ANNUAL FINANCIAL REPORT
COGELEC GROUP

2020

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THE MANAGEMENT COMMITTEE

Roger LECLERC
Chairman and Chief Executive Officer

Lise GASCHET
International Development Manager

Véronique POCHET
Chief Financial Officer

Norbert MARCHAL
Head of advanced research and mechatronic projects

Laurent CARAMELLE
Director of the Research & Development program

Xavier BENAITEAU
Industrial Manager

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:

Hexact INTRATONE kibolt ROZOH

ITS PRODUCTS AND SERVICES to meet all its customers' needs

GESTION DES CLES

Des solutions de gestion des clés à distance

INTERPHONES et CONTRÔLE D'ACCES

Une gamme complète de produits pour sécuriser l'extérieur de la résidence

TABLEAU D'AFFICHAGE

Des solutions pour communiquer efficacement et en temps réel, vers tout ou partie d'un parc de résidence

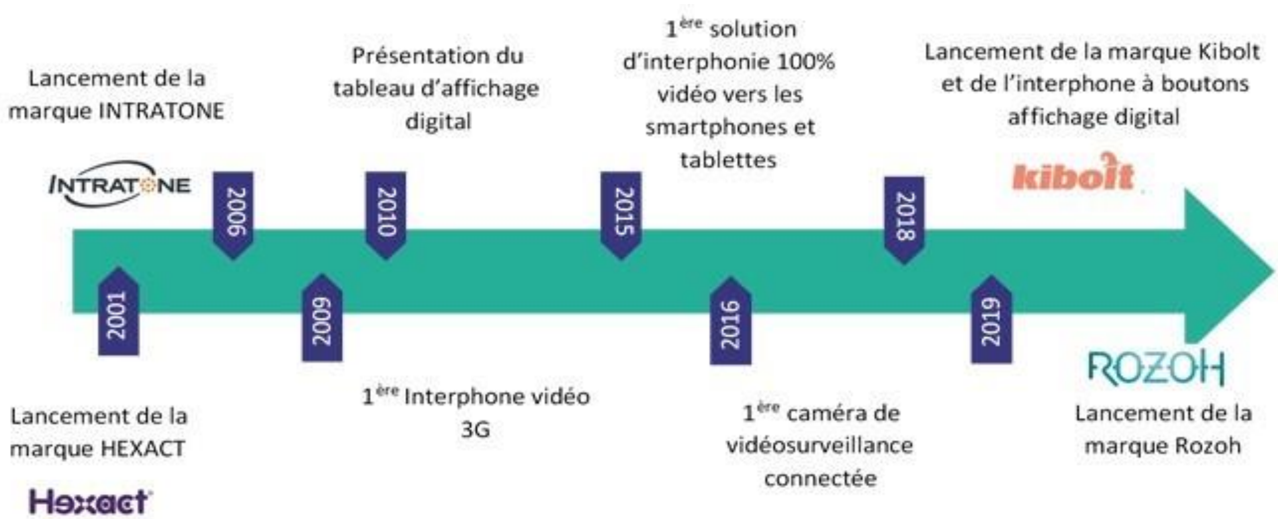
LOGICIELS ET APPLICATIONS

Cogelec met à disposition de ses clients et partenaires, des applications et logiciels gratuits permettant la gestion en temps réel et à distance de l'ensemble des produits.

SERVICES

Cogelec a développé de nombreux services pour accompagner au quotidien ses clients et partenaires : programmation des sites, formations, hotline, intervention sur site.

ITS HISTORY



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

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

AN ENVIRONMENTAL APPROACH

Through the development of new uses

COGELEC develops and designs products which enable new uses and behaviours to be developed consistent with its social and environmental commitment.

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.

Across the entire product value chain

Procurement

85% of suppliers located in France

Production

100% of products assembled in France

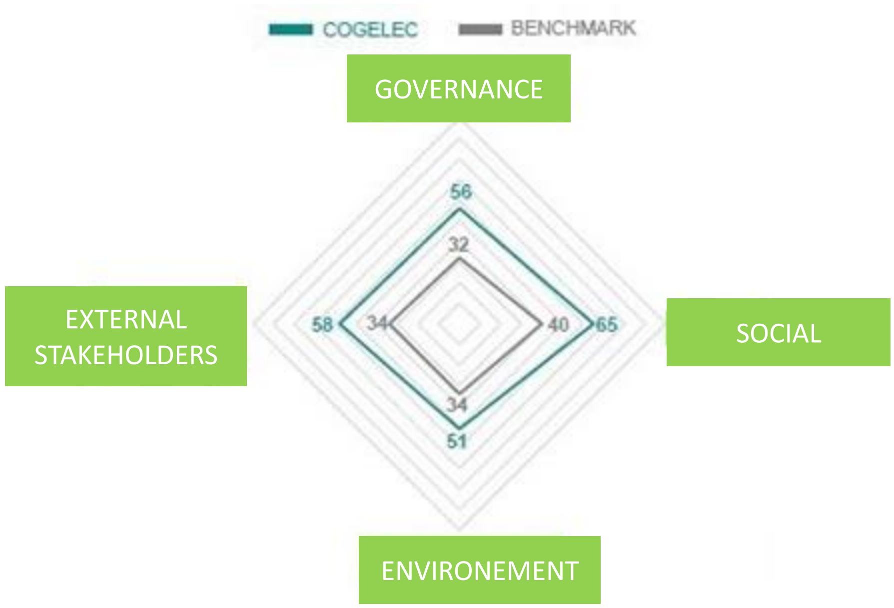
Packaging

Packaging made from 62% recycled cardboard

AN ESG APPROACH:

After an audit campaign on the data collected by COGELEC in 2019, the overall rating of 56/100 was awarded to COGELEC in March 2021.

This rating corresponds to a higher level of ESG maturity compared to comparable companies used in the reference benchmark (1).



On the four main CSR themes, COGELEC's ratings are all above the average of the companies included in the reference panel, given the many initiatives already carried out within COGELEC to meet CSR requirements. The following elements were highlighted in particular:

- **Governance:** Founded by six employee shareholders, the governance of COGELEC was structured by establishing a Board of Directors in 2018 bringing in independent directors to support the Group's growth in France and internationally.

- **Social:** With a view to building loyalty, but also optimising working conditions, COGELEC has initiated various QVT measures and pays particular attention to developing employee skills to support its innovation.

- **Environment:** The Group sees best-practice maintenance crucial to combat obsolescence. Its R&D policy focuses in particular on reducing the consumption of materials and managing and reducing waste with a view to constantly reducing the environmental footprint of its products.

- **External stakeholders:** The Group prioritises local sourcing and has developed a close relationship and partnership with its suppliers and subcontractors. It focuses its development on high-quality and secure products, while taking into account the changing needs and demands of its customers.

Areas of improvement that can be achieved quickly have been identified for the coming financial years and concern, in particular, the establishment of a dedicated body to oversee the various non-financial performance criteria within the Group. This measure, together with the formalisation of initiatives in the various fields, will help to build a consistent framework between the many initiatives already carried out within the Group and to deploy a strategic extra-financial vision.

1. Management report

1.1 SIGNIFICANT EVENTS

During this pandemic period, the COGELEC Group worked hard to readjust its commercial approach and to intensify its research and development activities for new solutions, mainly focused on the connected hall.

The Group, which has long been committed to a responsible approach to sustainable development with the INTRATONE trademark, has continued its environmental action by raising awareness among market players of the need to preserve the annual use of materials linked to its GSM model.

COVID-19 risk:

In 2020, the performance of the COGELEC Group was impacted by the global crisis and by the national lockdown decreed for the period from March to May 2020. Indeed, this crisis slowed down growth in 2020. COGELEC has measured the impact on the main aggregates of COGELEC SA's separate financial statements by comparing equipment sales over the period from March to May 2020 with the same period in 2019.

It revealed that COGELEC SA revenue was impacted by around -€2.9 million and the associated direct margin by -€1.6 million.

In return, the Company made significant savings on employee expenses, including the use of part-time work for 19,000 hours, government support and a reduction in bonuses/commissions.

COGELEC did not apply for a government-guaranteed loan in 2020, did not request any loan or rent freeze during the financial year, nor did it request any deferral of payment of social security contributions and tax charges.

As the COVID-19 event was still ongoing at the date the separate financial statements were prepared, the Company is unable to assess the precise consequences for future financial years.

This is why a request for a government-guaranteed loan is planned for 2021.

Transfer of shares to the Euronext Growth market:

On 7 December 2020, COGELEC transferred the listing of its shares to the Euronext Growth market with the authorisation of the shareholders at the Ordinary General Meeting on 1 October 2020. This transfer should enable the Company to be listed on a market more appropriate to its size as a company and to alleviate the regulatory constraints imposed on COGELEC while reducing the costs associated with the listing, and by continuing to offer the benefits of the financial markets. In its press releases dated 31 July 2020 and 1 October 2020, the Company set out the main consequences of this transfer.

The 2020 financial year was marked by the following events:

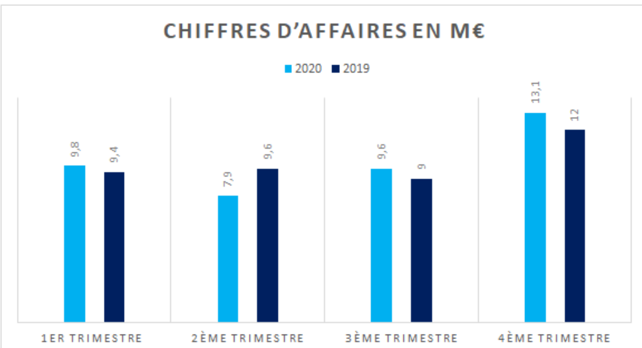
i. In order to finance the commercial development of these subsidiaries, COGELEC has granted an advance of €6.8 million for 2020, i.e. a cumulative amount of €17.1 million as of 31/12/2020,
ii. Abandonment of certain R&D projects for which the conditions to capitalise expenses in capitalised production were no longer met for an amount of €0.7 million,
iii. COGELEC SA incurred part of the expenses intended for the extension of the Mortagne-sur-Sèvre registered office for €1 million. These costs will be refinanced as a leaseback in 2021 through the conclusion of an amendment to the current finance lease contract

1.2 INFORMATION ON THE GROUP

1.2.1 ANNUAL REPORT 2020

Sales

Annual revenue for 2020 is up slightly despite the health context and the first lockdown, which especially disrupted the second quarter and breaks down as follows:



In €m	2020	2019	Change in %
1st quarter	9.8	9.4	+4.2%
2nd quarter	7.9	9.6	-17.9%
3rd quarter	9.6	9.0	+7.6%
4th quarter	13.1	12.0	+9.3%
TOTAL	**40.4**	**40.0**	**+1.2%**

Human resources

At the end of December 2020, the number of Group employees stood at 296, including 69 employees in the three subsidiaries. The workforce varied by 40 people and reflected in particular the constant improvement of the Group's industrial organisation and the reinforcement of the assembly and shipping workshops. In addition, in order to better meet the requirements of the Group's customers, it has structured its customer division and strengthened its ability to respond to bespoke offers.

1.2.2 CONSOLIDATED REVENUE

In the COVID 19-related health context, the activity in France fell very slightly by -1.2% to €36 million compared with €36.4 million in 2019. The very marked delay in the second quarter due to the first lockdown was largely offset in the second half. International activity totalled €4.4 million compared with €3.5 million a year earlier, an increase of 24.9%, with a more than 55% ramp-up of commercial activity in Europe in the fourth quarter.

Subscriptions, which continued to grow strongly (+16.6%), totalled €11.4 million in 2020 and now account for 28% of revenue.

Equipment sales, down by 3.9%, were affected by the first lockdown following the health crisis and in particular by the more marked decline of the Hexact trademark in a wired intercom market that is still in decline. This market trend strengthens the positioning of the Intratone trademark with a new wireless intercom offer for collective housing.

In thousands of euros	31/12/2020	31/12/2019
Sales of equipment	28,995	30.176
Sales of services	11,436	9,808
TOTAL	**40,431**	**39,984**

In thousands of euros	31/12/2020	31/12/2019
France	36,013	36,448
Export	4,417	3,536
TOTAL	**40,431**	**39,984**

2.3 KEY INDICATORS

Gross margin

The gross margin in value terms increased by €0.9 million In fact, we have seen an improvement in the margin from 63.8% to 65.3% under the combined effect of the favourable product mix for the services business and the increase in exports which brings additional margin.

	31/12/2020	31/12/2019
Revenue	**40,431**	**39,984**
Other operating income	5	5
Purchases consumed	-15,173	-15,125
Change in work in progress and finished product inventories	1,142	626
GROSS MARGIN	**26,404**	**25,490**
As % of revenue	***65.3%***	***63.8%***

EBITDA

Thanks to the solid model in France and despite both the health context and the expenses related to the development of the subsidiaries, EBITDA remains largely positive in line with management's expectations.

	31/12/2020	31/12/2019
Operating income	**-2,566**	**-885**
Allocations to depreciation and	3,955	3,301
Asset impairments net of reversals	262	370
EBITDA	**1,651**	**2,787**
As % of revenue	***4.1%***	***7.0%***

1.2.4 CONSOLIDATED INCOME STATEMENT

At 31 December 2020, the Group's current operating income was -€1,972 thousand compared to -€884 thousand the previous year. This deterioration in operating income is mainly due to the increase in personnel expenses of €1.8 million, i.e. +12.8%.

This increase was also offset by margin improvement and the stability of external expenses.

In thousands of euros	31/12/2020	31/12/2019
Revenue	**40,431**	**39,984**
% change revenue	+1.1%	19.11%
Recurring operating income	-1,972	-884
Operating income	-2,566	-885
Income taxes	-1,104	-1,899
Consolidated net income	**-4,020**	**-2,862**

1.2.5 FINANCIAL STRUCTURE

The total balance sheet stood at €61.84 million at 31 December 2020, an increase of 2% compared with 31 December 2019.

Simplified balance sheet at 31 December 2020

ASSETS in thousands of euros	31/12/2020	31/12/2019
Intangible assets	7,649	8,205
Property, plant and equipment	9,569	8,157
Other financial assets	454	264
Other non-current assets	4,663	4,108
Total non-current assets	**22,334**	**20,734**
Inventories and work in	13,218	10,511
Trade receivables	11,310	9,811
Other current assets	2,855	2,196
Current tax assets	66	—
Cash and cash equivalents	12,056	17,371
Total current assets	**39,505**	**39,889**
TOTAL ASSETS	**61,840**	**60,624**

LIABILITIES in thousands of euros	31/12/2020	31/12/2019
Total equity	**10,426**	**15,853**
Borrowings and financial	10,642	8,885
Provisions for pension	794	606
Other long-term provisions	937	1,043
Other non-current liabilities	22,143	19,419
Non-current tax liabilities	137	134
Total non-current liabilities	**34,654**	**30,087**
Borrowings and financial	3,942	3,191
Trade payables	4,287	2,803
Other current liabilities	8,530	7,205
Current tax liabilities		1,485
Total current liabilities	**16,759**	**14,684**
TOTAL LIABILITIES	**61,840**	**60,624**

Fixed assets and investments

In 2020 the Group made €5.6 million in investments.

Intangible assets accounted for 36.30% of investments, i.e. €2.04 million. These corresponded to the costs of developing new products and technologies and investment in IT solutions. In addition, in 2020 the company launched an extension of its buildings in Mortagne sur Sèvre.

Main investments in thousands of euros	31/12/2020	31/12/2019
Intangible assets	**2,040**	**2,342**
Of which development costs	625	794
Of which intangible assets in progress	1,082	1,358
Of which other intangible assets	332	190
Property, plant and equipment	**3,580**	**3,842**
Of which real estate complex	523	1,125
Of which assets under	1,652	348
Of which technical installations, equipment and tooling	712	557
Of which other PP&E	694	1,812
Total investments	**5,620**	**6,184**

Shareholders' equity

The Group's equity stood at €10.426 million at 31 December 2020, compared with €15.853 million at 31 December 2019, a decrease of €5.427 million.

1.2.6 NET FINANCIAL DEBT

At 31 December 2020, gearing (the net debt-to-equity ratio) stood at 24% compared with -33% at 31 December 2019. In the second half of the year, the Company took out new borrowings for €4.995 million.

In thousands of euros	31/12/2020	31/12/2019
Long-term portion of financial debt	10,642	8,885
Short-term portion of financial debt	3,942	3,191
Borrowings at less than one year and creditor banks		
Total gross debts	**14,584**	**12,076**
Cash and cash equivalents	**12,056**	**17,371**
TOTAL NET DEBT	**2,528**	**-5,295**

1.2.7 CASH FLOWS

Cash and cash equivalents decreased by -€5.3 million. The change in WCR, which remained largely positive thanks to prepaid offers, made it possible to cover the reduction in cash flow after corporate tax disbursements, but was not sufficient to cover the flows of investments mainly focused on R&D and building extension.

In thousands of euros	2020	2019
Opening cash	17,371	16,353
Cash and cash equivalents at	12,056	17,371
Change in exchange rate differences	27	(90)
Change in cash and cash	-5,288	928

1.3 INFORMATION ON THE COMPANY

1.3.1 COGELEC REVENUE

COGELEC's revenue was up 1.10%, to €40.544 million at 31 December 2020, compared to €40.101 million at 31 December 2019.

1.3.2 INCOME

At 31 December 2020, operating income stood at €3.483 million, down 32% 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 spread over two design offices and represent 18% of the Group's workforce. The main R&D axes are technical innovation, the development of new products, services and concepts, and the evolution of existing ranges.

New products

The Intratone trademark continued to expand its range for the connected hall. In addition to the intercom, video surveillance and notice board, there is the connected letterbox with Tag it, a connected, energy-saving digital letter box. In this way, Intratone fulfils its promise of remote management, from the office or anywhere with the mobile application, a manager can manage his entire hall.
Intratone has also expanded its service offering through better support for users: information text messages, resident memos, tutorials, etc. are all tools that allow a better use of our solutions.

In Germany and the Netherlands, the COGELEC Group has “pushed the envelope even further” with the launch of its modular intercom system. Equipped with the same technology as the button intercom, this range makes it possible to compose a customised intercom, by defining the number of call buttons required and also the colour of the modules. Mailbox manufacturers can integrate it directly into their system. In England, the COGELEC Group launched an intercom with direct call functionality by apartment number. Products that directly meet the needs of the market are successful and help promote the Intratone trademark internationally.

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 2020 financial year, the Company owned 46 patent families, 28 trademarks and 19 models. During the 2020 financial year, the Company filed five patents and one model.

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 €131,661 and the corresponding tax of €36,865 (28%);

– the tax on company cars in the amount of €23,874 and the corresponding tax of €6,685;

– 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 2020 break down as follows:

	Unpaid invoices received as at 31 December 2020 which are due						Unpaid invoices sent as at 31 December 2020 which are due					
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	18					47	492					2,452
Invoice amounts (including taxes in thousands of euros)	156	118	6	4	42	170	925	427	64	19	91	601
% of total amount of purchases in the financial year (including taxes)	0.42%	0.32%	0.02%	0.01%	0.11%	0.46%						
% of revenue for the financial year							1.51%	0.70%	0.10%	0.03%	0.15%	0.98%
Invoices excluded relating to liabilities and receivables that are disputed or not recognised												
Number of invoices excluded	0						9					
Total amount of invoices excluded (including taxes in thousands of euros)	0						456					
Reference payment terms used (contractual or legal - Article L. 441-6 or Article L. 443-1 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					

1.4 STOCK-MARKET INFORMATION

1.4.1 MARKET FOR COGELEC SHARES

COGELEC shares are listed on the Euronext Paris regulated stock exchange, compartment C.

On 7 December 2020, the listing of COGELEC shares was transferred to the Euronext Growth Paris market.

The number of outstanding shares stood at 8,898,048 at 31 December 2020.

1.4.2 CHANGE IN SHARE PRICE IN 2020

At 31 December 2020 the share price stood at €7.14.

Month	Highest Price	Lowest Price	Last Price
January 2020	6.86	6.02	6.60
February 2020	7.52	6.42	6.42
March 2020	6.88	4.70	4.77
April 2020	5.56	4.70	5.42
May 2020	5.78	4.83	5.50
June 2020	5.68	5.20	5.30
July 2020	5.90	5.10	5.90
August 2020	6.32	6,00	6.00
September 2020	6,64	5.88	6.62
October 2020	7.74	6.34	6.40
November 2020	7.26	6.44	7.24
December 2020	7.42	6.64	7.14

1.4.3 SHARE BUYBACKS

Summary of shares bought and sold in the 2020 financial year

In the 2020 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	Value of shares
Shareholding at 31/12/2020	396,794	€2,332,706
Shares purchased in the 2020 financial year	345,744	€1,967,216
Shares sold in the 2020 financial year	79,659	€490,462

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 2020 financial year, the Company did not award, cancel or reallocate any shares.

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
2017	355,922	€5.619
2018	8,898,048	0
2019	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 2020, INTRATONE GMBH continued its development. Its workforce is stable. This subsidiary has no equity investment in the Company or in any other company. At 31 December 2020, the share capital of INTRATONE GMBH stood at €25 thousand.

A second subsidiary, INTRATONE Ltd, was created in London in February 2018. In 2020, this company continued to grow and its workforce remained stable. This subsidiary has no equity investment in the Company or in any other company. At 31 December 2020, INTRATONE LTD's share capital was £100.

A third subsidiary, INTRATONE BV, was created in Amsterdam in October 2018. In 2020, this company has experienced strong growth and its workforce is stable. This subsidiary has no equity investment in the Company or in any other company. At 31 December 2020, the share capital of INTRATONE BV stood at €10 thousand.

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

Companies	Method of consolidation	Revenue excluding tax	Income for the financial year
INTRATONE GMBH	FC	€739,205	(€3,443,927)
INTRATONE UK	FC	£977,282	(£1,605,538)
INTRATONE BV	FC	€1,484,970	(€1,151,231)

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

As of 5 January 2021, the Company announced in its press release that it has strengthened its Management Committee. The three new members will make a decisive contribution to the Management Committee on the Group's three growth areas, namely innovation, industrial performance and internationalisation

These appointments to the Management Committee come at a time when COGELEC is taking new key steps in its deployment in France and internationally.

Due to the COVID 19-related health crisis, the Company decided to take out a government-guaranteed loan for €9 million to maintain the cash equivalent of two to three months of revenue in order to deal quickly with any difficult situation.

The extension of the Mortagne sur Sèvre building, initiated in 2020, will be the subject of an amendment to the current property lease in 2021 for an additional amount of €3.6 million which will refinance in particular the cash advances made by COGELEC SA in 2020 for €1 million.

1.7.2 OUTLOOK

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 in 2021.

1.8 RISK MANAGEMENT

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

Executive Management carried out a review of risks which may have a materially 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.

In accordance with the provisions of Article L. 225-100-1 of the French Commercial Code, in addition to the main risks presented below, you will find a presentation of interest rate, foreign exchange and liquidity risks in Section "3. CONSOLIDATED 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 the net risk
Emerging risks COVID-19 health crisis	High - Monitoring and evaluation ongoing
Risks associated with the Company's operations and market	Moderate
– Dependence on telephone operators	Moderate
– Technological failures	Moderate
– Dependence on subcontractors	Moderate
– Dependence on suppliers	Moderate
– Dependence on key persons	Moderate
– Competition	Moderate
– Technological breakthrough	Moderate
– Reputation of the Company	Moderate
– International development	Moderate
Legal risks – Intellectual property	Moderate
Financial risks – Financing needs	Moderate

RISKS RELATED TO THE COVID-19 HEALTH CRISIS

In 2020, the performance of the COGELEC Group was impacted by the global crisis and by the national lockdown decreed for the period from March to May 2020. Indeed, this crisis slowed down growth in 2020. COGELEC has measured the impact on the main aggregates of COGELEC SA's separate financial statements by comparing equipment sales over the period from March to May 2020 with the same period in 2019.

It revealed that COGELEC SA revenue was impacted by around -€2.9 million and the associated direct margin by -€1.6 million.

In return, the Company made significant savings on employee expenses, including the use of part-time work for 19,000 hours, government support and a reduction in bonuses/commissions.

COGELEC did not apply for a government-guaranteed loan in 2020, did not request any loan or rent freeze during the financial year, nor did it request any deferral of payment of social security contributions and tax charges.

Given the latest lockdown measures announced by the government and the uncertainty regarding the end date of the COVID-19 health crisis, the Group's activity could be impacted again during the financial year 2021.

However, in order to prevent any risk of cash shortage, the Company decided to take out a government-guaranteed loan in the first quarter of 2021 for €9 million. In addition, despite the lockdown in France during the second half of 2020, revenues for this second half offset that of the first half of 2020.

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 IT systems management-related risks, 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 supply markets are Europe and Asia (which leads to a currency risk, described in Section 3. CONSOLIDATED 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 RELATED TO DEPENDENCE ON KEY INDIVIDUALS

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 region) 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 46 patent families, 28 trademarks and 19 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 2020 for an amount of €140 thousand, which is 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 stood at €128 thousand for the year ended 31 December 2020 and €116 thousand for the year ended 31 December 2019.

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	Employee roadside assistance
Key personnel	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

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 prepares the tax return, the consolidated financial statements and the IFRS consolidation package. 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 of the chapter on the corporate governance report;
- Employee shareholdings on the last day of the financial year – 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 2020, in addition to the information shown in this report, the status of application of the recommendations of the reference code is as follows:

MiddleNext code recommendations	Compliant	Plans to comply	Considered not appropriate
R1: Ethics of Board members	X		
R2: Conflicts of interest	X		
R3: Composition of the Board - Independent members on the Board of Directors	X		
R4: Information for Board members	X		
R5: Organisation of Board and committee meetings	X		
R6: Formation of committees	X		
R7: Establishment of Board rules of procedure	X		
R8: Selection of each director	x		
R9: Duration of Board members' terms of office	X		
R10: Directors' compensation	X		
R11: Implementation of an assessment of the Board's work	X		
R12: Relations with "shareholders"	X		
R13: Definition and transparency of the compensation of executive directors	X		
R14: Preparation of succession plans for "managers"	X		
R15: Concurrent employment contract and corporate office	X		
R16: Severance pay	X		
R17: Supplementary pension schemes	X		
R18: Stock options and bonus share awards	X (1)		
R19: Review of vigilance points	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 First Appointment	End of Term of Office	Audit Committee	Appointments and Compensation Committee	Experience and Expertise
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	2023	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	2023	No	Member	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 AT 31 DECEMBER 2020 BY EACH MEMBER OF THE BOARD OF DIRECTORS

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

INDEPENDENCE OF DIRECTORS

Ms Lydie DELEBARRE and Ms Cécile VACHER are, in accordance with recommendation R3 of the Middlenext 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 convictions for fraud have been handed down in the last five years against any of the members of the Board of Directors;
- no incrimination and/or official public sanction has been handed down against any 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 past financial year, it met four times.

The average attendance rate 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 2020 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 2020, 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 are Lydie DELEBARRE, Chairman 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 three times during 2020, with an attendance rate 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 members of this Committee are Lydie DELEBARRE, Chairman 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 three times during 2020, with an attendance rate of 100%.

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 summarise the key figures of the divisions and projects.

Since 1 April 2021, it has had six members:

- Xavier BENAITEAU, Industrial Manager;
- Laurent CARAMELLE, Director of the Research & Development program;
- Lise GASCHET, International Development Manager;
- Roger LECLERC, Chief Executive Officer;
- Norbert MARCHAL, Head of advanced research and mechatronic projects;
- Véronique POCHET, Chief Financial Officer.

2.2 INFORMATION ON COMPENSATION

2.2.1 COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

Compensation granted to the Chairman and Chief Executive Officer, Roger Leclerc

	Compensation granted in respect of the 2019 financial year	Compensation granted in respect of the 2020 financial year
Fixed	€300K	€300K
Variable	None	None
Exceptional	None	None
Total	€300K	€300K

The performance targets (EBITDA of at least €10 million) to which Roger Leclerc's variable portion is subject were not achieved. As a result, the variable portion was not paid in 2020.

2.2.2 COMPENSATION OF OTHER CORPORATE OFFICERS

Compensation granted to members of the Board of Directors

	Compensation granted in respect of the 2019 financial year	Compensation granted in respect of the 2020 financial year
Roger Leclerc	None	None
Lydie Delebarre	€11K	€11K
Patrick Fruneau	None	None
Cécile Vacher	€9K	€9K
Patrice Guyet	None	None
Total	€20K	€20K

Under the 8th resolution of the General Meeting of 20 May 2020, Company shareholders set the overall amount of directors' 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 2020, 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.

2.3 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 2020 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 23 April 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, which had already been renewed on 18 April 2019, was renewed for a period of one (1) year upon authorisation by the Board of Directors on 21 April 2020.

No other regulated agreements are in force within the Company.

2.3.3 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.

2.3.4 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 2020, 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.

	01/01/2020	31/12/2020
Number of shares	8,898,048	8,898,048
Of which single voting right shares	3,550,520	3,550,963
Of which shares with double voting rights	5,347,085	5,347,528
Par value (€)	€0.45	€0.45
Share capital (€)	**4,004,122**	**4,004,122**

2.4.2 CHANGES IN SHARE CAPITAL

During 2020, the Company did not carry out any capital transactions.

2.4.3 STRUCTURE OF THE CAPITAL AND NUMBER OF VOTING RIGHTS AT 31 DECEMBER 2020

At 31 December 2020				
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	3,154,169	35.44%	3,154,612	24.23%
SAS HRC(2)	20	0.02%	40	0.00%
COGELEC²	396,794	4.45%	0	0.00%
TOTAL	8,898,048	100%	13,848,782	100%

(1) A French simplified public limited company with share capital of €2,808,326 with 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

To date, the Company is currently controlled by SRC. The Company has not put any special measures in place to ensure 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 EU regulation No. 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, in COGELEC's shares, during the 2020 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 No. 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 2020 in respect of capital increases and the uses made of these delegations during the financial year ending on 31 December 2020.

The General Meeting of 24 June 2020 granted 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 2020	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 2020	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 2020	26 months	€2,300,000*	None
Authorisation to be given to the Board of Directors to waive the terms set by the 10th resolution 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 2020	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 2020	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 2020	26 months	€2,300,000*	None
Delegation of powers to be granted to the Board of Directors to issue shares and/or securities giving access to new Company shares, reserved for employees who are members of the company savings scheme, without preferential subscription rights, in accordance with Article L. 225-129-6 of the French Commercial Code	24 June 2020	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 2020	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 2020	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 2020	18 months	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 2020	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 2020	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 2020	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 to reduce the share capital by cancelling shares	24 June 2020	24 months	10% of the share capital for 24-month periods	None

*the maximum nominal amount of immediate or future capital increases likely to be completed is deducted from the overall cap on cash issue authorisations of €2,300,000 (18th resolution of the General Meeting of 24 June 2020).

**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 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 2020

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	31/12/2020	31/12/2019
Intangible assets	**3.6.7.1**	7,649	8,205
Property, plant and equipment	**3.6.7.2**	9,569	8,157
Other financial assets	**3.6.7.3**	454	264
Other non-current assets	**3.6.7.4**	4,663	4,108
Non-current tax assets	**3.6.7.5**		
Total non-current assets		**22,334**	**20,734**
Inventories and work in progress	**3.6.7.6**	13,218	10,511
Trade and other receivables	**3.6.7.7**	11,310	9,811
Other current assets	**3.6.7.7**	2,855	2,196
Current tax assets	**3.6.10.1**	66	
Cash and cash equivalents	**3.6.7.8**	12,056	17,371
Total current assets		**39,505**	**39,889**
TOTAL ASSETS		**61,840**	**60,624**

3.1.2 LIABILITIES

LIABILITIES	Notes	31/12/2020	31/12/2019
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**	189	-159
Consolidated reserves, group share	**3.5**	-8,298	-3,681
Consolidated income, group share	**3.5**	-4,020	-2,862
Equity, group share	**3.5**	**10,426**	**15,853**
Consolidated reserves - Minority interests	**3.5**		
Consolidated income - Minority interests	**3.5**		
Shareholders' equity - minority interests	**3.5**		
Total equity		**10,426**	**15,853**
Borrowings and financial liabilities	**3.6.7.10**	10,642	8,885
Provisions for pension obligations	**3.6.7.12**	794	606
Other long-term provisions	**3.6.7.13**	937	1,043
Other non-current liabilities	**3.6.7.15**	22,143	19,419
Non-current tax liabilities	**3.6.7.5**	137	134
Total non-current liabilities		**34,654**	**30,087**
Borrowings and financial liabilities	**3.6.7.10**	3,942	3,191
Trade payables and related accounts	**3.6.7.15**	4,287	2,803
Other current liabilities	**3.6.7.15**	8,530	7,205
Current tax liabilities	**3.6.10.1**		1,485
Total current liabilities		**16,759**	**14,683**
TOTAL LIABILITIES		**61,840**	**60,624**

3.2 CONSOLIDATED INCOME STATEMENT

	Notes	31/12/2020	31/12/2019
REVENUE	**3.6.8.1**	**40,431**	**39,984**
Other operating income		5	5
Purchases consumed	**3.6.8.2**	-15,173	-15,125
Personnel expenses	**3.6.8.3**	-16,030	-14,213
External expenses	**3.6.8.4**	-8,170	-8,205
Taxes and charges		-652	-590
Allocation to/reversal of depreciation and amortisation	**3.6.7.1 and 3.6.7.2**	-3,955	-3,301
Allocation to/reversal of provisions and impairments		-262	-370
Change in work in progress and finished product inventories		1,142	626
Other current operating income and expenses	**3.6.8.5**	692	305
CURRENT OPERATING INCOME		**-1,972**	**-884**
Other operating income and expenses	**3.6.8.6**	-594	-1
OPERATING PROFIT	**3.6.4.25**	**-2,566**	**-885**
Income from cash and cash equivalents		20	22
Cost of gross financial debt		-175	-232
Cost of net financial debt	**3.6.4.25 and 3.6.8.7**	-155	-210
Other financial income and expenses	**3.6.8.7**	-196	132
Tax expenses	**3.6.10.1**	-1,104	-1,899
Share of the profit or loss of equity-accounted affiliates			
CONSOLIDATED NET INCOME		**-4,020**	**-2,862**
Group share		-4,020	-2,862
Attributable to minority interests			
BASIC EARNINGS PER SHARE	**3.6.4.26**	-0.4671	-0.3265
DILUTED EARNINGS PER SHARE	**3.6.4.26**	-0.4671	-0.3265

3.3 STATEMENT OF COMPREHENSIVE INCOME

	31/12/2020	31/12/2019
PROFIT OR LOSS FOR THE PERIOD	**-4,020**	**-2,862**
Items that may be reclassified subsequently to profit or loss		
Exchange rate differences	222	-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	11	30
Actuarial gains or losses	-44	-117
Income and expenses recognised directly in equity		
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**189**	**-163**
TOTAL PROFIT OR LOSS FOR THE PERIOD	**-3,832**	**-3,025**
Group share	-3,832	-3,025
Attributable to minority interests		

3.4 CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31/12/2020	31/12/2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit or loss from continuing operations	**3.2**	**-4,020**	**-2,862**
Net allocation to amortisation, depreciation and provisions	**3.6.7.1-3.2-3.3-3.7-3.12-**	4,124	3,567
Grant reversals	**3.6.8.5**	-717	-421
Share of prepaid income recognised in profit and loss	**3.6.7.15**	-2,272	-1,948
Gains or losses on disposals	**3.6.9.1**	646	-13
Exchange rate differences on reciprocities		220	-135
Cash flow after cost of net financial debt and tax		**-2,019**	**-1,813**
Cost of net financial debt	**3.6.8.7**	155	210
Tax expense (including deferred taxes)	**3.6.9.2**	799	1,609
Cash flow before cost of net financial debt and tax		**-1,065**	**6**
Tax paid	**3.6.9.3**	-2,335	771
Change in operating working capital:			
- Other non-current assets	**3.6.7.4**	-554	-598
- Inventories	**3.6.9.4**	-2,697	-2,174
- Trade receivables	**3.6.9.5**	-1,512	-823
- Other current assets (excluding loans and guarantees)	**3.6.9.6**	-701	-466
- Other non-current liabilities	**3.6.9.7**	2,733	3,197
- Trade payables	**3.6.9.8**	1,239	-91
- Other current liabilities	**3.6.9.9**	4,320	4,055
	Total	**2,827**	**3,100**
Net cash flow from operating activities		**-574**	**3,877**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets	**3.6.9.10**	-4,261	-3,728
Disposals of fixed assets	**3.6.8.6**	32	39
Change in loans and advances granted	**3.6.9.11**	-156	-23
Net cash flow from investing activities		**-4,385**	**-3,712**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the parent company	**3.5**		
Capital increase in cash	**3.5**		
Treasury shares	**3.5**	-1,595	-612
Debt issues	**3.6.9.12**	4,999	4,334
Repayment of borrowings	**3.6.7.10**	-3,578	-2,749

Cost of net financial debt	**3.6.8.7**	-155	-210
Net cash flow from financing activities		**-330**	**763**
CHANGE IN CASH AND CASH EQUIVALENTS		**-5,288**	**928**
Opening cash		17,371	16,353
Cash and cash equivalents at end of period	**3.6.7.8**	12,056	17,371
Change in exchange rate differences		27	-90
Change in cash and cash equivalents		**-5,288**	**928**

3.5 TABLE OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Additional paid-in capital	Other comprehensive income	Reserves	Income for the financial year	Total share capital	Minority interests	Group share capital
At 31 December 2018	**4,004**	**18,551**	**4**	**-2,005**	**-1,064**	**19,490**	**0**	**19,490**
Changes:								
Allocation of prior year retained				-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**
Changes:								
Allocation of prior year retained			159	-3,022	2,862			
Treasury shares				-1,595		-1,595		-1,595
Actuarial gains or losses			-33			-33		-33
Foreign exchange gains and losses			222			222		222
Consolidated profit or loss					-4,020	-4,020		-4,020
At 31 December 2020	**4,004**	**18,551**	**189**	**-8,298**	**-4,020**	**10,426**	**0**	**10,426**

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 3.6.7.9.

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 2020 and 31 December 2019. 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 €6.5 million in losses in 2020, broken down as follows:

– INTRATONE GMBH: -€3.4 million
– INTRATONE UK: -€1.9 million
– INTRATONE BV: -€1.2 million

3.6.1.2 Significant events in the 2020 financial year

During this pandemic period, COGELEC SA worked hard to readjust its commercial approach and to intensify its research and development activities for new solutions, mainly focused on the connected hall.

The Group, which has long been committed to a responsible approach to sustainable development with the INTRATONE trademark, has continued its environmental action by raising awareness among market players of the need to preserve the annual use of materials linked to its GSM model.

COVID-19 risk:

In 2020, the performance of the COGELEC Group was impacted by the global crisis and by the national lockdown decreed for the period from March to May 2020. Indeed, this crisis slowed down growth in 2020. COGELEC has measured the impact on the main aggregates of COGELEC SA's separate financial statements by comparing equipment sales over the period from March to May 2020 with the same period in 2019.

It revealed that COGELEC SA revenue was impacted by around -€2.9 million and the associated direct margin by -€1.6 million.

In return, the Company made significant savings on employee expenses, including the use of part-time work for 19,000 hours, government support and a reduction in bonuses/commissions.

COGELEC did not apply for a government-guaranteed loan in 2020, did not request any loan or rent freeze during the financial year, nor did it request any deferral of payment of social security contributions and tax charges.

Transfer of shares to the Euronext Growth market:

On 7 December 2020, COGELEC transferred the listing of its shares to the Euronext Growth market with the authorisation of the shareholders at the Ordinary General Meeting on 1 October 2020. This transfer should enable the Company to be listed on a market more appropriate to its size as a company and to alleviate the regulatory constraints imposed on COGELEC while reducing the costs associated with the listing, and by continuing to offer the benefits of the financial markets. In its press releases dated 31 July 2020 and 1 October 2020, the Company set out the main consequences of this transfer.

The 2020 financial year was marked by the following events:

i. In order to finance the commercial development of these subsidiaries, COGELEC granted an advance of €6.8 million for 2020, i.e. a cumulative amount of €17.1 million as of December 31, 2020,
ii. Abandonment of certain R&D projects for which the conditions to capitalise expenses in capitalised production were no longer met for an amount of €0.7 million,
iii. COGELEC SA incurred part of the expenses intended for the extension of the Mortagne Sur Sèvre registered office for €1 million. These costs will be refinanced as a leaseback in 2021 through the conclusion of an amendment to the current finance lease contract.

3.6.1.3 Overview and outlook

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 in 2021.

3.6.2 ASSESSMENT OF RISK FACTORS

In accordance with the provisions of Article L. 225-100-1 of the French Commercial Code, the various financial risks to which COGELEC is exposed are detailed below, namely: market risk, credit risk and liquidity risk. 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 €12,056 thousand at 31 December 2020.

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 $6.6 million in 2020, against $5.7 million in 2019.

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 2020, the Company's financial debts were not subject to interest rate volatility risk as they 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 transactions for the year, see Note 6.7.9.

3.6.3 SUBSEQUENT EVENTS END 2020

As of 5 January 2021, the Company announced in its press release that it has strengthened its Management Committee. The three new members will make a decisive contribution to the Management Committee on the Group's three growth areas, namely innovation, industrial performance and internationalisation.

These appointments to the Management Committee come at a time when COGELEC is taking new key steps in its deployment in France and internationally.

Due to the COVID 19-related health crisis, the Company decided to take out a government-guaranteed loan for €9 million to maintain the cash equivalent of two to three months of revenue in order to deal quickly with any difficult situation.

3.6.4 ACCOUNTING PRINCIPLES, RULES AND 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 20 April 2021, 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 2019 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 6.11.3).

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 2019. 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 2020.

Standards, amendments to standards and interpretations applicable for financial years beginning on or after 1 January 2020

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IAS 39, IFRS 7 and IFRS 9 – Reference Interest Rate Reform
- Amendments to IFRS 4 – Extension of the temporary exemption from the application of IFRS 9
- Amendments to IFRS 16 – Rental relief for COVID-19

These amendments to the standards have no impact on the Group's financial statements.

Standards, amendments to standards and interpretations published but not yet applicable or not applied in advance by the Group:

- Annual Improvements (2018-2020 cycle) – Annual Improvements to IFRS Standards, 2018-2020 cycle (Standards concerned: IFRS 1, IFRS 9, IFRS 16 and IAS 41)

These amendments to the standards have no impact on the Group's financial statements.

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 6.6.1 and 6.7.1)
- The measurement of inventories (see Notes 6.4.11 and 6.7.6)
- The measurement of provisions for retirement benefit obligations (see Notes 6.4.15 and 6.7.12)
- The measurement of provisions for expenses (see Notes 6.4.16 and 6.7.13)
- The research tax credit (see Note 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 regularly analyses compliance with capitalisation criteria. 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.

Development projects in progress are tested for impairment in accordance with the procedures defined in Note 6.6.1.

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

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 5 years. The rights of use are amortised over the term of the lease, i.e. a period ranging from 2 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 tooling: 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 their value in 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 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.

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

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 and guarantee deposits.

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 payment 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	31/12/2020	31/12/2019
Reference discounting rate	IBOXX corporate AA + 10 years	
Discounting rate	0.34%	0.60%
Mortality table	INSEE 2010-2012	INSEE 2010-2012
Wage progression	4% declining	4% declining
Turn-over rate	2.44%	2.44%
Age at retirement	65 years old	65 years old

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 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:

	31/12/2020	31/12/2019
Rate France	25.825%	25.825%
Rate Germany	31.225%	31.225%
Rate United Kingdom	19.000%	17.000%
Rate Netherlands	15.000%	15.000%

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 justified by a tax proof (see 6.10.1).

In the income statement, the contribution on corporate value added (CVAE) is included in the line 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 to be received, 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-based 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. <u>Mixed subscription offers (Jumbo offer)</u>:

These offers are for an indefinite period with no 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, in particular 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 Note 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 Notes 6.7.4, 6.7.7 and 6.7.15.

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

- Unfulfilled obligations under fixed-term or open-ended offers with a long-term commitment;
- Revenue already invoiced and collected on prepaid service contracts in the portfolio (currently under prepaid income);
- 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	2021	2022	2023	2024	2025	Beyond
Contracts for Packages	Revenue still to be invoiced for service	3.6.4.18	3,810	1,397	794	585	444	337	254
Prepaid offer contracts	Prepaid income	3.6.7.15	23,214	2,278	2,255	2,216	2,180	2,138	12,147
Total			**27,025**	**3,676**	**3,048**	**2,800**	**2,623**	**2,475**	**12,402**

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.

	31/12/2020	31/12/2019
Gross value	679	633
Depreciation and amortisation	293	205
Net values	**387**	**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 Grants

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 also receives a 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. The discount rate used corresponds to the financing rate that the banks would grant for each contract. The rates range from 0.15% to 0.75% depending on the term of the contracts and the amounts to be financed.

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 initial costs and depreciation periods are explained in Notes 6.4.8 and 6.4.9.

As permitted by law, for the sake of simplicity, the Group chose not to restate the contracts that had a residual term of less than 12 months and those with a value of less than $5,000.

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 financial debts comprise i) loans from 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 financial debt includes interest on borrowings and other financial debt offset by income on term accounts.

3.6.4.22 Translation of foreign currency transactions

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 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

The indicator is presented in Note 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 2.

Cost of net financial debt

All income and expenses resulting from net financial debt for the period (see Note 6.8.7) represents 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 2020 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 31/12/2020	8,898,048	-289,911	8,608,137

3.6.5 SCOPE OF CONSOLIDATION

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

2020 scope

Entities	Methods of consolidation	% interest	% control	Registered office	Country
COGELEC	FC	100.00%	100.00%	MORTAGNE SUR SEVRE	France
INTRATONE GMBH	FC	100.00%	100.00%	DÜSSELDORF	Germany
INTRATONE UK	FC	100.00%	100.00%	LONDON	United Kingdom
INTRATONE BV	FC	100.00%	100.00%	AMSTERDAM	The Netherlands

2019 scope

Entities	Methods of consolidation	% interest	% control	Registered office	Country
COGELEC	FC	100.00%	100.00%	MORTAGNE SUR SEVRE	France
INTRATONE GMBH	FC	100.00%	100.00%	DÜSSELDORF	Germany
INTRATONE UK	FC	100.00%	100.00%	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 2020 is 10.06% versus 12.61% in 2019.

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 thousands of euros)

Gross value	Development costs	Other intangible assets	Intangible assets in progress	TOTAL
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**
Acquisitions	625	332	1,082	2,040
Disposals		-13	-618	-631
Transfers between items	1,178	54	-1,232	
Change in scope				
At 31 December 2020	**15,905**	**1,780**	**1,479**	**19,165**

Change in impairment of intangible assets (in thousands of euros)

Depreciation and amortisation	Development costs	Other intangible assets	Intangible assets in progress	TOTAL
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**
Allocations	1,636	212		1,847
Reversals		-13		-13
Impairment	130			130
Transfers between items				
Change in scope				
At 31 December 2020	**10,523**	**992**		**11,516**

Change in net intangible assets (in thousands of euros)

Net values	Development costs	Other intangible assets	Intangible assets in progress	TOTAL
At 31 December 2018	2,242	581	4,564	**7,387**
At 31 December 2019	5,344	614	2,247	**8,205**
At 31 December 2020	5,382	788	1,479	**7,649**

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, €3.9 million of expenses were activated, of which €3.6 million were transferred from intangible assets in progress.

At 31 December 2020, intangible assets in progress relate to various projects whose commissioning is expected within the next two years. These include the Lora, Intracode, Exit buttons and Kit Villa Lite projects, which are scheduled to be commissioned in 2021. In addition, intangible assets in progress include the Kihome website.

The main project commissioned during the year is the Rozoh project (creation of a range of products/trademark specific to the local authority market).

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

Gross value	Development costs	Other intangible assets	TOTAL
At 31 December 2018			
Acquisitions		33	33
Disposals			
Transfers between items			
Change in scope			
At 31 December 2019		**33**	**33**
Acquisitions		199	199
Disposals		-13	-13
Transfers between items			
Change in scope			
At 31 December 2020		**219**	**219**

Depreciation and amortisation	Development costs	Other intangible assets	TOTAL
At 31 December 2018			
Allocations		19	19
Reversals			
Transfers between items			
Change in scope			
At 31 December 2019		**19**	**19**
Allocations		29	29
Reversals		-13	-13
Transfers between items			
Change in scope			
At 31 December 2020		**35**	**35**

Net values	Development costs	Other intangible assets	TOTAL
At 31 December 2018			
At 31 December 2019		**14**	**14**
At 31 December 2020		**184**	**184**

3.6.7.2 Property, plant and equipment

Change in gross property, plant and equipment (in thousands of euros)

Gross value	Land	Buildings	Technical installations, equipment and tooling	Other property, plant and equipment	Property, plant and equipment in progress	TOTAL
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**
Acquisitions		523	712	694	1,652	3,580
Disposals				-215	-39	-254
Transfers between items			340		-296	44
Change in scope						
At 31 December 2020	**213**	**5,097**	**6,040**	**3,687**	**1,574**	**16,610**

Change in impairment of property, plant and equipment (in thousands of euros)

Depreciation and amortisation	Land	Buildings	Technical installations, equipment and tooling	Other property, plant and equipment	Property, plant and equipment in progress	TOTAL
At 31 December 2018		**582**	**2,143**	**662**		**3,387**
Allocations		473	604	700		1,777
Reversals			—	-81		-82
Transfers between items						
Change in scope						
At 31 December 2019		**1,055**	**2,746**	**1,281**		**5,082**
Allocations		475	833	800		2,108
Reversals				-193		-193
Transfers between items			44			44
Change in scope						
At 31 December 2020		**1,530**	**3,624**	**1,887**		**7,041**

Change in net property, plant and equipment (in thousands of euros)

Net values	Land	Buildings	Technical installations, equipment and tooling	Other property, plant and equipment	Property, plant and equipment in progress	TOTAL
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**
At 31 December 2020	213	3,567	2,416	1,800	1,574	**9,569**

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

Gross value	Land	Buildings	Technical installations, equipment and tooling	Other property, plant and equipment	TOTAL
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**
Acquisitions		523		382	904
Disposals				-214	-214
Transfers between items					
Change in scope					
At 31 December 2020	**213**	**5,097**	**25**	**1,621**	**6,956**

Depreciation and amortisation	Land	Buildings	Technical installations, equipment and tooling	Other property, plant and equipment	TOTAL
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**
Allocations		475	1	488	964
Reversals				-192	-192
Transfers between items					
Change in scope					
At 31 December 2020		**1,530**	**25**	**720**	**2,275**

Net values	Land	Buildings	Technical installations, equipment and tooling	Other property, plant and equipment	TOTAL
At 31 December 2018	213	2,867	4	42	**3,126**
At 31 December 2019	213	3,519	1	1,030	**4,762**
At 31 December 2020	213	3,567		901	**4,681**

3.6.7.3 Other financial assets

In thousands of euros	31/12/2020	31/12/2019
Other long-term investments(1)	200	16
Loans(2)	40	38
Loan impairment(2)	-38	-38
Deposits and guarantees(3)	252	247
TOTAL	**454**	**264**

(1) Bank shares
(2) DIAMO loan for €38 thousand and employee loan for €2 thousand
(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	31/12/2020	31/12/2019
Trade receivables > 1 year	3,284	3,121
Impairment of trade receivables	-380	-380
Prepaid expenses > 1 year	1,759	1,367
TOTAL	**4,663**	**4,108**

Details of trade receivables net of impairments

	31/12/2020	31/12/2019
Doubtful debt	456	456
Impairment of doubtful debts	-380	-380
Trade receivables under rental agreements	2,828	2,665
TOTAL	**2,904**	**2,741**

Doubtful debts are fully written down.

Prepaid expenses

Prepaid expenses represent the SIM cards purchased as part of the blanket offering contract (Note 6.4.18). The purchases are spread over the term of the commitment, i.e. the subscription plan.

3.6.7.5 Deferred taxes

	31/12/2020		31/12/2019	
	Tax basis	Tax	Basis	Tax
Temporary differences				
Capitalisation of deficits	362	85	181	45
C3S	44	11	41	10
Employee profit-sharing	147	38	368	95
Tax amortisation	-77	-15	-21	-4
Provision for dismantling	-28	-5		
Pensions	3	—		
Restatements				
Exchange rate differences on reciprocities in the balance sheet	106	20	-36	-6
Unreturned advanced exchanges	18	4		
IFRS 16 finance leases	-544	-141	-429	-111
IFRS 16 operating leases	6	1	27	6
Leases	-1,866	-471	-1,516	-393
CG-IT internal fixed asset disposals	17	4	50	13
CG-IT UK inventory internal margins	263	68	81	21
SIM card internal margins	13	3	3	1
Internal transfer of demo equipment to subsidiaries	15	3	-15	-5
Provision for customer guarantees	61	16	55	14
Alignment of impairment methods	8	1	1	0
Business introducer fees	129	33	143	37
Impairment of treasury shares			-57	-15
Pension commitments	794	205	606	156
TOTAL	**-532**	**-137**	**-519**	**-134**

Proof of tax is given in Note 3.6.10.1.

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

Company	31/12/2020
IT BV	2,917
IT GMBH	8,372
IT UK	4,900
Total	**16,188**

According to IAS 12, the tax planning as at 31 December 2020 shows the due dates of the deferred tax liabilities:

In thousands of euros	Portion less than 1 year	Portion more than 1 year and less than 2 years	Portion more than two years and less than 3 years	Portion more than 3 years and less than 4 years	Portion more than 4 years and less than 5 years	Portion more than 5 years	TOTAL
Losses	6	8	5	3	1	62	85
C3S	11						11
Employee profit-sharing	38						38
Tax amortisation	-15						-15
Provision for dismantling	-5						-5
Pensions	0						0
Exchange rate differences on reciprocities in the balance	20						20
Unreturned advanced exchanges	4						4
Finance leases	33	35	38	40	44	-331	-141
Operating leases	0	0	1	0	0	0	1
Leases	-151	-135	-105	-66	-22	8	-471
CG-IT internal transfers	4						4
CG-IT UK inventory internal margins	68						68
SIM card internal margins	0	0	0	0	0	2	3
Internal fixed asset disposals	0	1	1	1	0	-1	3
Provision for customer	2	1	2	2	2	6	16
Alignment of impairment methods	-2	-1	1	2	1	0	1
Business introducer fees	8	8	8	8	0	0	33
Impairment of treasury shares	0						0
Pension commitments	0	0	0	0	0	205	205
TOTAL	**22**	**-81**	**-48**	**-9**	**26**	**-48**	**-137**

3.6.7.6 Inventories and work in progress

Changes in inventories and work in progress

In thousands of euros	31/12/2020	31/12/2019
Raw materials and other supplies	7,164	5,533
Work in progress	4,417	3,707
Intermediate and finished products	2,363	1,932
Provisions for impairment	-726	-660
TOTAL	**13,218**	**10,511**

Changes in provisions for impairment	31/12/2020	31/12/2019
Value at start of period	660	545
Increase	267	403
Decrease	-201	-288
Value at end of period	**726**	**660**

Raw materials and other supplies consist of components.

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

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

The increase in raw materials inventories is by the increase in the Kibolt stock for the launch of pre-series) and by the increase in components to deal with a possible shortage related to COVID-19.

The increase in work-in-progress is justified by an extension of the product range, particularly related to Kibolt.

3.6.7.7 Trade receivables and other current receivables

Receivables

In thousands of euros	31/12/2020	31/12/2019
Gross trade receivables	11,310	9,811
Provisions for impairment		
TOTAL	**11,310**	**9,811**

Details of trade receivables net of impairments:

	31/12/2020	31/12/2019
Ordinary trade receivables	9,881	8,563
Impairment of ordinary trade receivables		
Trade receivables under rental agreements	1,428	1,248
TOTAL	**11,310**	**9,811**

Other current assets

In thousands of euros	31/12/2020	31/12/2019
Loans	3	1
Loan impairment		
Deposits and guarantees	1	37
Advances and down payments paid	24	67
Social receivables	44	50
Tax receivables	1,413	1,048
Other operating receivables	534	553
Prepaid expenses	836	441
TOTAL	**2,855**	**2,196**

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 3.6.11.2.

Loans break down as follows:

Loans	31/12/2020	31/12/2019
Loans to staff	3	1
TOTAL	**3**	**1**

Other receivables break down as follows:

Other receivables	31/12/2020	31/12/2019
Receivables related to the CIR and the CII	493	518
Advance payments to suppliers and outstanding	41	25
Miscellaneous receivables		9
TOTAL	**534**	**553**

Current assets include amounts obtained each year for the CIR and CII. The 2019 amount was reimbursed by the State, while that of 2020 remains to be collected over 2021.

Schedule of trade receivables

Trade receivables by due date are broken down as follows:

				Past due	
ASSETS (in thousands of euros)	Balance sheet value	Not due	< 90d	>90d <6 months	> 6 months
Trade receivables (non-current assets)	**2,904**	2,828			76
Trade receivables (current assets)	**11,310**	9,493	1,684	19	114
TOTAL	**14,214**	**12,321**	**1,684**	**19**	**190**

3.6.7.8 Cash and cash equivalents

In thousands of euros	31/12/2020	31/12/2019
Term deposits	5,500	8,505
Cash and cash equivalents	6,556	8,866
Total cash and cash equivalents at end of period	**12,056**	**17,371**
Bank overdrafts	0	0
Total net cash and cash equivalents at end of period	**12,056**	**17,371**

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 2020, COGELEC's share capital consisted of 8,898,048 shares, which has changed during the financial year as follows:

	01/01/2020	Increase	Reduction	31/12/2020
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 was paid for financial year 2020.

Treasury shares

Following the approval of the share buyback scheme granted at the General Meeting on 23 April 2018, COGELEC has repurchased 396,794 shares, for €2,333 thousand.

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 2020: 396,794 shares
- Value of treasury shares held at 31 December 2020: €2,332,706
- Number of treasury shares acquired in 2020: 345,744 shares

– Value of treasury shares acquired in 2020: €1,967,216
– Number of treasury shares sold in 2020: 79,659 shares
– Value of treasury shares sold in 2020: €490,462

3.6.7.10 Financial liabilities

Current/non-current borrowings and financial liabilities

In thousands of euros	31/12/2020	31/12/2019
Bank borrowings	7,501	5,642
Lease payables	1,833	2,136
Operating lease liabilities	1,308	1,108
Non-current borrowings and financial liabilities	**10,642**	**8,885**
Bank borrowings	2,804	2,079
OSEO loans		30
Accrued interest (not yet due)	4	
Lease payables	302	306
Operating lease liabilities	832	776
Current loans and financial liabilities	3,942	3,191
TOTAL	**14,584**	**12,076**

Variations in current and non-current borrowings and financial liabilities

Gross value	Bank borrowings	Oseo loans	Accrued interest not past due	Repayable OSEO innovation grants	Bank overdrafts	IFRS 16 debts	Various financial debts	TOTAL
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**
New	4,995		4			1,103		6,102
Repayments	-2,411	-30				-1,137		-3,578
Changes during the period								0
Foreign exchange gains and losses						-15		-15
At 31 December 2020	**10,305**	**0**	**4**	**0**	**0**	**4,276**	**0**	**14,584**

Remaining term of borrowings at 31 December 2020

In thousands of euros	Portion less than 1 year	Portion more than 1 year and less than 2 years	Portion more than two years and less than 3 years	Portion more than three years and less than 4 years	Portion more than four years and less than 5 years	Portion more than 5 years	TOTAL
At 31 December 2020							
Bank borrowings	2,804	2,301	2,120	1,882	956	241	10,305
Accrued interest (not yet due)	4						4
Finance lease payables	302	312	321	331	340	530	2,136
Operating lease liabilities	832	671	416	160	53	9	2,140
Borrowings and financial liabilities	**3,942**	**3,283**	**2,857**	**2,373**	**1,349**	**779**	**14,584**
Trade payables	4,287						4,287
Tax and social liabilities	4,500						4,500
Other debts	1,194						1,194
Prepaid income	2,835	2,712	2,662	2,377	2,217	12,175	24,978
Other liabilities	**12,817**	**2,712**	**2,662**	**2,377**	**2,217**	**12,175**	**34,960**
TOTAL	**16,759**	**5,995**	**5,520**	**4,750**	**3,566**	**12,955**	**49,544**

3.6.7.11 Analysis of net financial debt

Changes in cost of net financial debt

In thousands of euros	31/12/2020	31/12/2019
Long-term portion of financial debt	10,642	8,885
Short-term portion of financial debt	3,942	3,191
Borrowings at less than one year and creditor banks		
Total gross debts	**14,584**	**12,076**
Cash and cash equivalents	**12,056**	**17,371**
TOTAL NET DEBT	**2,528**	**-5,295**

Details regarding gross debt are provided in Note 3.6.7.10.

Financing of WCR

	31/12/2020		31/12/2019	
	Uses	Resources	Uses	Resources
Inventory	13,218		10,511	
Net trade receivables	14,214		12,551	
Net trade payables		4,287		2,803
Social and tax receivables and payables		3,115		4,103
Other receivables & payables		23,019		20,614
WCR		**2,990**		**4,457**
Financing of WCR	**2,990**		**4,457**	
Working capital	-9,067		-12,914	
Cash	12,056		17,371	
Current bank facilities	0		0	

In 2019 and 2020, the Company generated working capital resources of around €4.5 million and €3.0 million respectively, mainly due to the amount of prepaid amounts. In 2020, with working capital of €9.1 million, cash stood at €12.1 million.

3.6.7.12 Provision for pension commitments

Changes in the commitments

In thousands of euros	Pension commitments
At 31 December 2018	**396**
Allocations	93
Reversals	
Change in scope	
Actuarial gains and losses	117
At 31 December 2019	**606**
Allocations	145
Reversals	
Change in scope	
Actuarial gains and losses	44
At 31 December 2020	**794**

3.6.7.13 Other provisions

In thousands of euros	Provisions for after-sales service	Provision for taxes	Provisions for disputes	TOTAL
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**
Allocations	6	0	20	26
Reversals	-93	-39	0	-132
Change in scope	0	0	0	0
At 31 December 2020	**589**	**13**	**335**	**937**

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 June 2020 based on payments made for €39 thousand.

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 and other payables

Breakdown by nature of trade and other payables

Trade payables

In thousands of euros	31/12/2020	31/12/2019
Trade payables	3,873	2,644
Fixed asset liabilities	414	159
TOTAL	**4,287**	**2,803**

Other non-current liabilities

In thousands of euros	31/12/2020	31/12/2019
Tax and social security liabilities		
Advances and prepayments received		
Other debts		
Prepaid income(1)	22,143	19,419
TOTAL	**22,143**	**19,419**
(1) of which		
Liabilities on prepaid contracts	20,936	17,966
CIR and CII	1,171	1,406
BPI - subsidy on interest-free advance		
Investment grants	36	46
	22,143	**19,419**

For the settlement of prepaid income, see Note 3.6.11.2.

Other current liabilities

In thousands of euros	31/12/2020	31/12/2019
Tax and social security liabilities	4,500	3,582
Advances and prepayments received		
Other debts	1,194	1,210
Prepaid income	2,835	2,413
TOTAL	**8,530**	**7,205**
of which liabilities on contracts for	**2,278**	**1,952**
of which reversal of prepaid contract	2,272	1,948
of which new prepaid contract liabilities	5,567	5,512

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	31/12/2020	31/12/2019
Sales of equipment	28,995	30,176
Sales of services	11,436	9,808
TOTAL	**40,431**	**39,984**

Sales of services include €6,967 thousand in sales of "no commitment or with expired commitment" subscriptions in 2020 versus €5,044 thousand in 2019.

In the COVID 19-related health context, the activity in France fell very slightly by -1.2% to €36 million compared with €36.4 million in 2019. The very marked delay in the second quarter due to the first lockdown was largely offset in the second half.

International activity totalled €4.4 million compared with €3.5 million a year earlier, an increase of 24.9%, with a more than 55% ramp-up of commercial activity in Europe in the fourth quarter.

In thousands of euros	31/12/2020	31/12/2019
France	36,013	3, 448
Export	4,417	3,536
TOTAL	**40,431**	**39,984**

Equipment sales, down 3.9%, were affected by the first lockdown following the health crisis and in particular by the more marked decline of the Hexact trademark in a wired intercom market that is still in decline. This market trend strengthens the positioning of the Intratone trademark with a new wireless intercom offer for collective housing.

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	31/12/2020	31/12/2019
Raw materials purchased	-14,560	-14,062
Change in raw materials inventory	1,631	1,452
SIM card purchases	-2,020	-2,171
Purchases not held in inventory	-619	-664
Freight in	-59	-50
Capitalised production	453	355
Transfers of expenses	0	14
TOTAL	**-15,173**	**-15,125**

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

3.6.8.3 Personnel costs and headcount

In thousands of euros	31/12/2020	31/12/2019
Wages and salaries	-11,875	-10,984
Change in provisions for paid leave	-114	-94
Additional paid-in capital	-399	-21
Bonuses and other benefits	-370	-292
Social security contributions	-4,330	-3,951
Employee profit-sharing	-147	-368
Subsidies and reclassification of employee benefits	255	274
Capitalised production	949	1,223
TOTAL	**-16,030**	**-14,213**

Group workforce

	31/12/2020	31/12/2019
Managers	76	52
Employees(1)	165	160
Operators	31	20
Apprentices	4	2
TOTAL	**275**	**234**

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

(1) At 31 December 2020, IT GmbH, IT UK and IT BV had 34, 20 and 15 employees respectively (for an average workforce in 2020 of 33, 20 and 13 employees respectively). In these countries, there are no occupational categories as presented above. Salaried employees were therefore included with employees for a total of 66.

COGELEC has grown its workforce in the various departments, in particular the IT department, production and the administrative & legal department. Subsidiaries recruited several people when they were created, particularly sales representatives.

3.6.8.4 External expenses

In thousands of euros	31/12/2020	31/12/2019
Compensation of intermediaries and professional	-2,553	-2,161
Advertising expenses	-2,558	-2,036
Travel and entertainment expenses	-346	-1,086
Leases	-243	-440
Freight out	-404	-405
Temporary staff	-578	-521
Other items	-1,489	-1,556
TOTAL	**-8,170**	**-8,205**

Professional fees are mainly composed of HRC technical and marketing services and accounting, legal and consultancy fees (for the patents office in particular and the calculation of the CIR) and professional fees related to financial markets. HRC services amounted to €763 thousand as of 31 December 2020 compared to €747 thousand as of 31 December 2019 (see Note 6.10.2). Some of these fees were offset by capitalised production of €287 thousand at 31 December 2020 and €404 thousand at 31 December 2019.

Advertising expenses are composed of expenses for fairs and exhibitions, media advertisements and marketing/communication. The Group dedicated €600 thousand to exceptional marketing operations in the fourth quarter of 2020 (posters on buses, animated screens at points of sale, etc.).

The decrease in travel, assignment and hospitality expenses is directly linked to the health crisis.

The other items mainly correspond to expenses for maintenance, telecommunications and dues (professional dues and recruitment fees).

3.6.8.5 Breakdown of other current operating income and expenses

In thousands of euros	31/12/2020	31/12/2019
Share of investment grant restated in profit or loss (1)	717	421
Other income	20	41
Other expenses	-44	-157
TOTAL	**692**	**305**
(1) of which		
Reversal of CIR and CII grants	706	366
Reversal of subsidised interest-free advance		47
Reversal of grant for property finance lease	11	8
	717	**421**

3.6.8.6 Breakdown of other operating income and expenses

In thousands of euros	31/12/2020	31/12/2019
Proceeds from sale of fixed assets	32	39
Carrying amount of assets sold(1)	-679	-26
Reversals of exceptional provisions(2)	39	
Other non-current income	20	
Other non-current expenses	-6	-13
TOTAL	**-594**	**-1**

(1) In 2020, abandonment of the Anti-Vandal panel label and the Kit Villa IP 2-wire projects.

(2) In 2020, reversal of the tax provision corresponding to the payment for the financial year.

3.6.8.7 Cost of net debt

Cost of net financial debt

In thousands of euros	31/12/2020	31/12/2019
Income from term deposits	20	22
Income from cash and cash equivalents	**20**	**22**
Interest on borrowings	-99	-95
Interest on leases	-71	-79
Interest on operating leases	-6	-4
Interest on OSEO Innovation repayable grant	0	-47
Bank interest	0	-4
Interest on other debts	0	-1
Cost of gross financial debt	**-175**	**-232**
Cost of net financial debt	**-155**	**-210**

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	31/12/2020	31/12/2019
Foreign exchange gains	30	147
Income from trade receivables	39	58
Income from other loans	0	0
Other financial income	2	4
Other financial income	**72**	**208**
Foreign exchange losses	-269	-76
Loan impairment	0	0
Other financial expenses	**-269**	**-76**
TOTAL	**-196**	**132**

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

3.6.9 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 WCR related to the activity generated net working capital over the 2019 and 2020 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 €3,192 thousand in 2019 and €2,970 thousand in 2020;
- and "Other current liabilities" for €2,320 thousand in 2019 and €2,672 thousand in 2020.

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

6.9.1			
Disposal price	3.6.8.6	-32	-39
Corrected disposal price		**-32**	**-39**
Net carrying amount	3.6.8.6	679	26
The net carrying amount of capital assets in progress settled as external			
Corrected net carrying amount		**679**	**26**
Gains or losses on disposals		**646**	**-13**

6.9.2		
Tax owed expense	784	1,501
Deferred tax expense	15	107
Deferred taxes	0	0
Tax expense (including deferred taxes)	**799**	**1,609**

6.9.3			
Tax receivable/payable at opening	**3.6.10.1**	-1,485	787
Tax owed expense		-784	-1,501
Tax receivable/due at end of period	**3.6.10.1**	-66	1,485
Cancellation of corporation tax savings generated by IPO expenses offset against shareholders' equity			
Tax paid		**-2,335**	**771**

6.9.4			
Change in inventories	**3.6.7.6**	-2,706	-2,162
Impact of foreign exchange differences		9	-12
Change in trade receivables in WCR		**-2,697**	**-2,174**

6.9.5			
Change in trade receivables	**3.6.7.7**	-1,499	-833
Impact of foreign exchange differences		-13	10
Change in trade receivables in WCR		**-1,512**	**-823**

6.9.6			
Change in other current assets (excluding loans and guarantees)	**3.6.7.7**	-693	-472
Impact of foreign exchange differences		-88	5
Change in other current assets in WCR		**-701**	**-466**

6.9.7			
Change in other non-current liabilities	**3.6.7.15**	2,724	3,205
Impact of foreign exchange differences		9	-7
Change in other non-current liabilities in WCR		**2,733**	**3,197**

6.9.8			
Change in trade payables	**3.6.7.15**	1,229	-83
Impact of foreign exchange differences		98	-81
- Impact of foreign exchange differences on reciprocity		-88	73
Change in trade payables in WCR		**1,239**	**-91**

6.9.9			
Grant reversals	**3.6.8.5**	717	421
Share of prepaid income recognised in profit and loss	**3.6.7.15**	2,272	1,948
Changes in other current liabilities	**3.6.7.15**	1,325	1,688
Impact of foreign exchange differences		6	-1
Other current liabilities		**4,320**	**4,055**

6.9.10			
Acquisitions of fixed assets	**3.6.7.1 and**	-5,619	-6,184
- New finance leases	**3.6.7.10**	1,103	2,523
Changes in liabilities on assets	**3.6.7.15**	225	-67
- Changes in liabilities on fixed assets related to the buyout of INTRATONE minority interests			
Acquisitions of fixed assets		**-4,261**	**-3,728**

6.9.11			
Other financial assets at beginning of period		264	255
Other financial assets at end of period	**3.6.7.3**	-398	-264
Change in non-current assets		**-135**	**-9**
Impairment adjustments			
Net carrying amount of guarantee deposits and sureties			-15
Change in loans and advances granted on non-current assets		**-135**	**-24**
Other current assets at beginning of period (property, financial)		38	39
Other current assets at end of the period (long-term financial assets)	**3.6.7.7**	-59	-38
Changes in current assets		**-21**	**1**
Impairment adjustments			
Change in loans and advances granted on current assets		**-21**	**1**
Change in loans and advances granted		**-156**	**-23**

6.9.12			
New borrowings	**3.6.7.10**	6,102	6,857
- New finance leases	**3.6.7.10**	-1,103	-2,523
New borrowings		**4,999**	**4,334**

3.6.10 OTHER INFORMATION

3.6.10.1 Taxes

Balance sheet liabilities (in thousands of euros)

	31/12/2020	31/12/2019
NON-CURRENT ASSETS		
Deferred taxes		
Net current tax receivable		
CURRENT ASSETS		
Net current tax receivable[1]	66	
TOTAL ASSETS	**66**	**—**

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

Balance sheet liabilities (in thousands of euros)

	31/12/2020	31/12/2019
NON-CURRENT LIABILITIES		
Deferred taxes	137	134
Current tax liability		
CURRENT LIABILITIES		
Current tax liability[1]		1,485
TOTAL LIABILITIES	**137**	**1,619**

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

Net tax liability (in thousands of euros)

	Current		Non-current	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Net current tax receivable	66	—		
Net tax liability owed	—	1,485		

Analysis of tax expense (in thousands of euros)

	31/12/2020	31/12/2019
Accounting income before tax	**-2,917**	**-963**
Theoretical tax expense	-753	-249
Impact of permanently non-tax-deductible expenses net of income that is definitively non-taxable	66	43
Impact of tax credits	-185	-98
Impact of non-activated losses for the financial year	1,684	1,714
Impact of differences in tax rates	70	256
Impact of company value added contribution (CVAE)	226	216
Impact of foreign exchange differences	-5	17
Effective tax expense	**1,104**	**1,899**

The Group's tax expense in 2020 was €1,104 thousand versus €1,899 thousand in 2019.

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 2020 and 31 December 2019 were the following:

- HRC SAS, whose Chairman is Roger LECLERC, Chairman and Chief Executive Officer of COGELEC SA.
- SRC, whose Chairman is HRC, represented by Roger LECLERC.

HRC re-invoices COGELEC for services in the following areas: general policy, investments, commercial, marketing and financial policy, project management and creation of offers.

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

LIABILITIES	31/12/2020	31/12/2019
Other non-current liabilities		
Total non-current liabilities		
Borrowings and financial liabilities		
Trade payables and related accounts	60	48
Total current liabilities	**60**	**48**
TOTAL LIABILITIES	**60**	**48**

	31/12/2020	31/12/2019
External expenses	-763	-741
Taxes and charges		
OPERATING PROFIT	**-763**	**-741**
Cost of gross financial debt		
CONSOLIDATED NET INCOME	**-763**	**-741**

3.6.10.3 Compensation of the main managers

The Group has defined and limited the definition of key managers to executive corporate officers, namely the senior corporate officer, Roger LECLERC, Chairman and Chief Executive Officer of COGELEC SA.

The compensation paid to the main managers can be broken down in the following manner (in thousands of euros):

In thousands of euros	31/12/2020	31/12/2019
Wages and salaries	300	300
MANAGER COMPENSATION	**300**	**300**

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			
	31/12/2020		31/12/2019	
	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	71		75	
Sub-total	71		75	
Services other than the certification of the financial • Issuer • Fully consolidated subsidiaries				
Sub-total	—		—	
TOTAL Statutory Auditors' fees	**71**		**75**	—

	DELOITTE			
	31/12/2020		31/12/2019	
	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	71		75	
Sub-total	71		75	
Services other than the certification of the financial • Issuer • Fully consolidated subsidiaries	22			
Sub-total	**22**		—	
TOTAL Statutory Auditors' fees	**93**		**75**	

	ADLER SHINE LLP			
	31/12/2020		31/12/2019	
	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	11		7	
Sub-total	11		7	
Services other than the certification of the financial • Issuer • Fully consolidated subsidiaries	2		5	
Sub-total	2		5	
TOTAL Statutory Auditors' fees	13		11	

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

	31/12/2020	31/12/2019
Revenue	**40,431**	**39,984**
Other operating income	5	5
Purchases consumed	-15,173	-15,125
Change in work in progress and finished product inventories	1,142	626
GROSS MARGIN	**26,404**	**25,490**
As % of revenue	***65.3%***	***63.8%***

Purchases consumed are detailed in Note 3.6.8.2.

EBITDA

	31/12/2020	31/12/2019
Operating income	**-2,566**	**-885**
Allocations to depreciation and amortisation	3,955	3,301
Asset impairments net of reversals	262	370
EBITDA[1]	**1,651**	**2,787**
As % of revenue	***4.1%***	***7.0%***

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 2020 and 2019 financial years.

3.6.11.2 Maturity schedule of financial assets and liabilities

2020

ASSETS (in thousands of euros)	Balance sheet value	-1 year	to 2 years	to 3 years	to 4 years	to 5 years	+ 5 years
Other financial assets	**454**						
Long term investments (EPS portions)	200						200
BPI guarantees held	125			50	75		
Security deposit on property lease	22						22
Security deposit on IT UK premises	55				55		
Security deposit on IT GMBH	22				22		
Security deposit on IT BV	28		5				23
Loans to staff	2		2				
Other non-current assets	**4,663**						
Trade receivables	76						76
Trade receivables under rental agreements	2,828		1,154	881	565	222	6
Prepaid expenses	1,759		317	312	303	286	542
Non-current financial assets	**5,116**	**0**	**1,477**	**1,243**	**1,019**	**508**	**869**
Inventories and work in progress	**13,218**	13,218					
Trade and other receivables	**11,310**						
Trade receivables	9,881	9,881					
Trade receivables under rental agreements	1,428	1,428					
Other current assets	**2,855**						
Loans to staff	3	3					
Security deposit on IT UK	1	1					
Advances and down payments paid	24	24					
Social receivables	44	44					
Tax receivables	1,413	1,413					
Other operating receivables	534	534					
Prepaid expenses	836	836					
Cash and cash equivalents	12,056	12,056					
Current financial assets	**39,439**	**39,439**	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL ASSETS	**44,556**	**39,439**	**1,477**	**1,243**	**1,019**	**508**	**869**

2019

ASSETS (in thousands of euros)	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	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	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**

2020

LIABILITIES (in thousands of euros)	Balance sheet value	-1 year	to 2 years	to 3 years	to 4 years	to 5 years	+ 5 years
Borrowings and financial liabilities	**10,642**						
Bank borrowings	7,501		2,301	2,120	1,882	956	241
Finance lease payables	1,833		312	321	331	340	530
Operating lease liabilities	1,308		671	416	160	53	9
Other non-current liabilities	**22,143**						
Prepaid income on prepaid contracts	20,936		2,255	2,216	2,180	2,138	12,147
CIR and CII	1,171		446	436	191	76	22
BPI - subsidy on interest-free advance	36		11	11	6	3	6
OSEO - investment grants							
Non-current financial liabilities	**32,785**	**0**	**5,995**	**5,520**	**4,750**	**3,566**	**12,955**
Borrowings and financial liabilities	**3,942**						
Bank borrowings	2,804	2,804					
Accrued interest (not yet due)	4	4					
Lease payables	302	302					
Other financial liabilities	832	832					
Trade payables	**4,287**	4,287					
Other current liabilities	**8,530**						
Tax and social security liabilities	4,500	4,500					
Other debts	1,194	1,194					
Prepaid income	2,835	2,835					
Current financial liabilities	**16,759**	**16,759**	**0**	**0**	**0**	**0**	**0**
TOTAL FINANCIAL LIABILITIES	**49,544**	**16,759**	**5,995**	**5,520**	**4,750**	**3,566**	**12,955**

2019

LIABILITIES (in thousands of euros)	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**

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 thousands of euros	**31/12/2020**	**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	454		454	
Trade and related receivables	14,214			14,214
Other receivables	4,614			4,614
Cash and cash equivalents	12,056	12,056		
Total headings pertaining to an asset item	**31,338**	**12,056**	**454**	**18,828**
Current financial debts	3,942			3,942
Non-current financial debts	10,642			10,642
Trade payables and related accounts	4,287			4,287
Other debts	30,673			30,673
Total headings pertaining to a liability item	**49,544**			**49,544**

In thousands of euros	**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**

3.6.11.4 Off-balance sheet commitments by maturity

Financial commitments at 31 December 2020

In thousands of euros	TOTAL	2021	2022	2023	2024	2025	Beyond
Commitments given							
Collateral	312	277	35				
Fixed asset orders	446	446					
Extension work	2,500	2,500					
Supply commitment(1)	3,810	1,397	794	585	444	337	254
Interest on borrowings	209	87	64	39	16	3	0
Interest on finance lease	232	62	53	43	34	24	17
Interest on operating leases	15	8	4	2	1	0	0
Total commitments given	**7,524**	**4,775**	**949**	**669**	**494**	**364**	**272**
Commitments received							
Authorised overdrafts	1,450	1,450					
Diamo debt waiver with recovery clause in the event of return to financial health	50						50
Fixed asset orders	1,353	1,353					
Extension work	3,500	3,500					
Purchase commitment(1)	3,810	1,397	794	585	444	337	254
Interest on borrowings	209	87	64	39	16	3	0
Interest on finance lease	232	62	53	43	34	24	17
Interest on operating leases	15	8	4	2	1	0	0
Total commitments received	**10,619**	**7,857**	**914**	**669**	**494**	**364**	**322**

The decrease in purchase and supply commitments is explained by:

- As the contracts with commitments expire, they are renewed as contracts without commitments (the termination rate is very low) and are therefore no longer recorded as off-balance sheet commitments.
- Similarly, newly signed contracts no longer have a firm commitment period and are therefore not recorded as off-balance sheet commitments.

As regards ongoing contracts without commitments at 31 December 2020, the Group expects revenue of €8,575 thousand for 2021.

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**

(1) Commitments on leases

The loans granted by OSEO BDPME for an overall amount of €2.5 million at 31 December 2020 and €2.8 million at 31 December 2019, benefit from cash collateral in the amount of €125 thousand at 31 December 2020 versus €140 thousand at 31 December 2019.

3.6.11.5 Operating sectors

The breakdown of revenue between sales of equipment and services and the breakdown of revenue between France and Export is presented in Note 6.8.1.

Foreign assets are not significant.

For the 2019 and 2020 financial years, no customer represents more than 10% of revenue.

4. ANNUAL FINANCIAL STATEMENTS OF THE COMPANY AT 31 DECEMBER 2020

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	31/12/2020	31/12/2019
Operating income		
Sales of goods		
Production sold (goods)	27,038	28,309
Production sold (services)	13,506	11,792
Net revenue	40,544	40,101
Of which for export and intra-community delivery	4,695	4,033
Inventoried production	805	723
Capitalised production	2,320	2,758
Operating subsidies	3	5
Reversals of provisions (& amort), transfer of expenses	720	556
Other income	8	39
Total operating income (I)	44,399	44,181
Operating expenses (2)		
Goods purchases		
Change in inventory		
Purchases of raw materials and other supplies	14,560	14,235
Changes in inventory	-1,631	-1,452
Other purchases and external expenses (a)	9,937	9,647
Taxes and similar payments	912	838
Wages and salaries	9,425	8,633
Social security contributions	3,660	3,426
Provisions for amortisation & depreciation and impairment		
- On capital assets: provisions for amortisation &	3,609	3,096
- On capital assets: provisions for impairment	130	
- On current assets: provisions for impairment	269	407
- For risks and expenses: provisions	20	183
Other expenses	23	44
Total operating expenses (II)	40,915	39,059
OPERATING PROFIT/LOSS (I-II)	**3,483**	**5,122**
Share of operating profit/loss		
Profit assigned or loss transferred (III)		
Loss borne or profit transferred (IV)		
Financial income		
From equity investments (3)	42	19
From other securities and capitalised asset receivables		
Other interest and similar income (3)	24	25
Reversals of provisions and impairment and transfers of	57	57
Positive exchange rate differences	1	
Net income on disposals of investment securities		
Total financial income (V)	123	102
Financial expenses		
Provisions for amortisation & depreciation and impairment		57
Interest and similar expenses (4)	99	100
Negative exchange rate differences	44	1
Net expenses on the sale of securities		
Total financial expenses (VI)	143	158
FINANCIAL PROFIT/LOSS (V-IV)	**-20**	**-56**
CURRENT INCOME before tax	**3,463**	**5,066**

In Euros	31/12/2020	31/12/2019
Exceptional income		
On management transactions		1
On capital transactions	64	67
Reversals of provisions and impairment and transfer of	39	
Total exceptional income (VII)	103	68
Exceptional expenses		
On management transactions	2	3
On capital transactions	731	95
Provisions for amortisation & depreciation and impairment		0
Total exceptional expenses (VIII)	733	97
EXCEPTIONAL PROFIT/LOSS (VII-VIII)	**-630**	**-30**
Employee profit-sharing (IX)	147	368
Income tax (X)	409	968
Total income (I+III+V+VII)	44,625	44,351
Total expenses (II+IV+VI+VIII+IX+X)	42,348	40,651
PROFIT OR LOSS	**2,277**	**3,700**
(a) Including:		
- Movable property leases		9
- Real estate leases	364	363
(1) Of which income relating to previous financial years		
(2) Of which expenses relating to previous financial years		
(3) Including income from related entities	42	19
(4) Including interest from related entities		

4.2 BALANCE SHEET AT 31 DECEMBER 2020

4.2.1 ASSETS

In thousands of euros	31 December 2020			31 December 2019
	Gross value	Amortisation Depreciation Impairment	Net values	Net values
CAPITALISED ASSETS				
Intangible assets				
Start-up expenses				
Research and development expenses	15,905	10,393	5,512	5,344
Concessions, patents, licences, software, rights and related items	801	645	156	164
Goodwill (1)	1,927		1,927	1,927
Other intangible assets	1,471	130	1,341	2,243
Advances and prepayments on intangible assets				
Property, plant and equipment				
Land				
Buildings				
Technical installations, industrial equipment and tools	12,723	8,286	4,438	4,579
Other property, plant and equipment	1,570	842	728	665
Property, plant and equipment in progress	1,265		1,265	55
Advances and prepayments	309		309	202
Long-term financial assets (2)				
Equity investments (equity method)				
Other equity investments	35		35	35
Receivables attached to equity investments	17,072		17,072	10,396
Other long-term investments	200		200	16
Loans	43	38	5	1
Other long-term financial assets	2,480		2,480	990
TOTAL CAPITALISED ASSETS	55,801	20,334	35,467	26,616
CURRENT ASSETS				
Inventories and work in progress				
Raw materials and other supplies	7,164	231	6,932	5,299
Work in progress (goods and services)	4,417	287	4,130	3,485
Intermediate and finished products	1,797	208	1,589	1,498
Goods				
Advances and prepayments made on orders (3)	24		24	67
Trade and related receivables	10,408	380	10,029	8,863
Other receivables	1,138		1,138	466
Capital subscribed and called, not paid				
Miscellaneous				
Investment securities	5,500		5,500	8,505
Cash and cash equivalents	6,050		6,050	8,284
Prepaid expenses (3)	2,833		2,833	2,251
TOTAL CURRENT ASSETS	39,331	1,106	38,225	38,718
Debt issue expenses to be spread				
Bond redemption premiums				
Positive exchange rate differences				
OVERALL TOTAL	95,131	21,439	73,692	65,334
(1) of which leasehold				
(2) Of which at less than one year (gross)			2,336	901
(3) Of which at more than one year (gross)			2,465	2,232

4.2.2 LIABILITIES

In thousands of euros	31 December 2020	31 December 2019
EQUITY		
Share	4,004	4,004
Issue, merger, contribution and other premiums	18,654	18,654
Revaluation difference		
Legal reserve	328	144
Statutory or contractual reserves		
Regulatory reserves	6	6
Other reserves	3,084	3,084
Carried forward	3,515	1
RESULT OF THE FINANCIAL YEAR (profit or loss)	2,277	3,700
Investment grants	46	57
Regulated provisions		
TOTAL EQUITY	**31,915**	**29,649**
OTHER EQUITY		
Income from issues of equity securities		
Conditional advances		
TOTAL OTHER EQUITY		
PROVISIONS FOR RISKS AND EXPENSES		
Provisions for risks	863	936
Provisions for expenses	139	236
TOTAL PROVISIONS FOR RISKS AND EXPENSES	1,002	1,172
DEBTS (1)		
Convertible bonds		
Other bonds		
Loans and debts with credit institutions (2)	10,309	7,750
Miscellaneous loans and financial debts (3)		
Advances and prepayments received on orders in progress		
Trade payables and related accounts	3,583	2,405
Tax and social liabilities	3,323	3,857
Debts on capital assets and related accounts	320	71
Other debts	970	913
Prepaid income (1)	22,252	19,518
TOTAL DEBTS	40,758	34,513
Negative exchange rate differences	17	
OVERALL TOTAL	73,692	65,334
(1) Of which at more than one year (a)	27,497	23,235
(1) Of which at less than one year (a)	13,261	11,278
(2) Of which bank loans and bank credit balances		
(3) Including participating 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 separate financial statements forming an integral part of the summary financial statements presented for the financial year ended on 31 December 2020. 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 20 April 2021 and will be submitted for approval at the General Meeting of Shareholders on 24 June 2021.

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 SIGNIFICANT EVENTS OF THE 2020 FINANCIAL YEAR

During this pandemic period, the COGELEC Group worked hard to readjust its commercial approach and to intensify its research and development activities for new solutions, mainly focused on the connected hall.

The Group, which has long been committed to a responsible approach to sustainable development with the INTRATONE trademark, has continued its environmental action by raising awareness among market players of the need to preserve the annual use of materials linked to its GSM model.

COVID-19 risk:

In 2020, the performance of the COGELEC Group was impacted by the global crisis and by the national lockdown decreed for the period from March to May 2020. Indeed, this crisis slowed down growth in 2020. COGELEC has measured the impact on the main aggregates of COGELEC SA's separate financial statements by comparing equipment sales over the period from March to May 2020 with the same period in 2019.

It revealed that COGELEC SA revenue was impacted by around -€2.9 million and the associated direct margin by -€1.6 million.

In return, the Company made significant savings on employee expenses, including the use of part-time work for 19,000 hours, government support and a reduction in bonuses/commissions.

COGELEC did not apply for a government-guaranteed loan in 2020, did not request any loan or rent freeze during the financial year, nor did it request any deferral of payment of social security contributions and tax charges.

Transfer of shares to the Euronext Growth market:

On 7 December 2020, COGELEC transferred the listing of its shares to the Euronext Growth market with the authorisation of the shareholders at the Ordinary General Meeting on 1 October 2020. This transfer should enable the Company to be listed on a market more appropriate to its size as a company and to alleviate the regulatory constraints imposed on COGELEC while reducing the costs associated with the listing, and by continuing to offer the benefits of the financial markets. In its press releases dated 31 July 2020 and 1 October 2020, the Company set out the main consequences of this transfer.

The 2020 financial year was marked by the following events:

i. In order to finance the commercial development of these subsidiaries, COGELEC has granted an advance of €6.8 million for 2020, i.e. a cumulative amount of €17.1 million as of 31/12/2020,
ii. Abandonment of certain R&D projects for which the conditions to capitalise expenses in capitalised production were no longer met for an amount of €0.7 million,

iii. COGELEC SA incurred part of the expenses intended for the extension of the Mortagne Sur Sèvre registered office for €1 million. These costs will be refinanced as a leaseback in 2021 through the conclusion of an amendment to the current finance lease contract.

4.3.2 ACCOUNTING PRINCIPLES AND METHODS

The separate financial statements for the financial year ending 31 December 2020 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 prepared.

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.

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 regularly analyses compliance with capitalisation criteria. 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 amortised 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 2020 is 10.06%.

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 are 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
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

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

* Concessions, software and patents: 1 to 5 years

* Technical installations: 1 to 10 years

* Industrial equipment and tooling: 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 whether there is any indication that the assets may be materially impaired.

When there is an indication of impairment, an impairment test is performed: the net carrying amount of the capitalised asset is compared with its present value.

If the present value of a capitalised asset falls below its net carrying amount, the latter, if the asset continues to be used, is reduced to the present value by means of an impairment.

However, when the present value is not judged to be materially lower than the net carrying amount, the latter is maintained on the balance sheet.

The recognition of an impairment changes the depreciable basis of the impaired asset on a prospective basis.

4.3.2.4 Goodwill

As part of the first application of ANC regulation No. 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 in use 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.

These tests consist in reconciling the net carrying amount of the equity securities and the receivables related to these investments with the value in use estimated using the discounted cash flow method.

Cash flows are discounted over a maximum of 6 years and the discount rate is the weighted average cost of capital of the entity in question.

The weighted average cost of capital used for 2020 is 10.06%.

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).

4.3.2.6 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 issuance 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 Foreign currency transactions

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 Pension 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: 0.34%;
- Rate of salary growth: 4%;
- 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	14,102	1,803		15,905
- Goodwill	1,927			1,927
- Other intangible asset items	2,971	1,131	1,830	2,271
Intangible assets	**19,000**	**2,934**	**1,830**	**20,104**
- Land				
- Buildings on own land				
- Buildings on third-party land				
- General facilities, fixtures and fittings built				
- Technical installations, equipment and tooling	11,174	1,550	1	12,723
- General installations, miscellaneous fixtures and fittings	394	163		557
- Transport equipment:	25		0	25
- Office IT equipment and furniture	886	103		989
- Recoverable packaging and miscellaneous				
- Property, plant and equipment in progress	55	1,390	181	1,265
- Advances and prepayments	202	287	179	309
Property, plant and equipment	**12,736**	**3,492**	**361**	**15,867**
- Equity investments (equity method)				
- Other equity investments	10,431	8,930	2,254	17,108
- Other long-term investments	16	183		200
- Loans and other long-term financial assets	1,086	1,974	537	2,522
Long-term financial assets	**11,533**	**11,087**	**2,790**	**19,830**
CAPITALISED ASSETS	**43,269**	**17,513**	**4,981**	**55,801**

As part of the first application of regulation No. 2015-06 of 23 November 2015, amending regulation No. 2014-03 of the French accounting standards authority (Autorité des normes comptables) relating to the General Accounting Plan, the technical merger loss recorded in the balance sheet at the beginning of the year under goodwill has been allocated to the

underlying assets on which there are reliable and significant unrealised gains, according to the information available at the opening date of the financial year.

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	1,190	321		1,511
Current asset transfers				
Acquisitions	1,744	3,171	11,087	16,002
Contributions				
Creations				
Revaluations				
Increases in the financial year	**2,934**	**3,492**	**11,087**	**17,513**
Breakdown of decreases				
Transfers between items	1,190	321		1,511
Transfers to current assets				
Disposals	22	1	2,790	2,814
Demergers				
Decommissioning	618	39		657
Decreases in the financial year	**1,830**	**361**	**2,790**	**4,981**

INTANGIBLE ASSETS

Research and development expenses

Other intangible asset items, for an overall amount of €2,271 thousand, take into account ongoing projects for €1,470 thousand at 31 December 2020.

The increases for the financial year of €2,934 thousand, which concern intangible assets, correspond to:

- capitalisation of development costs for €1,542 thousand;
- recognition of ongoing projects for €1,057 thousand.
- the commissioning of the Rozoh.info management site for €261 thousand
- the commissioning of software for €73 thousand

	Gross Amount
Use of projects	15,905
Research expenses	**15,905**

PROPERTY, PLANT AND EQUIPMENT

The increases for the financial year, which concern property, plant and equipment, amount to €3,492 thousand and correspond mainly to:

- Equipment and tooling for €1,550 thousand, including capitalised production of equipment related to Standard and Premium contracts for €761 thousand
- Buildings in progress (extension) +€971 thousand
- Advances and prepayments on equipment +€287 thousand;
- Property, plant and equipment in progress (equipment) +€419 thousand
- Fixtures and fittings, installations +€163 thousand

– IT equipment and furniture +€102 thousand

The extension in progress on 31 December 2020 will be financed by a property lease. Project amount = €3.6 million

LONG-TERM FINANCIAL ASSETS

The amount of financial acquisitions stands at €11,087 thousand, mainly including:

– Advances of funds to subsidiaries for €8,930 thousand;
– Acquisition of treasury shares for €1,967 thousand
– Other long-term investments €190 thousand

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	8,758	1,636		10,393
Goodwill				
Other intangible asset items	564	80		645
Intangible assets	**9,322**	**1,716**		**11,038**
Land				
Buildings on own land				
Buildings on third-party land				
General installations, fixtures and fittings				
Technical installations, equipment and	6,595	1,691	1	8,286
General installations, miscellaneous	119	48		166
Transport equipment	7	5	0	11
Office IT equipment and furniture	515	149		665
Recoverable packaging and				
Property, plant and equipment	**7,235**	**1,893**	**1**	**9,128**
CAPITALISED ASSETS	**16,558**	**3,609**	**1**	**20,166**

4.3.3.2 Current assets

STATEMENT OF RECEIVABLES

Total receivables at the end of the financial year stand at €33,974 thousand 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	17,072		17,072
Loans	43	3	40
Other	2,480	2,333	147
Current asset receivables			
Trade and other receivables	10,408	9,953	456
Other	1,138	1,138	
Capital subscribed - called, not paid			
Prepaid expenses	2,833	824	2,009
TOTAL	**33,974**	**14,250**	**19,724**
Loans granted during the financial year	6		
Loans recovered during the financial year	2		

Receivables at more than one year totalling €19,724 thousand break down as follows:

- Advances to subsidiaries +€17,072 thousand;
- CCA for €2,009 thousand (including CCA on PREMIUM commissions for €410 thousand and SIM cards for €1,586 thousand);
- Doubtful trade receivables for €456 thousand
- Deposits and guarantees for €147 thousand
- Diamo loan for €38 thousand

DEFERRED INCOME

In thousands of euros	Amount
Suppliers & advances receivable	9
Deferred accrued interest	27
Total	**35**

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		130		130
Property, plant and equipment				
Long-term financial assets	94		57	38
Inventory	660	267	201	726
Receivables and marketable securities	380	1	2	380
Total	**1,134**	**399**	**259**	**1,273**
Breakdown of provisions and reversals:				
Operational		399	203	
Financial			57	
Exceptional				

Impairment of fixed assets

Impairment of intangible assets relates to the See-See-Box V1 project, impaired at 80% of the net carrying amount as of 31/12/2020.

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 396,794 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 2020: 396,794 shares
- Value of treasury shares held at 31 December 2020: €2,332,706
- Number of treasury shares acquired in 2020: 345,744 shares
- Value of treasury shares acquired in 2020: €1,967,216
- Number of treasury shares sold in 2020: 79,659 shares
- Value of treasury shares sold in 2020: €490,462

All of these shares are recorded in account 277.

Due to the increase in the value of treasury shares, an unrealised capital gain was recognised for tax purposes for €488,500 (Historical value compared to the average value over the month prior to closing.)

The impairment of €56,682 recognised as of 31/12/2019 was reversed for the year 2020.

APPROPRIATION OF EARNINGS

Decision of the General Meeting of 24 June 2020.

	Amount
Carried forward from the previous financial year	1
Profit/loss for the previous financial year	3,700
Deductions from reserves	
Total sources	**3,700**
Allocations to reserves	185
Distributions	
Other distributions	
Carried forward	3,515
Total allocations	**3,700**

STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Balance at 1/1/2020	Appropriation of earnings	Increase	Decrease	Balance at 31/12/2020
Share capital	4,004				4,004
Share premium	18,654				18,654
Legal reserve	144	185	185		328
General reserves	3,084				3,084
Regulatory reserves	6				6
Carried forward	1	3,515	3,515	1	3,515
Profit or loss for the financial year	3,700	-3,700	2,277	3,700	2,277
Investment grants	57			11	46
Total Equity	**29,649**	**1**	**5,977**	**3,711**	**31,915**

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	315	20			335
Guarantees given to customers	621		93		528
Losses on futures markets					
Fines and penalties					
Foreign exchange losses					
Pensions and similar obligations					
For taxes	52		39		13
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	184		58		126
TOTAL	**1,172**	**20**	**190**		**1,002**
Breakdown of provisions and reversals for the financial year:					
Operational		20	151		
Financial					
Exceptional			39		

Provision for warranty on equipment of the Intratone Telecom range for an overall amount of €528 thousand.

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 7 years and were reported as a percentage of revenue for the year of sale of products for which the after-sales service costs were incurred.

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 €126 thousand.

Following the tax audit carried out in 2017, and the payment of the VAT and IS reminder on the waivers of receivables deemed financial and not commercial: adjustment of the provision at 31/12/2020.

4.3.3.5 Debts

STATEMENT OF LIABILITIES

Total debts at the end of the financial year amounted to €40,758 thousand 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	10,309	2,808	7,260	241
Miscellaneous loans and financial debts (*) (**)				
Trade payables and related accounts	3,583	3,583		
Tax and social liabilities	3,323	3,323		
Debts on capital assets and related accounts	320	320		
Other debts (**)	970	970		
Prepaid income	22,252	2,256	8,410	11,587
Total	**40,758**	**13,261**	**15,670**	**11,827**
(*) Loans subscribed during the financial year	4,995			
(*) Loans repaid during the financial year	2,441			
(**) Of which to shareholders				

EXPENSES TO BE PAID

In thousands of euros	Amount
Supplier invoices to be received	1,529
Accrued interest on borrowings	4
Provisional liabilities on holiday time to be paid	816
Personnel expenses to be paid	792
Social security charges on holiday time to be paid	332
Social security charges to be paid	261
Apprenticeship tax	12
Continuous training	10
Construction effort	40
Statement of expenses to be paid	69
Trade payables & advances to be made	725
Total	**4,591**

4.3.3.6 Accruals

Prepaid expenses

In thousands of euros	Operating expenses	Financial expenses	Exceptional expenses
Prepaid expenses	2,833		
TOTAL	**2,833**		

Prepaid expenses of €2,833 thousand, mainly concern:

- SIM cards for €1,874 thousand;
- PREMIUM commissions for €538 thousand;
- Trade shows postponed to 2021 for €132 thousand
- Real estate lease for €60 thousand

Prepaid income

In thousands of euros	Operating income	Financial income	Exceptional income
Prepaid income	22,252		
TOTAL	**22,252**		

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 prepayments (for €1,748 thousand at 31/12/2020), to cover these expenses.

Future expenses, associated directly with pre-invoiced contracts, are estimated at 24% of prepaid income, i.e. €5.4 million (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	31/12/2020
Revenue Intratone range	23,190
Sales of Intratone subscriptions	12,567
Revenue Hexact range	3,635
Provision of services	934
Revenue Kibolt range	210
Ports	5
Revenue Rozoh range	3
Residual income	0
TOTAL	**40,544**

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: €1,484,049
- Of which capitalised production on equipment related to subscription contracts: €835,626

Operating and financial expenses and income

Statutory Auditors fees

REGULAR STATUTORY AUDITORS

Fees for the certification of the financial statements: €130,000

These fees break down as follows:

- ARC: €65,000

- DELOITTE: €65,000

4.3.4.2 Financial profit/loss

	31/12/2020	31/12/2019
Financial income from equity investments	42	19
Income from other securities and receivables from capitalised assets		
Other interest and similar income	24	25
Reversals of provisions and transfers of expenses	57	57
Positive exchange rate differences	1	
Net income on disposal of investment securities		
Total financial income	**123**	**102**
Financial amortisation and depreciation and provisions		57
Interest and similar expenses	99	100
Negative exchange rate differences	44	1
Expenses on disposals of investment securities		
Total financial expenses	**144**	**158**
Net income	**-20**	**-56**

The financial reversals concern the impairment reversal of COGELEC treasury shares.

4.3.4.4 Exceptional income and expenses

In thousands of euros	Expenses	Products
Penalties, fiscal and penal fines	2	
Carrying amount of asset items sold	672	
Other expenses	59	
Other exceptional income on management transactions		
Income from the sale of asset items		24
Investment subsidies recognised in profit/loss		11
Other income		30
Provisions for risks and expenses		39
TOTAL	**733**	**103**

Exceptional expenses of €733 thousand mainly include:

- Abandonment of the Anti-Vandal Label project for €280 thousand
- Abandonment of the Kit Villa IP 2-wire project for €376 thousand (including equipment: €38 thousand)
- Loss on treasury shares €59 thousand
- Net carrying amount of assets sold €15 thousand

Exceptional income of €103 thousand, taking into account:

- Reversal of the provision/tax audit following the payment of the IS/VAT reminder €39 thousand
- Gain on purchase of treasury shares €29 thousand
- Sale of mainly of one vehicle and repayment of a deposit for €24 thousand
- Spreading of grants over building and Kibolt project €11 thousand

4.3.4.5 Income and income taxes

INCOME AND INCOME TAX

In thousands of euros	Amount
Basis for calculating tax	
Normal Rate - 33 1/3%	
Normal Rate - 28%	3,082
Reduced Rate - 15%	
Long term capital gains - 15%	
Licences - 15%	
Rental contribution - 2.5%	
Tax credit	
Employment and competitiveness	
Research credit	493
Manager training credit	
Apprenticeship credit	
Family credit	
Investment in Corsica	
Sponsorship credit	2
Other allocations	

IMPACT OF EXCEPTIONAL TAX ASSESSMENTS

In thousands of euros	Amount
Profit/loss for financial year after tax	**2,277**
+ Income tax	409
+ Tax supplement related to distribution	
- Receivables on income tax	
Pre-tax profit/loss	**2,686**
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)	**2,686**

TAX BREAKDOWN

In thousands of euros	Pre-tax profit/loss	Corresponding tax (*)	Result after Tax
+ Current profit/loss (**)	**3,463**	**555**	**2,908**
+ Exceptional profit/loss	**-630**	**-187**	**-444**
- Employee profit-sharing	**147**	**-41**	**188**
Accounting profit/loss	**2,686**	**409**	**2,277**

(*) includes tax credits (and, as such, CICE)

(**) Plus the amount of the CICE (amount taken from the column "Corresponding tax")

The tax of €409,496 corresponds to:

Corporate tax calculated at 31/12/2020 for €904,984

- Research tax credit: -€413,716

- Innovation tax credit: -€79,447

- Tax reduction for corporate sponsorship: -€2,325

INCREASES AND REDUCTIONS OF THE FUTURE TAX EXPENSE

The unrealised tax position, given a corporation tax rate of 26.5% results in a future credit of €50,450. 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	190
Related to other items	
B. Total bases combining to reduce the future debt	190
C. Loss carry-forwards	
D. Long-term capital losses	
Estimate of the amount of the future receivable	50
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 €190 thousand:

- 2020 equity investment for €147 thousand

- Organic provision for €43 thousand

4.3.4.6 Headcount

Average headcount: 208 people, including two apprentices and two disabled.

Salaried personnel	31/12/2020
Managers	69
Supervisors and technicians	47
Employees	64
Operators	28
TOTAL	**208**

4.3.4.7 Other information

SUBSEQUENT EVENTS

As of 5 January 2021, the Company announced in its press release that it has strengthened its Management Committee. The three new members will make a decisive contribution to the Management Committee on the Group's three growth areas, namely innovation, industrial performance and internationalisation.

These appointments to the Management Committee come at a time when COGELEC is taking new key steps in its deployment in France and internationally.

Due to the COVID 19-related health crisis, the Company decided to take out a government-guaranteed loan for €9 million to maintain the cash equivalent of two to three months of revenue in order to deal quickly with any difficult situation.

LIST OF RELEVANT TRANSACTIONS

Transactions with related parties:

Technical and marketing services with HRC for an amount of €763 thousand.

INFORMATION ON THE DIRECTORS

Compensation allocated to members of the management

This information is not mentioned because it would indirectly lead to individual compensation.

A budget of €20 thousand for attendance fees is allocated to the members of the Board of Directors.

IDENTITY OF THE CONSOLIDATING PARENT COMPANY

Corporate name: SRC

Form: SAS

SIREN: 80281758500028

With share capital of: €2,808,325

Registered office address:

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

Commitments given

Amounts in thousands of euros	31 December 2020
Discounted notes not yet at maturity	
Sureties and deposits	
Pension commitments	
Commitments for movable property leases	
Commitments for real estate leases	2,357
Interest on borrowings	209
Guarantee withholding	125
Pledging of business assets as guarantee for loans from BNP for €500 thousand, from CE for €300 thousand and from SG for two loans of €400 thousand, and for which the total amount remaining due at 31/12/2020	316
Revenue on contracts remaining to be invoiced	4,844
Fixed asset orders	446
Extension work	2,500
Other commitments given	8,439
Total	10,796
Of which concerning commitments with collateral	316

The withholding on guarantees of €125 thousand corresponds to cash collateral related to the loans granted by OSEO BDPME for an overall amount of €2.5 million.

COGELEC has supported its foreign subsidiaries by, as necessary and as long as they remain within the Group, opting to continue, where necessary, 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 December 2020
Ceilings for authorised overdrafts	1,450
Sureties and deposits	
Diamo debt waiver with recovery clause in the event of return to financial health	50
Interest on borrowings	209
Guarantee withholding	125
Commitments for real estate and movable property leases	2,357
Revenue on contracts remaining to be invoiced	4,844
Fixed asset orders	1,353
Extension work	3,500
Other commitments received	12,438
Total	**13,888**

FINANCE LEASES

Amounts in thousands of euros	Land	Buildings	Tooling equipment	Other	Total
Original value		3,662			3,662
Cumulative over previous financial		757			757
Provisions for the financial year		174			174
Depreciation and amortisation		931			931
Cumulative over previous financial		1,679			1,679
Financial year		364			364
Payments made		2,042			2,042
At one year or more		363			363
At more than one year and no more		1,450			1,450
At more than five years		544			544
Payments remaining to be paid		2,357			2,357
At one year or more					
At more than one year and no more					
At more than five years					
Residual value					
Amount paid during the financial year		364			364

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: €216 thousand

Majors works: €1,335 thousand, depreciated over 35 years

Cladding: €586 thousand, depreciated over 20 years

General installations: €1,386 thousand, depreciated over 15 years

Fittings: €139 thousand, depreciated over 10 years

Representing a total investment of €3,662 thousand

RETIREMENT COMMITMENTS

Pension commitments, supplementary retirement and associated severance pay: €729 thousand

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	-€8,557,222	100%	€25,000	€25,000	€8,518,765	-€3,443,927	€739,205
INTRATONE UK LTD	UNITED KINGDOM	£100	-£4,322,016	100%	€113	€113	€5,661,041	-£1,605,538	£977,282
INTRATONE BV	THE NETHERLANDS	€10,000	-€2,586,606	100%	€10,000	€10,000	€2,892,618	-€1,151,231	€1,484,970

4.4 TABLE OF PROFIT/LOSS OVER THE LAST 5 FINANCIAL YEARS

In thousands of euros	2016	2017	2018	2019	2020
1. Financial position at the end of the financial year					
a) Share capital	534	534	4,004	4,004	4,004
b) Number of shares	355,922	355,922	8,898,048	8,898,048	8,898,048
c) Number of bonds convertible into shares	—	—	—	—	—
2. Overall profit/loss for actual operations					
a) Revenue excluding taxes	24,822	30,290	33,741	40,101	40,544
b) Profit before tax, depreciation, amortisation, provisions and profit-sharing	3,133	6,433	5,369	8,421	6,411
c) Income tax	109	757	306	968	409
d) Employee profit-sharing	202	390	0	368	147
e) Profit after tax, depreciation, amortisation, provisions and profit-sharing	1,945	2,495	1,802	3,700	2,277
f) Amount of profits distributed	1,500	1,500	2,000	0	0
3. Income from operations per share					
a) Profit after tax and profit-sharing, but before depreciation, amortisation and provisions	€7.93	€14.85	€0.57	€0.80	€0.66
b) Profit after tax, depreciation, amortisation, provisions and profit-sharing	€5.46	€7.01	€0.20	€0.42	€0.26
c) Dividend paid per share	€4,214	€4,214	€5.619	€0	€0
4. Personnel					
a) Number of employees (average)	105	130	155	180	208
b) Total payroll	4,850	6,049	7,288	8,633	9,425
c) Amount paid for social benefits (social security, social works, etc.)	1,977	2,382	2,882	3,427	3,660

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, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1, 2020 to the date of our report.

JUSTIFICATION OF ASSESSMENTS

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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

Valuation and impairment of developed intangible assets

As of December 31, 2020, developed intangible assets, of which the accounting principles are described in Note 6.4.8 “Intangible assets” to the consolidated financial statements, represented a net amount of K€ 6,852 on the Group’s balance sheet, and were tested for impairment according to the procedures described in Notes 6.4.10 “Monitoring of the value of non-current assets (excluding financial assets)” and 6.6.1 “Impairment of non-financial assets” to the consolidated financial statements.

We reviewed the procedures set up to implement these impairment tests based on cash flow forecasts and verified the consistency of the assumptions used with the forecast data taken from the strategic plans prepared under the supervision of the Group’s management. We also verified that the notes to the consolidated financial statements provide appropriate disclosure.

Recognition of revenue

Notes 6.4.18 “Recognition of revenue” and 6.8.1 “Revenue” to the consolidated financial statements describe the accounting rules and methods relating to the recognition of revenue.

As part of our assessment of the accounting policies adopted by your Group, we verified the appropriateness of the aforementioned accounting methods and the disclosures in the notes to the consolidated financial statements as well as their proper application.

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.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements were approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our role is to issue a report on the consolidated financial statements. Our 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 in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- 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 considered to be 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 consolidated financial statements;
- assesses 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 consolidated financial statements and assesses whether these 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 or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

- *Executed in La Roche-sur-Yon and St Herblain, April 21, 2021*

ACCIOR – A.R.C.	DELOITTE & ASSOCIES
Sébastien CAILLAUD Statutory Auditor	Guillaume RADIGUE Statutory Auditor

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, 2020.

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, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

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 audit 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 the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2020 to the date of our report.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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 inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

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

Valuation and impairment of developed intangible assets

The “Accounting policies – Intangible assets and property, plant and equipment” and “Accounting policies – Impairment of non-financial assets” notes to the financial statements set out:

- the criteria for capitalizing the development costs incurred by the Company and their method of amortization;
- the methodology used to conduct impairment tests and an analysis of their sensitivity to key assumptions.

As part of our assessment of the accounting policies adopted by your Company, we reviewed the procedures adopted to capitalize development costs and those used for their amortization. We reviewed the procedures set up to implement impairment tests based on cash flow forecasts and verified the consistency of the assumptions used with the forecast data taken from the strategic plans prepared under the supervision of the Company’s management. We also verified that the notes to the financial statements provide appropriate disclosure.

Valuation and impairment of equity interests and related receivables

The “Accounting policies – Equity interests” note to the financial statements sets out the methodology used to conduct impairment tests and an analysis of their sensitivity to key assumptions.

We reviewed the procedures set up to implement these tests based on cash flow forecasts and verified the consistency of the assumptions used with the forecast data taken from the strategic plans prepared under the supervision of the Company’s management. We also verified that the notes to the financial statements provide appropriate disclosure.

Recognition of revenue

The “Notes to the income statement – Revenue” note to the financial statements sets out the method of recognizing revenue in income.

As part of our assessment of the accounting policies adopted by your Company, we verified the appropriateness of the aforementioned accounting methods and the disclosures in the notes to the financial statements as well as their proper application.

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 matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors’ management report and in the other documents provided to shareholders with respect to the financial position and 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.441-6 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' management report on corporate governance contains the information required by Article L. 225-37-4 of the French Commercial Code.

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.

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 operations.

The financial statements were approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- 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 considered to be 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;
- assesses 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 assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Executed in La Roche-sur-Yon and St Herblain, April 21, 2021

ACCIOR – A.R.C.	DELOITTE & ASSOCIES
Sébastien CAILLAUD Statutory Auditor	Guillaume RADIGUE Statutory Auditor

5.3 SPECIAL STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS

To the COGELEC Shareholders' Meeting,

In our capacity as statutory auditors of your Company, we hereby report to you on the regulated agreements.

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 brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such 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 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 previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

Agreements authorised and concluded during the year

Pursuant to Article R.225-40 of the French Commercial Code, we have been informed that the following agreement was previously authorized by your Board of Directors.

WITH H.R.C. SAS:

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.

This agreement was concluded for one year and can be extended by tacit renewal. Your Board of Directors authorized its renewal on April 18, 2019 and April 21, 2020.

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 renewal 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: €762,630, excluding tax.

AGREEMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

We hereby inform you that we have not been advised of any agreement previously approved by the Shareholders' Meeting which continued in effect during the year.

Executed in La Roche-sur-Yon and St Herblain, April 21, 2021

ACCIOR – A.R.C.	DELOITTE & ASSOCIES
Sébastien CAILLAUD Statutory Auditor	Guillaume RADIGUE Statutory Auditor

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

As at 31 December 2020:

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: ALLEC.PA
- Bloomberg: ALLEC: FP
- Ticker Code: ALLEC

EURONEXT PARIS

Stock market: Euronext Growth PARIS

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

ACCIOR - ARC, member of the regional company of auditors of the West Atlantic Court of Appeal,

53 rue Benjamin Franklin CS 80 654 85016 La Roche-sur-Yon Cedex,

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 three 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 three-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 VIGIK trademark operating contracts

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 two-year periods.

The aforementioned contracts relate to non-exclusive licences.

6.1.4.3 Technology 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 2021

The Chairman and Chief Executive Officer

Roger LECLERC