				
Sub-total	-		-	
TOTAL Statutory Auditors' fees	75	-	50	-

	DELOITTE			
	31/12/2019		31/12/2018	
	Statutory Auditors (Deloitte & Associés)	Network	Statutory Auditors (Deloitte & Associés)	Network
Certification and half-yearly limited review of the separate and consolidated financial statements • Issuer • Fully consolidated subsidiaries	75		50	
Sub-total	75		50	
Services other than the certification of the financial statements • Issuer • Fully consolidated subsidiaries				
Sub-total	-		-	
TOTAL Statutory Auditors' fees	75		50	

	ADLER SHINE LLP			
	31/12/2019		31/12/2018	
	Statutory Auditors (Adler Shine LLP)	Network	Statutory Auditors (Adler Shine LLP)	Network
Certification and half-yearly limited review of the separate and consolidated financial statements • Issuer • Fully consolidated subsidiaries	7		7	
Sub-total	7		7	
Services other than the certification of the financial statements • Issuer • Fully consolidated subsidiaries	5			
Sub-total	5		-	
TOTAL Statutory Auditors' fees	11		7	

As regards the foreign subsidiaries, only INTRATONE UK has appointed a Statutory Auditor (ADLER SHINE LLP).

3.6.10.5 Operational performance indicators

Gross margin

	31/12/2019	31/12/2018
Revenue	**39,984**	**33,570**
Other operating income	5	4
Purchases consumed	-15,125	-13,898
Change in work in progress and finished product inventories	626	1,016
GROSS MARGIN	**25,490**	**20,692**
As % of revenue	***63.8%***	***61.6%***

Purchases consumed are detailed in section 3.6.8.2.

EBITDA

	31/12/2019	31/12/2018
Operating income	**-885**	**297**
Allocations to depreciation and amortisation	3,301	1,787
Asset impairments net of reversals	370	1,121
EBITDA[1]	**2,787**	**3,205**
As % of revenue	*7.0%*	*9.5%*

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

3.6.11 RISKS ON FINANCIAL INSTRUMENTS

3.6.11.1 Analysis of covenants

The Company was not subject to any covenants under the terms of its financing for the 2019 and 2018 financial years.

3.6.11.2 Schedule of financial assets and liabilities

2019

ASSETS (in €k)	Balance sheet value	- 1 year	to 2 years	to 3 years	to 4 years	to 5 years	+ 5 years
Other financial assets	**264**						
Long term investments (EPS portions)	16						16
BPI guarantees held	125				50	75	
Security deposit on property lease	21						21
Security deposit on IT UK premises	55		55				
Security deposit on IT GMBH premises	22				22		
Security deposit on IT BV	23			5			19
Other non-current assets	**4,108**						
Trade receivables	76						76
Trade receivables under rental agreements	2,665		1,079	803	531	213	39
Prepaid expenses	1,367		225	224	221	202	496
Non-current financial assets	4,372	0	1,359	1,032	824	490	667
Inventories and work in progress	**10,511**	10,511					
Trade and other receivables	**9,811**						
Trade receivables	8,563	8,563					
Trade receivables under rental agreements	1,248	1,248					
Other current assets	**2,196**						
Loans to staff	1	1					
Diamo loan	0	0					
BPI guarantees held	15	15					
Security deposit on IT GMBH premises	5	5					
Security deposit on IT UK	17	17					
Advances and down payments paid	67	67					
Social receivables	50	50					
Tax receivables	1,048	1,048					
Other operating receivables	553	553					
Prepaid expenses	441	441					
Cash and cash equivalents	**17,371**	17,371					
Current financial assets	39,889	39,889	0	0	0	0	0
TOTAL FINANCIAL ASSETS	44,261	39,889	1,359	1,032	824	490	667

LIABILITIES (in €k)	Balance sheet value	- 1 year	to 2 years	to 3 years	to 4 years	to 5 years	+ 5 years
Borrowings and financial liabilities	**8,885**						
Bank borrowings	5,642		1,817	1,303	1,119	873	529
Finance lease payables	2,136		302	312	321	331	870
Operating lease liabilities	1,108		587	293	99	69	60
Other non-current liabilities	**19,419**						
Prepaid income on prepaid contracts	17,966		1,859	1,841	1,812	1,781	10,672
CIR and CII	1,406		428	386	375	181	36
BPI – subsidy on interest-free advance	0						
OSEO – investment grants	46		11	11	11	6	9
Non-current financial liabilities	**28,304**	**0**	**5,004**	**4,147**	**3,736**	**3,241**	**12,176**
Borrowings and financial liabilities	**3,191**						
Bank borrowings	2,079	2,079					
OSEO loans	30	30					
Lease payables	306	306					
Operating lease liabilities	776	776					
Trade payables	**2,803**	2,803					
Other current liabilities	**7,205**						
Tax and social security liabilities	3,582	3,582					
Other debts	1,210	1,210					
Prepaid income	2,413	2,413					
Current financial liabilities	**13,198**	**13,198**	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL LIABILITIES	41,502	13,198	5,004	4,147	3,736	3,241	12,176

2018

ASSETS (in €k)	Balance sheet value	- 1 year	to 2 years	to 3 years	to 4 years	to 5 years	+ 5 years
Other financial assets	**255**						
Long term investments (EPS portions)	16						16
BPI guarantees held	140		15			50	75
Security deposit on property lease	21						21
Security deposit on IT UK premises	55			55			
Security deposit on IT GMBH premises	22					22	
Other non-current assets	**3,510**						
Trade receivables	77						77
Trade receivables under rental agreements	2,342		898	729	453	181	81
Prepaid expenses	1,091		167	167	167	160	430
Non-current financial assets	**3,765**	**0**	**1,080**	**952**	**621**	**413**	**700**
Inventories and work in progress	**8,349**	8,349					
Trade and other receivables	**8,978**						
Trade receivables	7,996	7,996					
Trade receivables under rental agreements	982	982					
Other current assets	**1,725**						
Loans to staff	2	2					
Diamo loan	0	0					
BPI guarantees held	15	15					
Security deposit on IT GMBH premises	5	5					
Security deposit on IT UK	17	17					
Advances and down payments paid	149	149					
Social receivables	56	56					
Tax receivables	764	764					
Other operating receivables	450	450					
Prepaid expenses	268	268					
Cash and cash equivalents	**16,358**	16,358					
Current financial assets	**35,411**	**35,411**	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL ASSETS	39,176	35,411	1,080	952	621	413	700

LIABILITIES (in €k)	Balance sheet value	- 1 year	to 2 years	to 3 years	to 4 years	to 5 years	+ 5 years
Borrowings and financial liabilities	**5,950**						
Bank borrowings	3,477		1,332	1,068	552	364	161
OSEO loans	30		30	0	0	0	0
OSEO Innovation repayable grant	0		0	0	0	0	0
Finance lease payables	2,442		306	302	312	321	1,201
Other non-current liabilities	**16,214**						
Prepaid income on prepaid contracts	14,774		1,485	1,465	1,451	1,427	8,946
CIR and CII	1,378		375	335	288	277	103
BPI – subsidy on interest-free advance	0		0	0	0	0	0
OSEO – investment grants	62		11	11	11	11	19
Non-current financial liabilities	**22,164**	**0**	**3,539**	**3,181**	**2,613**	**2,399**	**10,431**
Borrowings and financial liabilities	**2,006**						
Bank borrowings	1,394	1,394					
OSEO loans	60	60					
Accrued interest (not yet due)	0	0					
OSEO Innovation repayable grant	253	253					
Bank overdrafts	5	5					
Lease payables	294	294					
Other financial liabilities	0	0					
Trade payables	**2,952**	2,952					
Other current liabilities	**5,517**						
Tax and social security liabilities	2,500	2,500					
Other debts	1,060	1,060					
Prepaid income	1,957	1,957					
Current financial liabilities	**10,476**	**10,476**	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL LIABILITIES	**32,640**	**10,476**	**3,539**	**3,181**	**2,613**	**2,399**	**10,431**

3.6.11.3 Fair value of financial assets and liabilities

The Group's assets and liabilities are measured in the following manner for each year according to the valuation categories defined by IFRS 9:

in €k	31/12/2019	Value - statement of financial position according to IFRS 9		
Balance sheet headings	Value – Statement of financial position	Fair value through profit or loss	Fair value through equity	Amortised cost
Non-current financial assets	264		264	
Trade and related receivables	12,551			12,551
Other receivables	3,564			3,564
Cash and cash equivalents	17,371	17,371		
Total headings pertaining to an asset item	**33,750**	**17 ,371**	**264**	**16,115**
Current financial debts	3,191			3,191
Non-current financial debts	8,885			8,885
Trade payables and related accounts	2,803			2,803
Other debts	26,623			26,623
Total headings pertaining to a liability item	**41,502**	**-**	**-**	**41,502**

in €k	31/12/2018	Value - statement of financial position according to IFRS 9		
Balance sheet headings	Value – Statement of financial position	Fair value through profit or loss	Fair value through equity	Amortised cost
Non-current financial assets	255		255	
Trade and related receivables	11,397			11,397
Other receivables	2,816			2,816
Cash and cash equivalents	16,358	16,358		
Total headings pertaining to an asset item	30 ,826	16,358	255	14 ,213
Current financial debts	2,006			2,006
Non-current financial debts	5,950			5,950
Trade payables and related accounts	2,952			2,952
Other debts	21,731			21,731
Total headings pertaining to a liability item	32,640	-	-	32,640

3.6.11.4 Off-balance-sheet commitments by maturity

Financial commitments at 31 December 2019

In thousands of euros	TOTAL	2020	2021	2022	2023	2024	Beyond
Commitments given							
Collateral	592	280	277	35			
Fixed asset orders	189	189					
Supply commitment(1)	5,864	2,105	1,439	790	554	408	568
Interest on borrowings	212	83	59	39	22	7	2
Interest on finance lease	302	71	62	53	43	34	41
Interest on operating leases	10	4	3	1	1	0	0
Total commitments given	**7,170**	**2,733**	**1,839**	**918**	**620**	**449**	**610**
Commitments received							
Authorised overdrafts	1,800	1,800					
Diamo debt waiver with recovery clause in the event of return to financial health	50						50
Fixed asset orders	1 043	1 043					
Purchase commitment(1)	5,864	2,105	1,439	790	554	408	568
Interest on borrowings	212	83	59	39	22	7	2
Interest on finance lease	302	71	62	53	43	34	41
Interest on operating leases	10	4	3	1	1	0	0
Total commitments received	**9,282**	**5,107**	**1,562**	**883**	**620**	**449**	**660**

As the contracts with commitments expire, they are renewed as contracts without commitments (the termination rate is very low). Similarly, newly signed contracts no longer have a firm commitment period. As regards the contracts with no outstanding commitments at 31 December 2019, the Group expects revenue of €6,477k for 2020.

Financial commitments at 31 December 2018

In thousands of euros	TOTAL	2019	2020	2021	2022	2023	Beyond
Commitments given							
Collateral	871	279	280	277	35		
Fixed asset orders	132	132					
Supply commitment(1)	6,369	2,251	1,623	933	337	307	918
Operating leases	427	226	144	52	4	1	
Property leases	1,229	227	249	209	157	108	279
Interest on borrowings	258	92	69	47	30	16	4
Interest on finance lease	382	79	71	62	53	43	74
Total commitments given	**9,668**	**3,286**	**2,435**	**1,580**	**616**	**475**	**1,275**
Commitments received							
Authorised overdrafts	1,700	1,700					
Diamo debt waiver with recovery clause in the event of return to financial health	50						50
Fixed asset orders	376	376					
Purchase commitment(1)	6,369	2,251	1,623	933	337	307	918
Operating leases	427	226	144	52	4	1	0
Property leases	1,229	227	249	209	157	108	279
Interest on borrowings	258	92	69	47	30	16	4
Interest on finance lease	382	79	71	62	53	43	74
Total commitments received	**10,791**	**4,952**	**2,154**	**1,303**	**581**	**475**	**1,325**

(1) Commitments on leases

The company had an overdraft balance of €5k at 31 December 2018. No overdraft balance at 31 December 2019.

The loans granted by OSEO BDPME for an overall amount of €2.8m at 31 December 2019 and €3.1m at 31 December 2018, benefit from cash collateral in the amount of €140m at 31 December 2019 versus €155k at 31 December 2018.

3.6.11.5 Operating sectors

The breakdown of revenue between equipment sales and services and the breakdown of revenue between France and Export is presented in section 3.6.8.1.

Foreign assets are not significant.

For the 2018 and 2019 financial years, no customer represents more than 10% of revenue.

4. ANNUAL FINANCIAL STATEMENTS OF THE COMPANY AT 31 DECEMBER 2019

In all financial statements and notes, amounts are shown in thousands of euros (€k), unless otherwise indicated, and differences of ± €1,000 are due to rounding.

4.1 INCOME STATEMENT

In thousands of euros	31/12/2019	31/12/2018
Operating income		
Sales of goods		
Production sold (goods)	28,309	24,065
Production sold (services)	11,792	9,676
Net revenue	40,101	33,741
Of which for export and intra-community delivery	4,033	3,153
Inventoried production	723	1,039
Capitalised production	2,758	2,697
Operating subsidies	5	23
Reversals of provisions (&amort), transfer of expenses	556	262
Other income	39	35
Total operating income (I)	44,181	37,798
Operating expenses (2)		
Goods purchases		
Change in inventory		
Purchases of raw materials and other supplies	14,235	12,295
Changes in inventory	-1,452	-685
Other purchases and external expenses (a)	9,647	9,495
Taxes and similar payments	838	647
Wages and salaries	8,633	7,288
Social security contributions	3,426	2,882
Provisions for amortisation & depreciation and impairment		
- On capital assets: provisions for amortisation & depreciation	3,096	2,242
- On capital assets: provisions for impairment		
- On current assets: provisions for impairment	407	620
- For risks and expenses: provisions	183	548
Other expenses	44	62
Total operating expenses (II)	39,059	35,395
OPERATING PROFIT/LOSS (I-II)	5,122	2,403
Share of operating profit/loss		
Profit assigned or loss transferred (III)		
Loss borne or profit transferred (IV)		
Financial income		
From equity investments (3)	19	3
From other securities and capitalised asset receivables		
Other interest and similar income (3)	25	8
Reversals of provisions and impairment and transfers of expenses	57	
Positive exchange rate differences		1
Net income on disposals of investment securities		
Total financial income (V)	102	11
Financial expenses		
Provisions for amortisation & depreciation and impairment.	57	67
Interest and similar expenses (4)	100	137
Negative exchange rate differences	1	
Net expenses on the sale of securities		
Total financial expenses (V)	158	204
FINANCIAL PROFIT/LOSS (V-IV)	-56	-193
CURRENT INCOME before tax	5,066	2,210

In Euros	31/12/2019	31/12/2018
Exceptional income		
On management transactions	1	0
On capital transactions	67	7
Reversals of provisions and impairment and transfer of expenses		77
Total exceptional income (VII)	68	83
Exceptional expenses		
On management transactions	3	82
On capital transactions	95	103
Provisions for amortisation & depreciation and impairment	0	0
Total exceptional expenses (VIII)	97	185
EXCEPTIONAL PROFIT/LOSS (VII-VIII)	-30	-101
Employee profit-sharing (IX)	368	
Income tax (X)	968	306
Total income (I+III+V+VII)	44,351	37,892
Total expenses (II+IV+VI+VIII+IX+X)	40,651	36,090
PROFIT OR LOSS	3,700	1,802
(a) Including:	9	17
- Movable property leases	363	363
- Real estate leases	19	3
(1) Of which income relating to previous financial years		
(2) Of which expenses relating to previous financial years		
(3) Of which income concerning associated entities	19	3
(4) Of which interest concerning associated entities		

4.2 BALANCE SHEET AT 31 DECEMBER 2019

4.2.1 ASSETS

In thousands of euros	31 December 2019			31 December 2018
	Gross value	Amortisation Depreciation Impairment	Net values	Net values
CAPITALISED ASSETS				
Intangible assets				
Start-up expenses				
Research and development expenses	14,102	8,758	5,344	2,242
Concessions, patents, licences, software, rights and related items	728	564	164	136
Goodwill (1)	1,927		1,927	1,927
Other intangible assets	2,243		2,243	4,564
Advances and prepayments on intangible assets				
Property, plant and equipment				
Land				
Buildings				
Technical installations, industrial equipment and tools	11,174	6,595	4,579	3,702
Other property, plant and equipment	1,305	640	665	597
Property, plant and equipment in progress	55		55	788
Advances and prepayments	202		202	222
Long-term financial assets (2)				
Equity investments (equity method)				
Other equity investments	35		35	35
Receivables attached to equity investments	10,396		10,396	2,197
Other long term investments	16		16	16
Loans	39	38	1	2
Other long-term financial assets	1,047	57	990	435
TOTAL CAPITALISED ASSETS	43,269	16,652	26,616	16,865
CURRENT ASSETS				
Inventories and work in progress				
Raw materials and other supplies	5,533	234	5,299	3,831
Work in progress (goods and services)	3,707	222	3,485	3,088
Intermediate and finished products	1,702	204	1,498	1,302
Goods				
Advances and prepayments made on orders	67		67	149
Receivables (3)				
Trade and related receivables	9,243	380	8,863	9,206
Other receivables	466		466	1,694
Capital subscribed and called, not paid				
Miscellaneous				
Investment securities	8,505		8,505	8,501
Cash and cash equivalents	8,294		8,294	7,630
Prepaid expenses (3)	2,251		2,251	1,938
TOTAL CURRENT ASSETS	39,758	1,040	38,718	37,339
Debt issue expenses to be spread				
Bond redemption premiums				
Positive exchange rate differences				
OVERALL TOTAL	83,026	17,692	65,334	54,203
(1) Of which leasehold				
(2) Of which at less than one year (gross)			901	333
(3) Of which at more than one year (gross)			2,232	2,045

4.2.2 LIABILITIES

In thousands of euros	31 December 2019	31 December 2018
EQUITY		
Share capital	4,004	4,004
Issue, merger, contribution and other premiums	18,654	18,654
Revaluation difference		
Legal reserve	144	53
Statutory or contractual reserves		
Regulatory reserves	6	6
Other reserves	3,084	1,372
Carried forward	1	1
RESULT OF THE FINANCIAL YEAR (profit or loss)	3,700	1,802
Investment grants	57	65
Regulated provisions		
TOTAL EQUITY	**29,649**	**25,958**
OTHER EQUITY		
Income from issues of equity securities		
Conditional advances		300
TOTAL OTHER EQUITY		300
PROVISIONS FOR RISKS AND EXPENSES		
Provisions for risks	936	819
Provisions for expenses	236	170
TOTAL PROVISIONS FOR RISKS AND EXPENSES	1,172	989
DEBTS (1)		
Convertible bonds		
Other bonds		
Loans and debts with credit institutions (2)	7,750	4,967
Miscellaneous loans and financial debts (3)		
Advances and prepayments received on orders in progress		
Trade payables and related accounts	2,405	2,575
Tax and social liabilities	3,857	2,189
Debts on capital assets and related accounts	71	136
Other debts	913	815
Prepaid income (1)	19,518	16,274
TOTAL DEBTS	34,513	26,957
Negative exchange rate differences		
OVERALL TOTAL	65,334	54,203
(1) Of which at more than one year (a)	23,235	18,208
(1) Of which at less than one year (a)	11,278	8,749
(2) Of which bank loans and overdrafts and bank credit balances		5
(3) Of which participatory loans		
(a) Excluding advances and prepayments received on orders in progress		

4.3 NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The information below constitutes the notes to the annual financial statements forming an integral part of the summary financial statements presented for the financial year ended on 31 December 2019. Each of these financial years has a duration of twelve months covering the period from 1 January to 31 December. The summary financial statements as presented were approved by Board of Directors of the Company at its meeting of 21 April 2020 and will be submitted for approval at the General Meeting of Shareholders on 24 June 2019.

The financial data is presented in thousands of euros. The values are rounded to the nearest thousand except where it is otherwise specified. Generally, the values presented in the financial statements and the notes to the financial statements are rounded to the closest unit. Consequently, the sum of the rounded amounts may show differences that are not significant in relation to the reported total.

4.3.1 KEY FEATURES

The 2019 financial year was marked by the following events:

- Commissioningof the Kibolt project starting 1 May 2019, for approximately €5.3m (development costs + equipment)

- Cash advances made to the subsidiaries for a total of €10.4m at 31December 2019 to finance their commercial development.

4.3.2ACCOUNTING METHODS AND PRINCIPLES

The annual financial statements for the financial year ending 31 December 2019 were prepared in accordance with Accounting Standards Authority rule No. 2014-03 dated 5 June 2014, updated with various additional rules as of the date on which said financial statements were drawn up.

The accounting conventions were applied in accordance with the principle of prudence, pursuant to the basic assumptions:

- going concern;
- consistent accounting methods from one financial year to another;
- independence of financial years.

and pursuant to the general rules for the preparation and presentation of annual financial statements.

The basic method used to value the items recognised in the financial statements is the historical cost method.

The main methods and principles used are the following:

4.3.2.1 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are valued at their acquisition cost for assets acquired in return for payment, at their production cost for assets produced by the company, and at their market value for assets acquired freely and by exchange.

The cost of a capital asset consists of its purchase price, including customs duties and non-recoverable taxes, after deductions of discounts, commercial rebates and payment discounts and all costs directly attributable and disbursed to put the asset in place and in an operational condition according to its planned use. Transfer fees, professional fees, commissions and legal expenses related to the acquisition are included in this acquisition cost. All costs which do not form part of the acquisition price of the capital asset and which cannot be directly attached to the costs made necessary to put the asset in place and in an operational condition according to planned use are recognised as expenses.

The cost of a capital asset produced by the company for itself is determined by using the same principles as for an acquired capital asset. This production cost includes the purchase price of the materials consumed and the costs attributable to preparations for the planned use, after deducting discounts, rebates and payment discounts. Interest on loans specific to the production of capital assets is not included in the cost of production of these capital assets. Development costs are primarily costs incurred to develop the products that result in one or several patents.

Development costs are fixed insofar as the six criteria are respected:

- Technical and commercial feasibility;
- Intention to complete it and use it or sell it;
- Ability to use it or sell it;
- Probable economic benefits;
- Availability of resources to complete the development and to use it or sell it;
- Ability to reliably measure different project-related expenses.

Capitalised development costs are direct project-related costs, measured by monitoring costs per project.

The Company analyses compliance with capitalisation criteria on a regular basis. These costs continue to be recognised as assets, as long as the Company retains most of the project-related benefits and risks, particularly when the Company retains intellectual ownership and has granted a temporary right to use and/or exploit the results of development phases.

Ongoing development projects are tested for impairment.

Capitalised costs are amortized on a straight-line basis over the useful life expected by the Company, for a period of five years as from the commercial launch.

Project improvements are depreciated/amortised over an initial depreciation/amortisation period – the period already depreciated/amortised (minimum 1 year). The equipment made available to customers under contracts is capitalised and depreciated over the period of the contract. The equipment is valued at the cost price.

4.3.2.2 Impairment of non-financial assets

Impairment tests are carried out on finite-life tangible and intangible fixed assets as soon as an impairment appears. These tests consist of comparing the assets' net carrying amount with their recoverable value which is their market value less disposal costs or their value in use estimated according to the discounted cash flow (DCF) method, whichever is highest.

Cash flows are discounted over a maximum of 5 years and the discounting rate is the weighted average cost of capital of the entity in question. The weighted average cost of capital used for 2019 is 12.61%.

Intangible fixed assets which are not yet ready to be brought into service are subject to impairment testing at least once a year and any time that there is an indication that the asset may have depreciated.

For intangible assets for which the period of use is undetermined, impairment tests are carried out at least once a year on a set date and between two dates if there is an indication of impairment.

Impairment tests, carried out in accordance with the methodology described above, showed that no impairment was necessary. The sensitivity analysis of key assumptions (growth rate, EBITDA, discounting rate) involved in the determination of the value in use showed that a variation of +/-10% would have no impact on the findings of the impairment tests carried out (no impairment would need to be recorded).

4.3.2.3 Depreciation and amortisation

Depreciation and amortisation is calculated on a straight-line basis according to the planned service life.

Items	Period of depreciation/amortisation
Concessions, software and patents:	1 to 5 years
Technical installations:	1 to 10 years
Industrial equipment and tools:	1 to 10 years (including panels and GSM blocks from 5 to 10 years)
General installations, miscellaneous fixtures and fittings	2 to 10 years
Transport equipment:	2 to 5 years
Office equipment	3 to 5 years
IT equipment	2 to 5 years
Furniture	3 to 10 years

The depreciation/amortisation period adopted by simplification is the usage period for assets that could not be broken down initially. At the reporting date, in view of the internal and external information at its disposal, the Company assessed the existence of notable impairment indicators.

4.3.2.4 Goodwill

As part of the first application of ANC regulation n°2015-06, the Company considers that the use of its goodwill is not limited over time. An impairment test is performed by comparing the net carrying amount of goodwill with its market value or in-use value. The market value is determined according to criteria for economic profitability that are customary in the profession. A provision for impairment is recognised where applicable.

4.3.2.5 Equity securities

Equity securities are valued at their acquisition cost excluding ancillary expenses. The inventory value of the securities corresponds to the going-concern value for the company. It is determined on the basis of the net assets of the subsidiary, its profitability and future prospects. When the inventory value is less than the acquisition cost, an impairment is recognised for the amount of the difference.

Subsidiaries are tested for impairment using the DCF method.

4.3.2.6 Inventories

The cost of inventories includes the purchase price, customs duties and other taxes, but not taxes that can subsequently be recovered by the entity from the tax authorities, as well as transport, handling and other costs directly attributable to the production cost of raw materials, merchandise, works in progress and finished products. Trade discounts and rebates, cash discounts and other similar items are deducted to determine acquisition costs.

The products manufactured are valued at their production cost which includes all materials, direct and indirect production costs and amortisation of assets used in the production. The cost of under-capacity is not included in the cost of inventories. Interest is not included in the measurement of inventories.

Inventories are valued using the first in, first out, method.

Inventory write downs amounting to the difference between the gross value determined using the methods shown above and the daily rate or the realisable value less proportional selling costs, are recognised when said gross value is higher than the other term listed.

4.3.2.7 Receivables

Receivables are valued at their nominal value. An impairment is recognised when the inventory value is less than the carrying amount.

4.3.2.8 Provisions

Any current obligation resulting from a past event affecting the company with regard to a third-party, which is able to be estimated with sufficient reliability and covers identified risks, is subject to the recognition of a provision.

4.3.2.9 Debt issue expenses

Debt issue expenses are immediately recognised as expenses for the financial year.

4.3.2.10 Investment grants

Investment grants are spread over several financial years.

4.3.2.11 Exceptional income and expenses

Exceptional income and expenses include items which are not related to the Company's normal business.

4.3.2.12 Transactions in foreign currency

When assets are acquired in foreign currencies, the conversion rate used is the exchange rate on the date of entry or, where applicable, that of the hedge if it was taken before the transaction. Expenses disbursed for setting up hedges are also included in the acquisition cost. Debts, receivables and liquid assets in foreign currencies are shown on the balance sheet at their equivalent value at end-of-period rates. The difference that results from discounting debts and receivables in foreign currency to current value at the latest rates is recognised in the balance sheet as an exchange-rate difference. Unrealised foreign exchange losses which are not offset are subject to a provision for risks, fully in line with regulatory procedures.

4.3.2.13 Retirement commitments

The company's commitments concerning retirement benefits are calculated according to the projected credit unit method, with end-of-career salaries taking into account the provisions of the Collective Agreement, life expectancy and presence in the company, as well as financial discounting.

The actuarial assumptions used are the following:

- Discount rate: 0.6%;
- Rate of salary growth: 4% declining;
- Retirement age: 65 years;
- Table of mortality rates: INSEE 2010-2012.

4.3.3 NOTES TO THE BALANCE SHEET

4.3.3.1 Capitalised assets

TABLE OF FIXED ASSETS

	At the start of the financial year	Increase	Decrease	At the end of the financial year
- Start-up and development expenses	9,655	4,446		14,102
- Goodwill	1,927			1,927
- Other intangible asset items	5,187	1,459	3,674	2,971
Intangible assets	**16,769**	**5,905**	**3,674**	**19,000**
- Land				
- Buildings on own land				
- Buildings on third party land				
- General installations, fixtures and fittings constr				
- Technical installations, equipment and tools	8,791	2,384	1	11,174
- General installations, miscellaneous fixtures and fittings	297	97		394
- Transport equipment	25		1	25
- Office IT equipment and furniture	750	137	1	886
- Recoverable packaging and miscellaneous				
- Property, plant and equipment in progress	788	147	879	55
- Advances and prepayments	222	202	222	202
Property, plant and equipment	**10,872**	**2,968**	**1,104**	**12,736**
- Equity investments (equity method)				
- Other equity investments	2,233	8,201	3	10,431
- Other long term investments	16			16
- Loans and other long-term financial assets	532	964	410	1,086
Long-term financial assets	**2,781**	**9,165**	**413**	**11,533**
CAPITALISED ASSETS	**30,422**	**18,038**	**5,191**	**43,269**

As part of the initial application of regulation n°2015-06 of 23 November 2015, amending regulation n°2014-03 of the accounting standards authority in relation to the General Accounting Plan, the technical loss from the merger recorded on the balance sheet as goodwill, has been allocated to underlying assets from which there are reliable and significant gains according to the information available on the date of the opening balance sheet.

Since the technical loss is only from subscription contracts signed by INTRATONE TELECOM, it is therefore recorded in full as a COGELEC asset in the goodwill sub-account.

Cash flows are analysed as follows:

	Intangible assets	Property, plant and equipment	Long-term financial assets	TOTAL
Breakdown of increases				
Transfers between items	3,675	1,101	3	4,778
Current asset transfers				
Acquisitions	2,231	1,867	9,163	13,260
Contributions				
Creations				
Revaluations				
Increases in the financial year	5,905	2,968	9,165	18,038
Breakdown of decreases				
Transfers between items	3,674	1,101	3	4,778
Transfers to current assets				
Disposals				
Demergers				
Decommissioning				
Decreases in the financial year	3,674	1,104	413	5,191

INTANGIBLE ASSETS

Development expenses

Other intangible asset items, for an overall amount of €2,971k, take into account projects in progress for €2,243k at 31 December 2019.

The increases for the financial year of €5,905k, which concern intangible assets, correspond to:
- capitalisation of development costs for €4,446k;
- recognition of projects in progress for €1,459k.

	Gross Amount
Use of projects	14,102
Research expenses	14,102

PROPERTY, PLANT AND EQUIPMENT

The increases for the financial year, which concern property, plant and equipment, amount to €2,968k and correspond mainly to:

- Equipment and tools for €2,384k, including capitalised production of equipment related to Standard and Premium contracts for €915k;
- Advances and prepayments on equipment +€202k;
- Property, plant and equipment in progress +€147k;
- IT equipment and furniture +€137k.

LONG-TERM FINANCIAL ASSETS

The amount of financial acquisitions stands at €9,165k, mainly including:

- Advances of funds to subsidiaries for €8,201k;
- Acquisition of treasury shares for €964k.

Depreciation and amortisation of fixed assets

	At the start of the financial year	Increase	Decrease	At the end of the financial year
Start-up and development expenses	7,413	1,345		8,758
Goodwill				
Other intangible asset items	486	78		564
Intangible assets	**7,899**	**1,423**		**9,322**
Land				
Buildings on own land				
Buildings on third party land				
General installations, fixtures and fittings				
Technical installations, equipment and tools	5,088	1,507		6,595
General installations, miscellaneous fixtures and fittings	82	37		119
Transport equipment	2	5	1	7
Office IT equipment and furniture	391	125		515
Recoverable packaging and miscellaneous				
Property, plant and equipment	**5,563**	**1,673**	**1**	**7,235**
CAPITALISED ASSETS	13,463	3,096	1	16,558

4.3.3.2 Current assets

Statement of receivables

Total receivables at the end of the financial year stand at €23,442k and the detailed classification per maturity is as follows:

	Gross amount	Maturities at - 1 year	Maturities at + 1 year
Capitalised asset receivables			
Receivables attached to equity investments	10,396		10,396
Loans	39	1	38
Other	1,047	900	146
Current asset receivables			
Trade and other receivables	9,243	8,787	456
Other	466	466	
Capital subscribed - called, not paid			
Prepaid expenses	2,251	476	1,776
TOTAL	**23,442**	**10,630**	**12,812**
Loans granted during the financial year			
Loans recovered during the financial year	1		

Receivables at more than one year of a total amount of €12,812k breakdown as follows:

- Advances to subsidiaries +€10,396k;

- CCA for €1,776k (including CCA on PREMIUM commissions for €455k and SIM cards for €1,321k);

- Doubtful debts for €455k - Deposits and guarantees for €146k;

- Diamo loan for €38k.

Deferred income

In thousands of euros	Amount
Suppliers & advances receivable	3
Deferred accrued interest	17
Total	**20**

Asset impairment

Cash flows are analysed as follows:

In thousands of euros	Impairment start of financial year	Provisions for financial year	Reversals for financial year	Impairment end of financial year
Intangible assets				
Property, plant and equipment				
Long-term financial assets	95	57	57	94
Inventory	545	403	288	660
Receivables and marketable securities	390	4	14	380
Total	**1,030**	**464**	**360**	**1,134**
Breakdown of provisions and reversals:				
Operational		407	302	
Financial		57	57	
Compensation				

4.3.3.3 Shareholders' equity

Structure of the share capital

Share capital of €4,004,121.60 comprised of 8,898,048 shares with a par value of €0.45.

The 8,898,048 shares break down into:
- 3,550,963 bearer shares with simple voting rights, of which 130,709 are treasury shares held;
- 5,347,085 registered shares including 20 with single voting rights and 5,347,065 with double voting rights.

Details concerning the treasury shares purchased by COGELEC:
- Number of treasury shares held at 31 December 2019: 130,709 shares
- Value of treasury shares held at 31 December 2019: €885,377
- Number of treasury shares acquired in 2019: 142,457 shares
- Value of treasury shares acquired in 2019: €963,792
- Number of treasury shares sold in 2019: 48,953 shares
- Value of treasury shares sold in 2019: €337,137

All of these shares are recorded in account 277.

As a result of the impairment loss recognised for these treasury shares, an impairment loss of €56,682 was recognized at 31 December 2019. (Historical value compared to the average value over the month prior to closing.)

Appropriation of earnings

Decision of the General Meeting of 24 June 2019

	Amount
Carried forward from the previous financial year	1
Profit/loss for the previous financial year	1,802
Deductions from reserves	
Total sources	**1,803**
Allocations to reserves	1,802
Distributions	
Other distributions	
Carried forward	1
Total allocations	**1,803**

STATEMENT OF CHANGES IN EQUITY

in thousands of euros	Balance at 01/01/2019	Appropriation of earnings	Increase	Decrease	Balance at 31/12/2019
Share	4,004				4,004
Share premium	18,654				18,654
Legal reserve	53	90	90		144
General reserves	1,372	1,712	1,712		3,084
Regulatory reserves	6				6
Carried forward	1				1
Profit or loss for the financial year	1,802	-1,802	3,700	1,802	3,700
Investment grants	65			8	57
Total Equity	25,958		5,502	1,811	29,649

4.3.3.4 Provisions

In thousands of euros	Provisions at the start of the financial year	Provisions for the financial year	Reversals used for the financial year	Reversals not used for the financial year	Provisions at the end of the financial year
Disputes	265	50			315
Guarantees given to customers	554	67			621
Losses on futures markets					
Fines and penalties					
Foreign exchange losses					
Pensions and similar obligations					
For taxes	52				52
Renewal of fixed assets					
Major maintenance and overhauls					
Social security contributions and taxes					
On holiday time to be paid					
Other provisions for risks and expenses	118	66			184
TOTAL	**989**	**183**			**1,172**
Breakdown of provisions and reversals for the financial year:					
Operational		183			
Financial					
Compensation					

Provision for warranty on equipment of the Intratone Telecom range for an overall amount of €621k.

Provision has been made for the cost of the after-sales service based on the length of the product warranty, i.e. 3 years. The rates used for the calculation were set on the basis of the costs observed over the last 3 years and were reported as a percentage of revenue for the year in which the products in respect of which the after-sales service costs were incurred, were sold.

The provision of the equipment in exchange for after-sales service items led, over the financial year, to the recognition of a provision for an expense related to the neutralisation of the margin on income advanced and pending return in the amount of €184k.

Following the tax audit performed in 2017, maintenance of the provision for the balance to be paid for VAT and corporation tax on debt write-offs considered on a financial and non-commercial basis.

4.3.3.5 Debts

Statement of liabilities

Total debts at the end of the financial year amounted to €34,513k and the classification by maturity breaks down as follows:

In thousands of euros	Gross amount	Maturities at less than 1 year	Maturities at more than 1 year	1 to 5 years
Convertible bonds (*)				
Other bonds (*)				
Loans (*) and debts with credit institutions of which:				
- at 1 year maximum at origin				
- at more than 1 year at origin	7,750	2,117	5,105	529
Miscellaneous loans and financial debts (*) (**)				
Trade payables and related accounts	2,405	2,405		
Tax and social liabilities	3,857	3,857		
Debts on capital assets and related accounts	71	71		
Other debts (**)	913	913		
Prepaid income	19,518	1,916	7,149	10,452
Total	**34,513**	**11,278**	**12,254**	**10,981**
(*) Loans subscribed during the financial year	4,334			
(*) Loans repaid during the financial year	1,545			
(**) Of which to shareholders				

Expenses to be paid

in thousands of euros	Amount
Supplier invoices to be received	1,392
Personnel expenses to be paid	1,318
Social security charges to be paid	547
Statement of expenses to be paid	139
Trade payables & advances to be made	755
Total	**4,151**

4.3.3.6 Accruals and deferred income

Prepaid expenses

In thousands of euros	Operating expenses	Financial expenses	Exceptional expenses
Prepaid expenses	2,251		
TOTAL	**2,251**		

Prepaid expenses, amounting to €2,251k, mainly concern:

- SIM cards for €1,539k;
- PREMIUM commissions for €570k;
- Real estate lease for €60k.

Prepaid income

In thousands of euros	Operating income	Financial income	Exceptional income
Prepaid income	19,518		
TOTAL	**19,518**		

Prepaid income: advance invoicing of prepayments.

The prepaid income is established according to the following method:

- The invoicing is spread over the duration of the contract guarantee or over 15 years for prepaid contracts;

- This prepaid income is reduced by the amount of commercial costs estimated by COGELEC on repayments (representing an impact of €1,808k at 31/12/2019), to cover these expenses.

Future expenses, associated directly with pre-invoiced contracts, are estimated at 29% of prepaid income, representing €5.7m (SIM cards + depreciation of modules).

4.3.4 NOTES TO THE INCOME STATEMENT

4.3.4.1 Revenue

BREAKDOWN BY BUSINESS SEGMENT

Amounts in thousands of euros	31/12/2019
Revenue Intratone range	23,924
Sales of Intratone subscriptions	10,864
Revenue Hexact range	4,384
Provision of services	923
Ports	5
Residual income	
TOTAL	40,101

Sales of equipment are recognised in the income statement on the delivery date. Subscription contracts and package contracts (including the sale of equipment and the provision of services) are recognised using the percentage-of-completion method on a straight-line basis over the term of the contracts

Capitalised production

- Of which capitalised production on projects: €1,843k;
- Of which capitalised production on equipment related to subscription contracts: €915k.

Operating and financial expenses and income

Statutory Auditors fees

Fees for the certification of the financial statements: €150,000

These fees break down as follows:
- ARC: €75,000
- DELOITTE: €75,000

4.3.4.2 Financial profit/loss

	31/12/2019	31/12/2018
Financial income from equity investments	19	3
Income from other securities and receivables from capitalised assets		
Other interest and similar income	25	8
Reversals of provisions and transfers of expenses	57	
Positive exchange rate differences		1
Net income on disposal of investment securities		
Total financial income	102	11
Financial amortisation and depreciation and provisions	57	67
Interest and similar expenses	100	137
Negative exchange rate differences	1	
Expenses on disposals of investment securities		
Total financial expenses	158	204
Net income	-56	-193

Financial provisions and reversals concern the provision for impairment of COGELEC treasury shares.

4.3.4.4 Exceptional income and expenses

in thousands of euros	Expenses	Products
Penalties, fiscal and penal fines	3	
Carrying amount of asset items sold	17	
Other expenses	77	
Other exceptional income on management transactions		1
Income from the sale of asset items		39
Investment subsidies recognised in profit/loss		8
Other income		20
TOTAL	97	68

Exceptional expenses of €97k mainly include:

- Loss on sale of treasury shares €77k;
- Net carrying amount of assets sold €17k.

Exceptional income of €67k, taking into account:

- Sale of mainly two vehicles and repayment of a deposit for €39k;
- Gain on sale of treasury shares €20k;
- Spreading of subsidies over building and Kibolt project €8k.

4.3.4.5 Income and income tax

INCOME AND INCOME TAX

In thousands of euros	Amount
Basis for calculating tax	
Normal Rate - 33 1/3%	4,280
Normal Rate – 28%	500
Reduced Rate – 15%	
Long term capital gains - 15%	
Licences – 15%	
Rental contribution - 2.5%	
Tax credit	
Employment and competitiveness	
Research credit	518
Manager training credit	
Apprenticeship credit	
Family credit	
Investment in Corsica	
Sponsorship credit	3
Other allocations	

Impact of exceptional tax assessments

In thousands of euros	Amount
Profit/loss for financial year after tax	3,700
+ Income tax	968
+ Tax supplement related to distribution	
- Receivables on income tax	
Pre-tax profit/loss	4,668
Change in regulated provisions	
Provision for investments	
Provision for price increases	
Derogatory depreciation	
Tax provisions	
Other regulated provisions	
Profit/loss excluding exceptional tax assessments (before tax)	4,668

Tax breakdown

In thousands of euros	Pre-tax profit/loss	Corresponding tax (*)	Profit/loss after tax
+ Current profit/loss (**)	5,066	855	4,212
+ Exceptional profit/loss	-30	-9	-21
- Employee profit-sharing	368	-123	491
Accounting profit/loss	4,668	968	3,700
(*) includes tax credits (and, as such, CICE) (**) Plus the amount of the CICE (amount taken from the column "Corresponding tax")			

The tax of €968,468 corresponds to:

The corporation tax charge calculated at 31 December 2019 for €1,489,926

- Research tax credit: -€438,726k;

- Innovation tax credit: -€79,432k;

- Tax reduction for corporate sponsorship: -€3,300k;

INCREASES AND REDUCTIONS OF THE FUTURE TAX EXPENSE

The unrealised tax position, given a rate of corporation tax of 28% up to €500,000k and 31% beyond this, shows a future credit of €114,498. This amount does not include a possible payment of the social security contribution on earnings.

Amounts in thousands of euros	Amount
Increases of the future tax debt	
Related to exceptional depreciation and amortisation	
Related to provisions for price increases	
Related to capital gains to be reintegrated	
Related to other items	
A. Total bases combining to increase the future debt	
Reductions of the future debt	
Related to provisions for holiday pay	
Related to provisions and non-deductible expenses to be paid for the financial year	409
Related to other items	
B. Total bases combining to reduce the future debt	409
C. Losses carried forward	
D. Long-term capital losses	
Estimate of the amount of the future receivable	114
Base = (A-B-C-D)	
Tax valued at a rate of 28% up to €500k and 31% above that amount.	

Provisions for non-deductible expenses to be paid of €409k:
- 2019 equity investment for €368k;
- Organic provision for €41k.

4.3.4.6 Headcount

Average workforce: 180 people including 1 apprentice.

Salaried personnel	31/12/2019
Managers	51
Supervisors and technicians	43
Employees	65
Operators	21
TOTAL	180

4.3.4.7 Other information

SUBSEQUENT EVENTS

Between 31 December 2019, the reporting date, and the date of issue of the financial statements by the Board of Directors, 21 April 2020, the evolving Covid-19 health crisis arose with lockdown measures in France and in multiple countries. In the current context, the situation remains uncertain and is subject to change.

The Company has updated its cashflow forecasts for the next twelve months to take into account this new context, with the small amount of information available as of the date of this annual financial report.

On this basis, the management considers that the going concern accounting principle for issuing the accounts at 31 December 2019 remains appropriate.

LIST OF RELEVANT TRANSACTIONS

Transactions with related parties:

- Technical and marketing services with HRC for an amount of €747k.

INFORMATION ON THE DIRECTORS

Compensation allocated to members of the management

This information is not mentioned because it would indirectly lead to individual compensation.

An envelope of €20k for attendance fees is allocated to the members of the Board of Directors.

IDENTITY OF THE CONSOLIDATING PARENT COMPANY

Corporate name: SRC

Form: Simplified joint stock company SIREN: 80281758500028

With share capital of: €2,808,325

Address of registered office: 370 RUE DE MAUNIT - ZI DE MAUNIT 85290 MORTAGNE SUR SEVRE

Location where copies of the financial statements may be obtained: SRC.

SRC is the consolidating parent company of the Group, which consists of COGELEC and its 3 subsidiaries:

- INTRATONE GMBH
- INTRATONE UK
- INTRATONE BV

FINANCIAL COMMITMENTS

<u>**Commitments given**</u>

Amounts in thousands of euros	31/12/2019
Discounted notes not yet at maturity	
Sureties and deposits	
Pension commitments	
Commitments for movable property leases	
Commitments for real estate leases	2,720
Interest on borrowings	212
Guarantee withholding	140
Pledging of business assets as guarantee for loans subscribed from BNP for €500k, from CE for €300k and from SG for two loans of €400k, and for which the total amount remaining due at 31/12/2019	592
Revenue on contracts remaining to be invoiced	7,105
Fixed asset orders	189
Other commitments given	8,239
Total	10,958
Of which concerning commitments with collateral	592

The guarantee withholdings of €140k correspond to cash collateral related to the loans granted by OSEO BDPME for an overall amount of €2.8m.

COGELEC has supported its foreign subsidiaries by, as necessary and as long as they remain within the Group, opting to continue to offer them financial support to enable them to honour their debts on time and continue to trade normally without interruption.

Commitments received

Amounts in thousands of euros	31/12/2019
Ceilings for authorised overdrafts	1,800
Sureties and deposits	
Diamo debt waiver with recovery clause in the event of return to financial health	50
Interest on borrowings	212
Guarantee withholding	140
Commitments for real estate and movable property leases	2,720
Revenue on contracts remaining to be invoiced	7,105
Fixed asset orders	1,043
Other commitments received	11,270
Total	**13,170**

FINANCE LEASES

Amounts in thousands of euros	Land	Buildings	Tooling equipment	Other	Total
Original value		3,662			3,662
Cumulative over previous financial years		581			581
Provisions for the financial year		174			174
Depreciation and amortisation		756			756
Cumulative over previous financial years		1,316			1,316
Financial year		363			363
Payments made		1,679			1,679
At one year or more		363			363
At more than one year and no more than five years		1,450			1,450
At more than five years		907			907
Payments remaining to be paid		2,720			2,720
At one year or more					
At more than one year and no more than five years					
At more than five years					
Residual value					
Amount paid during the financial year		363		9	372

Financing of building by a real estate lease over a period of 12 years. Following the amendment signed in October 2016, the lease table includes definitive data, namely:

- Cost of acquisition of land: €216k;
- Majors works: €1,335k, depreciated over 35 years;
- Cladding: €586k, depreciated over 20 years;

- General installations: €1,386k, depreciated over 15 years;
- Fittings: €139k, depreciated over 10 years;
- Representing a total investment of €3,662k.

RETIREMENT COMMITMENTS

Pension commitments, supplementary retirement and associated severance pay: €606,000.

TABLE OF SUBSIDIARIES AND EQUITY INVESTMENTS

Name	Country of registration	Share	Shareholders' equity other than capital	Share of capital held	Gross carrying amount of securities held	Net carrying amount of securities held	Loans and advances granted by the company	Income	Pre-tax revenue
INTRATONE GMBH	GERMANY	€25,000	-€5,113,295	100%	€25,000	€25,000	€4,979,926	-€3,256,015	€374,239
INTRATONE UK LTD	UNITED KINGDOM	£100	-£2,716,478	100%	€113	€113	€3,333,755	-£1,845,515	£804,527
INTRATONE BV	THE NETHERLANDS	€10,000	-€1,477,557	100%	€10,000	€10,000	€2,082,210	-€1,221,425	€365,974

4.4 TABLE OF PROFIT/LOSS OVER THE LAST 5 FINANCIAL YEARS

In thousands of euros	2015	2016	2017	2018	2019
1. Financial position at the end of the financial year					
a) Share capital	534	534	534	4,004	4,004
b) Number of shares	355,922	355,922	355,922	8,898,048	8,898,048
c) Number of bonds convertible to shares	-	-	-	-	-
2. Total profit/loss for actual operations					
a) Pre-tax revenue	19,496	24,822	30,290	33,741	40,101
b) Profit before tax, amortisation and provisions and profit-sharing	1,772	3,415	6,529	5,480	8,451
c) Income tax	-324	564	1,176	306	968
d) Employee profit-sharing	-	202	390	0	368
e) Profit after tax, amortisation, provisions and profit-sharing	559	1,945	2,495	1,802	3,700
f) Amount of profit distributed	1,502	1,500	1,500	2,000	0
3. Income from operations reduced to a single share					
a) Profit after tax and profit-sharing, but before depreciation, amortisation and provisions	€4.03	€8.21	€14.52	€0.65	€0.84
b) Profit after tax, depreciation, amortisation, provisions and profit-sharing	€1.57	€5.46	€7.01	€0.22	€0.42
c) Dividend paid to each share	€4.22	€4.214	€4.214	€5.619	€0
4. Personnel					
a) Number of employees (average)	93	105	130	155	180
b) Amount of total payroll	4,124	4,850	6,049	7,288	8,633
c) Amount paid for welfare benefits (social security, social works, etc.)	1,780	1,977	2,382	2,882	3,427

5. STATUTORY AUDITORS' REPORTS

5.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Cogelec Shareholders' Meeting,

OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Cogelec for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on April 21, 2020 based on the information available on that date in the changing context of the Covid-19 health crisis.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as of December 31, 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

OBSERVATION

Without qualifying the above opinion, we draw your attention to Note 6.4 "Accounting policies" to the consolidated financial statements that describes the impact on the financial statements of changes in accounting method relating to the application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over income tax treatments" as of January 1, 2019.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the consolidated financial statements taken individually.

Valuation and impairment of developed intangible assets

(See Notes 6.4.8, 6.6.1 and 6.7.1 to the consolidated financial statements)

KEY AUDIT MATTER

As of December 31, 2019, developed intangible assets represented a net amount of €7.6 million (including all intangible assets in the course of development) on the Group's consolidated balance sheet.

As described in Notes 6.4.8, 6.6.1 and 6.7.1 to the consolidated financial statements, developed intangible assets are recognized by the Group when the capitalization criteria defined by IAS 38 are strictly met and it is probable that the developed project will generate future economic benefits.

Developed intangible assets are amortized over the useful life expected by the Company, for a period of five years as from the commercial launch.

Amortized and unamortized developed intangible assets are subject to an impairment test annually and when an indication of impairment is identified.

The Group recognizes an impairment loss when the recoverable amount of a development project is lower than the net carrying amount of the corresponding capitalized costs.

We considered the determination of projects giving rise to the recognition of internally generated intangible assets to be a key audit matter due to the materiality of these intangible assets in the Group's consolidated balance sheet and the significant judgment exercised by management during their initial capitalization and the performance of impairment tests, where applicable.

RESPONSE AS PART OF OUR AUDIT

As part of the audit of the consolidated financial statements, our work mainly consisted in:

- Familiarizing ourselves with the procedure covering the determination of projects giving rise to the recognition of internally generated intangible assets;
- Comparing the amounts recorded in the accounts with the data extracted from the systems designed to monitor time charged to development projects / with the invoices of external service providers charged to development projects;
- Analyzing and testing, on a sampling basis, the main projects and amounts included in intangible assets internally generated over the period;
- Analyzing, by interviewing those persons in charge of development, the technical feasibility of projects in progress;
- Analyzing, by interviewing management, the expected strategic changes concerning projects in progress;
- Assessing, on a sampling basis, the data and assumptions used by the Group with regard to impairment tests for developed intangible assets (particularly sales forecasts, discount rates and long-term growth rates);
- Reviewing the analyses carried out by management on the sensitivity of value in use to changes in the main assumptions adopted;
- Assessing the appropriateness of the disclosures in the notes on these capitalized costs.

Recognition of revenue relating to subscription contracts and comprehensive offers

(See Notes 6.4.18 and 6.8.1 to the consolidated financial statements)

KEY AUDIT MATTER

In addition to equipment sales, the Group's revenue comprises services (subscription contracts) and comprehensive offers.

- Subscription contracts are either fully paid upon subscription for the term of the contract (prepaid offer) or paid in installments over the term of the contract. They are recognized in P&L on a straight-line basis over the term of the contract via the recognition of contract liabilities.
- Comprehensive offers encompass equipment leasing (connector boards, etc.) and services (subscription, maintenance). For these contracts:
  - The leased equipment is treated as a finance lease in accordance with IFRS 16 (discounted payments covering the fair value of the leased asset). An income is recorded on the delivery date for an amount corresponding to the present value of the future payments.
  - The services relating to these offers are recognized on a straight-line basis over the term of the contract.

We considered the recognition of revenue to be a key audit matter due to the significant volume of transactions and the substantial amount of deferred revenue at the closing.

RESPONSE AS PART OF OUR AUDIT

We first obtained a description of the process relating to the recognition of the various revenue flows, from contract conclusion to invoicing and the receipt of payments. We analyzed the procedures implemented by the Group.

We also hired information system specialists to assess the general IT controls relating to revenue recognition.

Our procedures also focused on:

- The completion of analytical procedures, by reconciling our own estimates of revenue and contract liabilities with the amounts recognized and the performance of substantive tests on a sampling basis, by reconciling the amounts recorded with the signed contracts;
- The verification of the note to the consolidated financial statements to check that it provided appropriate disclosure, particularly concerning the maturity of the contract liabilities.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law on the information concerning the Group presented in the Board of Directors' management report approved on April 21, 2020. Management has informed us that a communication will be issued to the Shareholders' Meeting called to adopt the financial statements on any events and information relating to the Covid-19 health crisis known after the date of approval of the financial statements.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

Atlantique Révision Conseil (ARC) were appointed as statutory auditors of Cogelec by the Shareholders' Meeting held on March 17, 2015, while Deloitte & Associés were appointed on January 4, 2018.

As of December 31, 2019, Atlantique Révision Conseil (ARC), and Deloitte & Associés were in the 5th and 2nd year of total uninterrupted engagement, which both represent the 2nd year since the Company was admitted to trading on a regulated market.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

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

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. He also:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains 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;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. He is responsible for the direction, supervision and performance of the audit of the consolidated financial statements as well as for the audit opinion.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

La Roche-sur-Yon and Rennes, April 22, 2020

The Statutory Auditors

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

5.2 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Cogelec Shareholders' Meeting,

OPINION

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Cogelec for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on April 21, 2020 based on the information available on that date in the changing context of the Covid-19 health crisis.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the financial statements taken individually.

Valuation and impairment of developed intangible assets

KEY AUDIT MATTER

As of December 31, 2019, developed intangible assets represented a net amount of €7.6 million (including all intangible assets in the course of development) on the Company's balance sheet.

As described in the "Accounting policies" note to the financial statements, development costs incurred by the Company are capitalized when the capitalization criteria defined by IAS 38 are strictly met and it is probable that the developed project will generate future economic benefits.

Capitalized costs are amortized on a straight-line basis over the useful life expected by the Company, for a period of five years as from the commercial launch.

Amortized and unamortized developed intangible assets are subject to an impairment test annually and when an indication of impairment is identified.

The Company recognizes an impairment loss when the recoverable amount of a development project is lower than the net carrying amount of the corresponding capitalized costs.

We considered the capitalization and valuation of development costs in the balance sheet to be a key audit matter due to the materiality of these intangible assets in the Company's balance sheet and the significant judgment exercised by management during their initial capitalization and the performance of impairment tests, where applicable.

RESPONSE AS PART OF OUR AUDIT

As part of the audit of the financial statements, our work mainly consisted in:

- Familiarizing ourselves with the procedure covering the capitalization of development expenses;
- Verifying the reliability of the costs capitalized over the period for each project;
- Analyzing, by interviewing those persons in charge of development, the technical feasibility of projects in progress;
- Analyzing, by interviewing management, the expected strategic changes concerning projects in progress;
- Assessing the data and assumptions used by the Company with regard to impairment tests for capitalized developed costs (particularly sales forecasts, discount rates and long-term growth rates);
- Reviewing the analyses carried out by management on the sensitivity of value in use to changes in the main assumptions adopted;
- Assessing the appropriateness of the disclosure in the "Property, plant and equipment and intangible assets" note to the financial statements.

Recognition of revenue

KEY AUDIT MATTER

In addition to equipment sales, the Company's revenue comprises services (subscription contracts).

Subscription contracts are either fully paid upon subscription for the term of the contract or paid in installments over the term of the contract. They are recognized in P&L on a straight-line basis over the term of the contract via the recognition of contract liabilities.

We considered the recognition of revenue to be a key audit matter due to the significant volume of transactions and the substantial amount of deferred revenue at the closing.

RESPONSE AS PART OF OUR AUDIT

We first obtained a description of the process relating to the recognition of the various revenue flows, from contract conclusion to invoicing and the receipt of payments. We analyzed the procedures implemented by the Company.

We also hired information system specialists to assess the general IT controls relating to revenue recognition.

Our procedures also focused on:

- The completion of analytical procedures, by reconciling our own estimates of revenue and contract liabilities with the amounts recognized and the performance of substantive tests on a sampling basis, by reconciling the amounts recorded with the signed contracts;
- The verification of the note to the parent company financial statements to check that it provided appropriate disclosure, particularly concerning the maturity of deferred income.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements

We have no comments to make on the fair presentation and consistency with the financial statements of the information given in the Board of Directors' management report approved on April 21, 2020 and in the documents addressed to shareholders with respect to the financial position and the financial statements. Management has informed us that a communication will be issued to the Shareholders' Meeting called to adopt the financial statements on any events and information relating to the Covid-19 health crisis known after the date of approval of the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, mentioned in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information presented in accordance with the requirements of Article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled by it that are included in the scope of consolidation. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information relating to items your Company considers likely to have an impact in the event of a public tender offer or public exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have verified its compliance with the source documents communicated to us. Based on these procedures, we have no matters to report on this information.

Other disclosures

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of the shareholders and holders of the voting rights.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

Atlantique Révision Conseil (ARC) were appointed as statutory auditors of Cogelec by the Shareholders' Meeting held on March 17, 2015, while Deloitte & Associés were appointed on January 4, 2018.

As of December 31, 2019, Atlantique Révision Conseil (ARC), and Deloitte & Associés were in the 5th and 2nd year of total uninterrupted engagement, which both represent the 2nd year since the Company was admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

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

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. He also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for his 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;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

La Roche-sur-Yon and Rennes, April 22, 2020

The Statutory Auditors

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

5.3 SPECIAL STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS

To the Cogelec Shareholders' Meeting,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

Agreements and commitments authorized and concluded during the year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been informed that the following agreements and commitments were previously authorized by your Board of Directors.

WITH SAS H.R.C. :

Person involved: Roger Leclerc, Chairman and CEO of your Company, and Chairman of SAS H.R.C.

Technical and commercial service agreement

On April 23, 2018, your Company entered into an agreement, which was subsequently amended on May 11, 2018, with SAS H.R.C providing for technical and commercial services as from May 1, 2018. The agreement was concluded for one year following its signature, i.e. until April 23, 2019, and can be extended by tacit renewal.

Its one-year renewal was authorized by the Board of Directors on April 18, 2019.

This agreement stipulates a fixed annual compensation of €695,100, excluding tax, that breaks down into technical services for €377,340, excluding tax, and commercial services for €317,760, excluding tax, and a variable compensation related to the performance of commercial services, calculated as follows:

- 2.5% of the portion of annual EBITDA generated by your Company that is lower than or equal to €10,000,000, excluding tax;
- 1.25% of the portion of annual EBITDA generated by your Company exceeding €10,000,000, excluding tax.

The variable portion was capped at a maximum amount of €695,100, excluding tax, but is not subject to any performance conditions.

The Board of Directors justified the conclusion of this agreement due to the technical and commercial expertise provided by SAS H.R.C.

Amount expensed during the year in respect of this agreement: €747,245, excluding tax.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement or commitment previously approved by the Shareholders' Meeting which continued in effect during the year.

Executed in La Roche sur Yon and Rennes,

April 22, 2020.

The Statutory Auditors

ATLANTIQUE REVISION CONSEIL

- A.R.C. -

Sébastien Caillaud

DELOITTE & ASSOCIES

Guillaume Radigue

6. OTHER INFORMATION

6.1 INFORMATION CONCERNING THE COMPANY

6.1.1 IDENTITY

CORPORATE NAME
COGELEC SA

COMPANY CREATION DATE
10/2000

NATIONALITY
French

LEGAL FORM
French public limited company (*société anonyme*) with a Board of Directors

REGISTERED OFFICE
370 rue de Maunit
85290 Mortagne-sur-Sèvre
Telephone: +33 (0)2 51 65 05 79
Fax: +33 (0)2 51 61 45 83

Email address: investors@cogelec.fr
Website: www.cogelec.fr

COMPANIES AND TRADES REGISTER
433 034 782 RCS La Roche-sur-Yon

APE CODE
2630Z (Manufacture of communication equipment)

TERM
The duration of the Company is ninety-nine years from its registration with the companies and trades register, except in the case of early dissolution or extension.

CORPORATE PURPOSE
The Company's purpose in France and in all countries, directly or indirectly, is:

- the design and manufacture of communications and telecommunications equipment;

- rental of telecommunications equipment and provision of related subscriptions and services;

- the Company's involvement, by any means, in any transactions that may relate to its corporate purpose through the formation of new companies, subscriptions or purchases of securities or rights, mergers or other;

- the performance of any commercial, civil, financial, moveable or immovable property transactions that may be directly, or indirectly, related to the above, or likely to foster the development or growth of company business.

FINANCIAL YEAR
From 1 January to 31 December.

CAPITAL AND CHARACTERISTICS
At 31 December 2019:
The capital is €4,004,121.60

It is divided into 8,898,048 shares with a par value of €0.45 each, all of the same category, subscribed and paid up.

INITIAL PUBLIC OFFER
18 June 2018

MARKET CODES
- ISIN: FR0013335742
- Reuters: COGEC.PA
- Bloomberg: COGEC:FP
- Mnemonic code: COGEC

EURONEXT PARIS
Regulated market, compartment C

STATUTORY DISTRIBUTION OF PROFIT
The distributable profit is shared among all shareholders in proportion to the number of shares belonging to each one of them.

PERSON RESPONSIBLE FOR THE INFORMATION
Christophe De LYLLE
ACTIFIN
Tel: +33 (0)1.56.88.11.11

The documents and information relative to the Company are available to shareholders and the public at the registered office and on the Group's website (investors section): www.cogelec.fr/

6.1.2 BOARD OF DIRECTORS

CHAIRMAN – CHIEF EXECUTIVE OFFICER
Roger LECLERC

MEMBERS OF THE BOARD
Lydie DELEBARRE, Patrick FRUNEAU, Patrice GUYET, Roger LECLERC, Cécile VACHER.

6.1.3 STATUTORY AUDITORS

REGULAR STATUTORY AUDITORS

Atlantique Révision Conseil (ARC), member of the regional company of Statutory Auditors of the Court of Appeal of Poitiers,
Bâtiment b, 52 rue Jacques Yves Cousteau 85000 La Roche-sur-Yon,
Represented by Sébastien Caillaud.
Date of appointment: 24/06/2019
Term of office: 6 years
Date of expiration of term of office: at the General Meeting called to approve the financial statements for the financial year ending 31 December 2024.

Deloitte & Associés, member of the Institute of Statutory Auditors at the Versailles Court of Appeal,
185C avenue Charles de Gaulle 92200 Neuilly,
Represented by Guillaume Radigue.
Date of appointment: 16/01/2018
Term of office: 6 years
Date of expiration of term of office: at the General Meeting called to approve the financial statements for the financial year ending 31 December 2023.

6.1.4 MAJOR CONTRACTS

Apart from the contracts described below, the Company has not signed any material contracts other than those signed in the course of its ordinary business.

6.1.4.1 Contracts signed with telephone operators

CONTRACT SIGNED WITH ORANGE FRANCE

The Company signed a framework agreement for the supply of "machine to machine" business radiotelephony with Orange France on 24 June 2010 (this contract being the continuation of a previous contract between the parties from 2006 to 2010), which was then amended by several additional clauses.

The purpose of this contract was to provide the Group with SIM cards and related services, to equip the products sold by the Group, in exchange for a fee paid by the Company in accordance with the tariff set by the contract. The contract covered the 28 countries of the European Union and over 50 targeted geographical regions, as well as France.

The initial contract was signed for a 60-month term. Provision was made for 12-monthly renewals, unless terminated by one or other of the parties. Additional clauses signed at a later date amended the term of said contract. The latest contract, signed on 24 November 2017, renewed the initial agreement for another 60 months.

The contract provides that one or other of the parties may automatically cancel the framework agreement should the other party fail to meet one of its obligations. It also provides that contractual relations shall automatically be cancelled in the event of discontinuation of one of the parties' operations or if one of the parties is subject to a court-ordered insolvency procedure (*procédure collective*) under which the framework contract would not be continued or resumed.

CONTRACT SIGNED WITH SFR

The Company signed a partnership and "machine to machine" services contract with Société Française du Radiotéléphone (SFR) on 18 October 2011, subsequently amended by several additional clauses.

The purpose of this contract was to provide the Group with SIM cards and related services, to equip the products sold by the Group, in exchange for a fee paid by the Company in accordance with the tariff set by the contract. The contract covered over 50 geographical regions, as well as France.

The contract was signed for an initial period expiring on 31 December 2012. Since then, it has been automatically renewed every 12 months and will continue to be renewed unless it is terminated by one or other of the parties. The contract also provides for several cases where cancellation may be initiated by SFR (e.g.: improper use of SIM cards, termination or revocation of SFR authorisations for the establishment and operation of services, compulsory liquidation, low rate of achievement of targets by Cogelec, change of control of Cogelec or stake in Cogelec taken by a competitor of SFR).

CONTRACT SIGNED WITH BOUYGUES TELECOM

The Company signed a "communicating objects" integrator service contract with Bouygues Telecom on 21 November 2016.

The purpose of this contract was to define the terms of the supply, by the operator, Bouygues Telecom, to the Company, of the "communicating objects" service in France and, where applicable, in other countries (36 countries covered as well as France), which the Company may use to market its "machine to machine" applications to its end customers. The "communicating objects" service, which consists of supplying SIM cards and routing data and voice calls, was provided in exchange for a fee paid by the Company in accordance with the tariff set by the contract.

The contract was signed for an initial 24-month term. Unless formal notification of cancellation is given by one of the parties at least 3 months prior to the expiry of the initial term, the contract is expected to be automatically renewed for an unlimited period. Any one of the parties can terminate the contract at any time, subject to giving 3-month prior notice.

In the event of one of the parties failing to meet its essential obligations, the other party shall be entitled to cancel the contract 15 days after a formal notification to comply remains unheeded. The contract also provides for several cases where cancellation may be initiated by Bouygues Telecom, at any time, and without any prior notice (e.g. second unsuccessful demand for payment, improper or fraudulent use of the service, amendment or suspension of GSM roaming agreements with foreign operators).

Any formal notification of cancellation or termination would not affect the validity of orders placed before that date.

6.1.4.2 Contracts for use of the VIGIK trademark

The Company signed several trademark licence agreements with La Poste/SRTP Vigik between 2003 and 2006. Each of these contracts related to the use of the trademark for a specific product. In exchange, the Company declares trademark use and pays royalties for said use which are calculated on the basis of sales made on an annual basis at agreed unit prices.

Apart from a contract signed for the same licence term as that of VIGIK's product compliance, these contracts were signed for terms that are renewable, on an indefinite basis, for additional 2-year periods.

The aforementioned contracts relate to non-exclusive licences.

6.1.4.3 Technological and commercial partnership agreement with Legrand

COGELEC entered into a partnership with Legrand to integrate products from the Hexact range, including the Vigik® access control solution, into its BTicino trademark, which is dedicated to access control and intercom systems.

COGELEC and Legrand jointly completed the technological developments necessary for the integration of Hexact products into Legrand's BTicino range and suggested a communicating interface that allows real-time management of badges, access and names of residents via the Hexact® Web platform. This new offering is marketed by Legrand's sales forces throughout France to retail customers, installers and consultants in the multi-family housing market.

6.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

6.2.1 PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

Roger LECLERC, Chairman and Chief Executive Officer, COGELEC.

6.2.2 STATEMENT OF THE PERSON RESPONSIBLE

I hereby certify, having taken all reasonable measures to this effect, that the information contained in this Annual Financial Report is, to the best of my knowledge, consistent with the facts and contains no omissions that would alter its import.

I hereby certify that, to the best of my knowledge, the financial statements are prepared in accordance with the applicable accounting standards and give a true image of the assets, financial position and results of the Company and all companies within the scope of consolidation and that the management report included in this Annual Financial Report gives a true picture of the evolution of the business, the results and the financial position of the Company and all companies within the scope of consolidation, and provides a description of the main risks and uncertainties with which they are confronted.

Mortagne-sur-Sèvre, 21 April 2020

The Chairman and Chief Executive Officer

Roger LECLERC