ses imagotag
VUSION

A ROADMAP FOR POSITIVE RETAIL

2020
Half-Year Report

Summary

1.1 2020 Half-Year Result

Pursuant to European Regulation on international accounting standards, the consolidated financial statements of the SES-imagotag Group for the period ended June 30th, 2020 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable on this date as approved by the European Union, as of the closing date of these financial statements.

1.2 Major KPIs

One of the group major criteria to manage performance measurement is EBITDA.

EBITDA is not a standard criterion, with a unique and generally accepted definition: it cannot be considered as a substitute for operating result, net result, cash flows from operating activities nor a liquidity measure. Other companies could use a different EBITDA breakdown as shown in the table below.

This performance indicator presents operating income before depreciation and amortization of fixed assets retired from the few elements of the period that adversely affect comparability with previous years. It also provides a good approximation of the cash flow generated by the activity before taking into account investments and changes in Working Capital Requirements. As such, it is adjusted with non-recurring items which are significant or which will never give rise to Disbursement.

Bridge between operating result and EBITDA is as follows:

	As of,	
	June 30, 2020	**June 30, 2019**
Operating Income (EBIT) *reported*	**(9.6)**	**(3.9)**
- Goodwill amortization	(0.5)	(0.4)
- Equity / debt / M&A related fees	(0.3)	(0.3)
- Others	(0,0)	(0.1)
= Current EBIT	**(8.8)**	**(3.1)**
- Fixed & Intangible Asset Depreciation Expense	(8.6)	(6.2)
= EBITDA *reported*	**(0.2)**	**3.1**

Net debt / Net Cash:

These indicators define, respectively, the Group's position of net financial indebtedness or net cash flow calculated from the following aggregates in the consolidated balance sheet: (-) Borrowings (-) Treasury and cash equivalents.

If the result is positive then the level of Borrowing exceeds that of the Treasury and cash equivalents and we are talking about net debt or net financial debt. Conversely, it is a position of net cash surplus or net cash.

1.3 Comments on Financial Results

Steady Sales and record breaking Order Entries

Sales activity began to recover halfway through the Second Quarter as lockdown measures were gradually eased.

H1 Sales were € 118.4 million (-2.5%) or € 244.5 million on a 12-month rolling basis, which was still up + 7.2% on the figure a year ago.

In France, the decline has been more marked with sales of €20.2m (-40%), due to the strict lockdown measures, as in the whole south of Europe.

International sales were up +12% thanks to strong performances in Northern Europe (Germany, Scandinavia) and North America. SES-imagotag is now benefiting from its increasingly global footprint, which has had a positive impact on the Group's overall resilience.

Record order inflow: The rate of new contracts signed showed excellent momentum throughout the first half of the year, with Orders reaching € 165.6 million, an increase of + 34% compared to H1 2019.

Rolling 12 months order entries set a new record at nearly €380m, up +60% YoY, providing further evidence that retailers see the digitization of stores as an increasingly important strategic priority.

Impact of Covid 19 on Profitability

The COVID-19 crisis has affected our operational performance in various ways. Sales have been lower than expected, particularly in parts of Europe with the highest market share and the greatest penetration of innovations and services, in particular France and Southern Europe. In addition, the slowdown has led to a build-up of inventory right across the sector and contributed to further downward pressure on margins.

	H1 2020			H1 2019	Δ
	Reported	2020/2019 EUR/USD exchange rate impact	At 2019 EUR/USD rate	Reported	Reported H1 2020 / reported H1 2019
Sales	**118.4**	**0.8**	**117.6**	**121.4**	**-2%**
Variable Costs Margin	**22.6**	**(1.4)**	**23.9**	**25.6**	**-12%**
% of revenues	*19.1%*		*20.3%*	*21.1%*	*-2.0 pt*
Opex	(22.8)		(22.8)	(22.5)	1%
EBITDA	**(0.2)**	**(1.4)**	**1.1**	**3.1**	**-107%**
% of revenues	*-0.2%*		*1.0%*	*2.5%*	*-2.7 pt*
Depreciation	(8.6)		(8.6)	(6.2)	38%
Current EBIT	**(8.8)**	**(1.4)**	**(7.4)**	**(3.1)**	**180%**
% of revenues	*-7.0%*		*-6.3%*	*-2.6%*	*-7 pts*
Non-recurring / non-cash items	(0.8)		(0.8)	(0.8)	-4%
EBIT	**(9.6)**	**(1.4)**	**(8.2)**	**(4.0)**	**146%**
% of revenues	*-8.1%*		*-6.9%*	*-3.2%*	*-5.4 pts*
Financial Income / (Loss)	(2.5)		(2.5)	(1.0)	n.a.
Tax	2.3		2.3	(0.0)	n.a.
Net Income / (Loss)	**(9.8)**	**(1.4)**	**(8.4)**	**(5.0)**	**100%**
% of revenues	*-8.3%*		*-7.0%*	*-4.0%*	*-4.5 pt*

H1 saw a fall in Variable Contribution Margin (VCM) of -12% to € 22.6 million, compared to H1 2019. The fall was due to the following factors:

1) a negative currency impact of € 1.4m due to the deterioration of the EUR/USD exchange rate in H1 2020 v H2 2019,

2) lower sales volumes and

3) an erosion in the rate of VCM.

The VCM rate, down by 2 points, was due to the adverse movement in the EUR/USD exchange rate between H1 2020 and H1 2019 which accounted for 1.2 points of margin erosion. The negative shift in the geographic mix referred to above, as a result of COVID 19, also weighed on the margin rate and was only partially offset by the measures the Group took elsewhere in the business to improve margins.

In order to offset these adverse factors, **current operating expenses** were reduced over the Half to € 22.8m, i.e. -€1.2m (-5.1%) compared to the previous Half Year, bringing them back down to the level they were in H1 2019. The operating ratio was also stable at 19% of Sales and should resume its downward trajectory as sales start to increase again in the second half of the year.

Overall, the Group's **EBITDA** for the first half of the year was -€0.2m (€1.1m at constant exchange rates) compared to €3.1m for the first half of 2019. The decline was almost entirely accounted for by the deterioration in the Variable Costs Margin as result of COVID 19.

Depreciation was €2.4m higher in H1 2020, compared with H1 2019, reflecting the significant level of investment in 2019 and the recurring operating income (recurring EBIT) was -€8.8m versus -€3.1m in H1 2019.

Non-recurring expenses were -€0.8m, the same as in H1 2019. These costs mainly include the amortization of intangible assets related to past acquisitions.

The financial result was -€2.5m vs. -€1.0m in H1 2019, due to the net change of the EUR/USD exchange rate impact, the effect of IFRS 16 adjustments, as well as financial interests related to the bond issued in H2 2019.

In this adverse context, the **net result** is -€9.8m, down compared to H1 2019 (-€5.0m). Because of COVID, efforts to improve profitability which were undertaken during this First Half will take longer to show through in the numbers.

Three main factors should contribute in the second half of the year to reach the objective of an improvement in profitability in 2020 despite the COVID crisis:

1) the return of growth;

2) a rebalancing of the business mix and

3) costs remaining flat with a corresponding improvement in operational leverage.

1.4 Comments on Cash and Debt for the period ending June 30, 2020

The Covid-19 crisis led to an increase in the Working Capital Requirement (WCR) and in cash consumption:

- This was an inevitable consequence of delays or postponement in the implementation of contracts which result in a build-up in inventories. Additionally, soaring air freight costs during the pandemic have accelerated the shift towards the use of seaborne transport leading to an increase of an additional six weeks' worth of inventory.
- Payment of receivables was also affected by the fact that the sales recovery was heavily loaded towards the end of the first Half, delaying invoicing and cash collection, as well as by a deterioration in customer payment terms.
- Overall, Working Capital was €25.0m higher at the end of the First Half compared with December 31, 2019.

Investments were €15.5m, mainly made up of capitalized R&D, SAP deployment project, as well as industrial investments.

Net debt excluding rental debts (IFRS 16) was €26.2m at the end of June 2020, compared to €17.3m at Dec. 31st, 2019, i.e. a net cash consumption of €43.5m for the first half year of 2020.

In the course of the First Half of the Year, the Group took a number of additional measures to mitigate the impact on the business of continued economic uncertainty and to maintain financial flexibility in anticipation of a recovery in sales activity in the Second Half of the Year.

These measures included obtaining a 12-month waiver for the debt covenants relating to the €40m of bonds due 2023 and €10m due 2025. The waiver was effective from June 30, 2020 and relates to the requirement not to exceed a net debt / consolidated EBITDA of 3.5x.

In €m	**H1 2020**	**FY 2019**
EBITDA *before IFRS16 impact*	(1.5)	1.7
Capex	(15.5)	(36.2)
Change in Working Capital	(25)	41.2
Operational Cash Flow	***(42.0)***	***6.7***
Financial Result	(1.9)	(2.3)
Tax		
Others	(0.4)	(4.0)
Cash Flow	***(43.5)***	***0.4***
Capital Increase		34.3
Change in Cash / Net Debt	**(43,5)**	**34.7**
Net Cash / (Debt)	**(26.2)**	**17.3**
Cash	27.2	73.1
Debt (before IFRS16 impact)	(53.4)	(55.8)
Debt (after IFRS16 impact)	*(73.8)*	*(76.5)*

1.5 Post closing event

The Company drew down 90% of the State guaranteed loan facility in order to further strengthen the Group's liquidity position. The €30m facility (Prêt Garanti par l'Etat, PGE), which is arranged via mainstream credit institutions, has a maturity of one year and an option to extend by up to 5 years.

1.6 Outlook

Subject to future developments of the Covid-19 pandemic during Q4, SES-imagotag remains confident about prospects of a return to growth in the full year, thanks to a recovery in sales in the Second Half, as well an improvement in full-year profitability relative to 2019.

The outlook for accelerated growth in 2021 is already positive, especially as several major innovations, whose pilot projects and launches were delayed by the pandemic, will soon be commercialized.

This crisis has also exposed the urgency of the need to digitalize physical stores and it should expand the potential market for the SES-imagotag Group in the medium term.

Risk Factors and Uncertainties

Before proceeding with the acquisition of shares in the Company, investors are invited to examine all the information contained in this registration document, including the risk factors described below. As of the filing date of this registration document, these risks are those that the Company believes may have a material adverse effect on the Group, its business, financial position, results or outlook, and that are important for its investment decision-making. Investors' attention is nonetheless drawn to the fact that the overview of risks presented below is not exhaustive and that other risks, unknown or not considered here, as of the registration date of this registration document, as likely to have a material adverse effect on the Group, its business, financial position, results and outlook.

2.1 Risks associated with the business sector of the Group

2.1.1 Risks associated with economic conditions and their developments

Changes in demand for products offered by the Group are generally linked to changes in macroeconomic conditions, in particular changes in gross domestic product in the countries where the Group markets its products and services. In general, periods of recession or deflation are likely to have a negative impact on consumer demand and spending.

Moreover, the introduction or increase of customs barriers and other trade restrictions by certain countries, such as the measures announced by the United States government in the spring of 2018, could trigger a slowdown in world trade, which could have a negative impact on the growth of the world economy, and thus have an adverse effect on the Group's business.

As a significant portion of the Group's products are assembled by EMSs (External Manufacturing Services) located in China, the increase in customs barriers referred to above is liable to affect the Group's exports of these products to the United States, even though they represent, at the date of this registration document, a minor part of the Group's business. To limit its impact, the Group organized to have products intended for export to the United States assembled by an EMS (External Manufacturing Services) located in Vietnam. In addition, during periods of economic recession, some of the Group's customers may experience financial hardship that may result in late payments or even unpaid bills. If the current economic situation were to deteriorate, this could have a significant negative impact effect on the Group, its business, financial position, results and outlook.

2.1.2 Competition risks

The Group faces fierce competition from various players. The Group faces internationalization by players from emerging countries, particularly new Asian entrants, seeking to acquire market share rapidly, and the entry of major businesses that previously specialized in the production of electronic goods and wish to penetrate the digital signage value chain.

The competition the Group faces requires it to make continuous efforts, including financial, to ensure the continuation of its external growth policy, to acquire new technologies to accelerate the development of its growth strategy and to drive the necessary technological developments.

These efforts may in particular require significant investments in new technologies and new products: €3982K have been capitalized as R&D asset in progress in the balance sheet, over the period,

Despite these research and development efforts by the Group, competitive intensity on the market has increased in recent years, with a strong pressure on prices, due in particular to the increasing size of Requests for offers (they can now exceed €200 million, whereas until recently they were systematically under €100 million). In that context, players that offer fewer technological products than the Group but that are more financially competitive may in some cases prove to be better positioned than the Group. In addition, new players seeking to enter the market with very low-cost offers may be a source of increased competition for the Group.

Therefore, despite these efforts, if the Group did not have sufficient financial resources or the necessary skills, particularly in a context of technological change, to preserve the quality and added value of its products, or if the Group's customers did not appreciate the quality and added value of its products, especially if compared to those of its competitors, or if these products did not meet their expectations, the Group's business and financial results could be significantly affected.

Such competitive pressures could result in a decline of demand for the products supplied by the Group, and force it to reduce its sales prices or make major investments, particularly in innovation and research and development, in order to maintain the level of product quality and performance expected by its customers, which could have a significant negative impact on its business, financial position, results or outlook. In addition, a consolidation by the various market players in which the Group operates, in particular its customers in the mass retail sector, whether international, national, regional or local, could change the competitive landscape of the electronic labelling industry and lead to price pressure, loss of market share, a decrease in the Group's sales and/ or a decline in its profitability, which could have a significant negative impact on its business, financial position, results or outlook.

2.1.3 Risks associated with changes in technologies and industry standards

The Group must maintain the ability of its organization to evolve rapidly in order to adapt to technological developments and customer demand. The Group might not invest in products and services adapted to the demand at competitive prices and might not be able to adapt its products and services, costs and organization in a timely manner, or it might encounter difficulties in carrying out certain critical projects. The occurrence of one or more of these risks may have a material adverse effect on the Group's business, financial position, results or outlook.

2.2 Risks associated with the Group activities

2.2.1 Risks associated with the development strategy of the Group

The Group's financial performance and the success of its strategy will depend on several factors, in particular its ability to:

- grow sales of the traditional electronic labelling solutions business, both in mature markets and on international markets where solutions offered by the Group are currently being adopted;
- grow sales of services, in particular through the development of rental contracts for solutions offered by the Group and the marketing of the product range of these value-added services;
- grow sales associated with the development of new verticals and new non-food markets;
- control the Group's operating and development costs during periods of very strong commercial growth;
- increase benefits and synergies expected from its various partnerships (see paragraph 2.2.4 below);
- enter into distribution agreements with distributors based locally in the United States in order to continue its development in this market.

If the Group is not able to achieve these business development objectives, this could have a material adverse effect on the Group, its business, financial position, results or outlook.

In addition, the Group's business, results and financial position or outlook could be significantly affected:

- if the Group did not achieve all or part of the objectives set in terms of commercial growth and industrial cost savings;
- if market prices for electronic labels were to fall significantly and continuously;
- if growth in the demand for the Group's solutions is to slow significantly due in particular to an unfavorable economic trend, it could result in a significant drop in consumption (some customers and prospects have to regularly abandon or postpone their SES-imagotag solution equipment projects due to limited investment budgets).

2.2.2 Risks associated with doing business in different countries

The Group does business in over 60 countries around the world, with the intention to continue growing its operations in China, Russia, the Middle East and in the countries of Southeast Asia.

The primary risks associated with doing business internationally are:

- the local economic and political situation;
- exchange rate fluctuations;
- restrictions on capital repatriation;

- unexpected changes in the regulatory environment;
- the various tax systems, especially regulations on the determination of transfer prices, withholding taxes on remittances and other transfers made by holding companies and subsidiaries;
- import restrictions;
- customs duties, inspections of exported products and services and other trade barriers.

The Group may not be able to protect itself or hedge against these risks and may encounter difficulties in carrying out its activities in these countries, which could have a material adverse effect on the Group's business, financial position, results or outlook.

2.2.3 Risks associated with the dependence on suppliers and the supply and cost of components

The Group outsourced all of the production of its hardware (electronic labels) to top-tier industrial partners that specialize in electronic product assembly (External Manufacturing Services, or EMS), including in particular BOE, its main shareholder. In the event of an increase in demand or if the Group needs to replace an existing EMS, it may not be certain that additional production capacity exists or is available on acceptable terms. In addition, the use of new production units may result in production delays and additional costs for the Group due to the time it will have taken to train new EMSs in the Group's methods, products, and standards regarding quality control, work, environmental footprint, health and safety.

Moreover, production at one or more EMSs (External Manufacturing Services) could be interrupted or delayed, temporarily or permanently, due to economic, social or technical problems, in particular the insolvency of an EMS, the failure of production sites or an interruption of the production process due to social movements, health crisis as the coronavirus one beyond the Group's control. Any delay or interruption in the production of the Group's products could have a material adverse effect on its business, results, financial position or ability to achieve its objectives.

The Group also depends on the proper supply of electronic components in order to carry out industrial scheduling with these EMSs. The failure of one or more component suppliers, including as a result of social unrest, health crisis as the coronavirus one, unexpected stockouts, quality defects, export restrictions or sanctions and, more generally, any disruption in supply, in particular due to pressure on the supply of electronic components as a result of the strong growth experienced by the electronic goods sector in general, could alter the Group's production capacities or lead to additional costs that could have an adverse impact on its business, results, financial position or outlook.

Finally, most of the contracts concluded by the Group with its customers do not provide for an automatic price adjustment mechanism in the event of an increase in the cost of components. In the absence of any contractual price adjustment mechanism, the Group then seeks to renegotiate its selling prices with its customers when placing orders or renewing contracts in order to pass on, in whole or in part, the increase in component costs, with the result that there is a more or less long-time lag. Any significant upward change in component costs, due in particular to supply constraints or a concentration of the Group's suppliers, could therefore, if the Group were not able to pass it on to its customers within a reasonable period of time, have a material adverse effect on the Group's business, financial position, results and outlook.

2.2.4 Risks associated with partnerships

As part of its activities, the Group has entered into a number of strategic partnerships, particularly

In Austria
- with the Bossard AG group;

In China
- with BOE Smart Retail (Hong Kong) Co. Limited, a shareholder holding 68.47% in the Company as of 12.31.19 (after dilution), Yuanhan Materials Inc (E-Ink Group), a shareholder holding 5.50% as of 12.31.19 (after dilution);
- with BOE Intelligent IOT Technology Co, Ltd et Suqian Xin Dong Teng Commercial Services Co., Ltd, (JD Digits group) to partner into a joint venture :BOE Digital Technology Co Ltd.

In taking certain decisions, the Group may be required to seek the agreement of its partners, whose interests may not be aligned with its own.
In addition, if one of the Group's partners encountered financial difficulties, modified its strategy or wished to terminate these strategic partnerships, or, more generally, in the event of a disagreement on the terms of the partnership, this could have a material adverse effect on its business, its financial position, results and outlook.

2.2.5 Acquisition risks

As part of its development policy, the Group has carried out external growth operations (in particular through acquisitions of businesses or companies).
Although the Group examines and appraises all investment projects following a very strict procedure, it cannot guarantee that the assumptions underlying the profitability of investment projects will materialize or that it will successfully integrate acquired or merged companies. Indeed, the integration of acquisitions, particularly if they are of a significant size, may require a complex, time-consuming and costly process and involve a number of risks, including bearing the costs and expenses to deal with unforeseen events, management's distraction from day-to-day operations, increased mobilization of management teams due to the increase in business volume and scope as a result of the acquisition. Furthermore, the Group cannot guarantee that an acquisition will generate the expected synergies, the expected cost savings, an increase in earnings and cash flow, improve operational efficiency and, more generally, any benefits that the Group would expect.

If the Group fails to effectively integrate a new acquisition, it may have an adverse effect on its business, financial position, results, development and outlook.

2.2.6 Risks associated with the dependence on customers

Although the Group's revenue is distributed to a large number of customers, some of them account for a significant share of its turnover. For the year ended December 31, 2019, the Group's top ten customers accounted for almost 42% of the Group's consolidated sales Group and the Group's largest customer accounted for approximately 10% of the Group's consolidated sales. The loss or decrease in activity of one or more of these customers, a concentration of players a concentration of player in the sector in which they operate or the failure of one of these customers, could reduce sales to the same extent, which could have a significant adverse effect on activity, the Group's financial situation, performance or outlook.

2.2.7 Risks associated with defective products

The Group may occasionally be confronted with a manufacturing defect, a malfunction or an assembly of defective components in any of the Group's products and systems, which could lead to liability claims of varying importance that could damage the Group's reputation and have significant financial consequences. In this context, the Group has seen, or may or will see a recall of some of its products or may have to adapt or replace the relevant equipment. Such complaints can damage the reputation and quality image of the products involved and therefore damage the image and reputation of the Group. In addition, the costs and financial consequences associated with these claims are likely to have a material adverse impact on the Group's business, results, financial position and ability to achieve its objectives.

2.2.8 Risks associated with technologies and data security

The Group can be a victim of computer attacks (viruses, denial of service, etc.), technical failures resulting in the unavailability of computer tools, or data theft. The occurrence of any of these events could have a negative impact on the business and performance of the Group.

The introduction of new technologies (Cloud Computing), the development of industrial control systems and the development of new uses, including social networks, expose the Group to new threats. Computer attacks and attempts to gain unauthorized access are increasingly targeted and carried out by true specialists who can target the Company as well as its private or public customers and partners. More generally, systems' failures could lead to loss or leakage of information, delays or additional costs that could harm the Group's strategy or image. Despite the procedures put in place by the Group, it cannot guarantee coverage of these technological and IT risks and could encounter difficulties in carrying out its activities in the event of the occurrence of one of them, which could have an adverse impact on the Group's business, results, financial position and ability to achieve its objectives.

2.2.9 Risks associated with corruption and ethics

In the course of its activities, the Group may face risks associated with corruption, particularly in some of the emerging countries in which it operates. The Group ensures that all its employees act in compliance with applicable laws and regulations and the values of integrity and respect for internal and external standards that form the basis of its culture. However, it cannot guarantee that its employees, suppliers, subcontractors or other business partners will comply with the strict requirements it imposes or with the regulations in effect. Any behavior that contradicts these values or regulations, despite the Group's efforts, could seriously engage the Group's liability and have repercussions on its reputation, which could have a significant negative impact on its business, financial position, results or outlook.

2.3 Risks associated with the Company

2.3.1 Risks associated with relations with the majority shareholder

BOE Smart Retail (Hong Kong) Co. Limited (a company ultimately controlled by BOE Technology Group Co, Ltd., a company incorporated under Chinese law) ("BOE"), in its capacity as majority shareholder holding 68.47% of the share capital and voting rights that can be exercised at the Company's General Shareholders' Meeting, exercises a significant influence on the Company in that it alone possesses a sufficient number of voting rights to adopt all resolutions submitted to the Company's Ordinary General Shareholders' Meeting (such as resolutions pertaining to the appointment and removal of directors, distribution of dividends and the approval of the financial statements) and to the Company's Extraordinary General Shareholders' meeting (such as resolutions pertaining to a merger, partial contribution of capital, capital increase or any other amendment to the Articles of Association). In addition, 5 of the 9 members of the Board of Directors (excluding employee representatives) are appointed by BOE. Although this holding will decrease due to the capital increase announced by the Company, BOE will retain control over decisions of the Company's General Shareholders' Meeting after the increase. It is possible that BOE's interests and objectives are not always aligned with those of the Company or its other shareholders. Lastly, the BOE group or companies it controls are likely to acquire companies carrying on activities that are in direct competition with those of the Group or that maintain business relations with the Group.

2.3.2 Risks associated with human resources

SES-imagotag is a growing and diversifying Group, offering new ways for using display solutions, store management and the use of available price and product data. VUSION 22, the Group's strategic plan for 2022, aims to make the Group a leader in omnichannel electronic display solutions. To this end, and against the backdrop of a competitive and evolving technology industry, it is critical to attract, develop and retain the necessary skills.

The Group must therefore position itself to respond to a series of qualitative and quantitative challenges in terms of talent management:

- reinforce its pool of skills –especially technical (including in software engineering) – it needs to sustain growth and enable it to deliver an array of new, value-added services at a global scale;
- identify, attract, train, retain and motivate qualified personnel;
- strengthen leadership capabilities at all levels to support its growth and ongoing transformation;
- effectively on-board new employees, especially in the case of acquisitions.

For the Group, it is a matter of looking ahead and planning for the acquisition and development of the skills it will need for future success, with the risk being not to have them at the right time to drive its strategy. If the Group does not meet these human resources challenges, a key factor in its development, this could have a significant adverse effect on its business, financial position, results or outlook.

2.3.3 Risks associated with major projects and comparability of results

Although a part of the Group's revenue is generated by recurring activities, such as maintenance operations or the renewal of existing customer equipment, the Group may also supply its products for the needs of major customer projects, such as the provision of electronic labels for the entire network of a customer's stores. These major customer projects may thus result in peaks in activity, causing a significant increase in revenue over a financial year, which would not be repeated in subsequent financial years, and may then imply significant variations in the Group's consolidated revenue, either upward or downward. Consequently, comparisons of the Group's results from one period to another are not necessarily representative of the trend of the Group's future results. In addition, these major projects may be delayed or, in some cases, not be completed, which can have a material adverse effect on the Group's business, results, financial position and outlook.

2.3.4 Risks associated with management teams

The Group's success depends to some extent on the continuity and skills of its management team, which is formed around Mr Thierry Gadou. In the event of an accident or the departure of one or more of these managers or other key personnel, their replacement could prove difficult and could affect the Group's operational performance. More generally, there is strong competition for senior management, and the number of qualified candidates is limited.

The Group may not be able to retain some of its executives or key personnel, or not be able to attract and retain experienced executives and key employees. In addition, if the Group's managers or other key employees join a competitor or create a competing business, the Group could lose some of its know-how, and the risk of losing customers could increase. These circumstances could have a material adverse effect on the Group's business, financial position, results and outlook.

2.4 Financial risk

2.4.1 Liquidity risk

Liquidity risk is the risk of not having the necessary funds to meet one's commitments when they are due. It concerns, on the one hand, the risk that assets cannot be sold quickly under satisfactory conditions if necessary, and, on the other hand, the risk of early repayment of liabilities or non-access to credit under satisfactory conditions. With regard to financial assets, all of the Group's marketable securities consist of term accounts. With regard to financial liabilities, most of the Group's debt consists of two bond issues with a total nominal amount of €50 million, maturing respectively in 2023 for the €40 million tranche and 2025 for the €10 million tranche, bearing interest at a fixed rate of 3.5% per annum for the €40 million tranche and 4.5% for the €10 million tranche this later interest rate may be increased according to the leverage ratio performance year after year. The bond issues provide that they will become due if the consolidated leverage ratio, which refers to the ratio between net financial debt and gross operating surplus, becomes less than 3.5.

As of December 31, 2019, the Group is complying with the consolidated leverage ratio (the ratio of financial debts / EBITDA has to be lower than 3.5). The impact of the leasing related IFRS 16 standard on the net debt is excluded from the definition of the financial debt for the covenant calculation purpose. See also **notes 11 and 21** of the Notes to the consolidated financial statements of the Group.

2.4.2 Risks associated with the interest rate

At the date of this registration document, most of the Group's debt is bearing interest at a fixed rate of 3.5% per annum. The Group's exposure to interest rate fluctuations is therefore limited at the date of this registration document.

2.4.3 Risks associated with the exchange rate

The Group is highly exposed to fluctuations in the EUR/USD exchange rate, with a large proportion of its sales denominated in euros and a majority (approximately 80%) of its component and production costs denominated in US dollars; Consequently, upward variations in the US dollar automatically result in an increase in the cost of sales in euros. Such changes could have a material adverse effect on the Group's business, results, financial position or outlook (See also note 29 of the Notes to the consolidated financial statements).

2.4.4 Credit and counterparty risk

Credit and/or counterparty risk is the risk that a party to a contract with the Group will default on its contractual obligations resulting in a financial loss to the Group. Financial assets that could expose the Group to credit and/or counterparty risks are mainly receivables from its customers (in particular in the event of non-payment or failure to meet payment deadlines) and financial investments. The occurrence of one or more of these risks may have a material adverse effect on the Group's business, financial position, results or outlook. See **notes 11 and 21** of the Notes to the consolidated financial statements of the Group.

2.5 Legal and compliance risks

2.5.1 Risks associated with litigation and ongoing investigations

In the normal course of doing business, the Group may be involved in a number of administrative or judicial proceedings for which it may be held liable on different grounds.

Tax litigation
During the previous financial years, Group companies were subject to tax audits, and sometimes to proposed corrections. The financial consequences of these tax charges are recognized by way of provisions for amounts notified and accepted or considered likely to result in an outflow of resources and which can be reliably determined. The Group periodically reviews the estimate of this risk in the light of changes in controls and disputes and considers that no ongoing controls will have a significant impact on its financial position or liquidity.

Commercial and labor disputes
Disputes are regularly reviewed by the Group's Legal Department and are covered by provisions when the Group considers that it is probable that an outflow of resources will be required to cover the risk incurred and that a reliable estimate of this amount can be made. Inapplicable reversals stem mainly from the resolution of these disputes, for which the Group has been successful or for which the actual amount of the loss has been lower than its estimated amount.

As of 30 June 2020, the Group set aside provisions for commercial and labor disputes, as described in **note 10** of the Group's consolidated financial statements.
As of the date of this registration document, the Group is not aware of any other governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are ongoing or of which the Group is threatened) that may have or have had material effects on the financial position or profitability of the Company or the Group.

2.5.2 Risks associated with compliance, regulations, particularly environmental regulations, and their developments

The Group's activities are subject to various regulations, in particular with regard to the compliance and compatibility of the products it sells with their own regulations, as well as industrial, safety, health and environmental standards. The environmental risks associated with the Group's business are mainly due to increasingly stringent environmental laws and regulations.

The provisions on the removal and treatment of end-of-life electrical and electronic equipment are increasingly stringent and their application is subject to ever more rigorous and frequent controls, particularly in the context of the European Parliament's Directive 2012/19/EU and of the Council of 4 July 2012 on waste electrical and electronic equipment ("WEEE").

Very recently, Law 2020-105 published on February 10, 2020 on the fight against waste and the circular economy aims, in particular, to fight against planned obsolescence, thanks to a repairability index. The manufacturer will be encouraged to design more easily repairable products and to inform about the availability of spare parts.

Despite the procedures implemented by the Group and the fact that the environmental risks are not limited to the Group's business, it cannot guarantee environmental risk coverage and could encounter difficulties in carrying out its activities in the event of the occurrence of any of them, which could have an adverse impact on the Group's business, results, financial position and ability to achieve its objectives.

More generally, in the event of non-compliance with the laws and regulations applicable to it, the Group could be fined, and the authorities could even prohibit the placing of marketed products on the market. These standards are complex and subject to change and, although the Group pays particular attention to compliance with applicable regulations, it cannot exclude any risk of non-compliance. The Group could also incur significant costs in order to comply with regulatory changes and cannot guarantee that it will always be able to adapt its activities and organization to these changes within the necessary time limits. In addition, changes in the application and/ or interpretation of existing standards by administrations and/or courts are also likely to occur at any time.

The Group's inability to comply with and adapt its activities to new national, European and international regulations, recommendations and standards could have a material adverse effect on its business, results, financial position and outlook.

2.5.3 Risks associated with taxation and its developments

The Group is subject to complex and evolving tax legislation in the various countries in which it operates. In particular, because of its international activity, it is subject to transfer pricing rules, which can be particularly complex and subject to divergent interpretations. Changes in tax legislation could have a material adverse effect on its tax position, its effective tax rate or the amount of taxes and other levies to which it is subject, as well as on its reporting obligations. In addition, the tax regulations of the various countries in which the Group operates are subject to very different interpretations.

The Group is therefore not in a position to guarantee that the tax authorities involved will agree with its interpretation of the applicable legislation. Furthermore, tax laws and regulations or other compulsory levies may be changed and their interpretation and application by the jurisdictions or administrations involved may change, in particular in the context of joint initiatives taken at international or Community level (OECD, G20, European Union).

Specifically, the ongoing incorporation into French tax legislation of (i) the principles set out by the OECD on base erosion and profit shifting ("BEPS"), (ii) the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS of 7 June 2017, (iii) the rules provided in the Council Directive (EU) of 12 July 2016 establishing rules against tax avoidance practices that directly affect the functioning of the internal market ("ATAD") and (iv) the provisions provided for in the proposal for a directive to establish a common consolidated corporate tax base ("CCCTB") could increase the corporate income tax burden on the Group. A challenge to the Group's tax position by the relevant authorities could result in the Group paying additional taxes, potentially significant reassessments and fines or increasing the costs of its products or services for the purpose of collecting such taxes, which could have a material adverse effect on its business, results, financial position and outlook.

2.5.4 Risks associated with intellectual property

The intellectual property risk, to which the Group is exposed, is the risk of counterfeiting, whether suffered or active. Infringement may be committed by third parties against patented products or industrial processes or copyrights. These actions are likely to have an immediate impact on the Group's sales and earnings and may damage its reputation and, where applicable, the quality image of the products concerned. Infringement could also be an involuntary act of the Group, particularly given the risk associated with the length of time during which patent applications are not made public.

Patent applications filed by third parties and known only at the time of their publication could affect ongoing developments or even products recently launched on the market due to the continuous shortening of development times. This situation would force the Group to modify the product and thus increase the research and development costs of the project, or to negotiate rights to use the patented element. In either case, the margin of the project would be affected. The Group may also be subject to claims from patent trolls, particularly in the United States and Russia and in the field of new technologies.

The occurrence of an act of counterfeiting of which the Group is a victim or which is attributable to it could have a significant negative impact on its reputation, business, financial position, results and outlook. From a financial perspective, based on the risk analysis carried out at the filing date of this registration document and in accordance with applicable accounting standards, no provision has been recorded in the consolidated financial statements as of June 30, 2020

2.5.5 Risks associated with changes in IFRS accounting standards

The Group's consolidated financial statements are prepared and presented in accordance with IFRS (International Financial Reporting Standards) international accounting standards. Any change in these accounting standards could have a material impact on the presentation of the Group's results and financial position. Some IFRS standards have recently been revised by the International Accounting Standards Board ("IASB"). IFRS 16 standard "lease agreements" has been implemented for the first time as of January 1st 2019, (replacing IAS 17 standard) and implemented in the 2019 first half Group consolidated financial statements. Impacts on the annual statements are described in the Appendixes to the financial statements enclosed in this report.

Other than these new standards, the IASB may adopt new changes or supplements to IFRS in the future, which the Group must then adopt, and which could have a significant impact on the presentation of its results and financial position.

2.6 Insurance and risk management

2.6.1 Insurance policy

The Group implements a policy aimed at obtaining external insurance coverage to cover the risks of the company and its employees that can be insured at reasonable rates. It considers that the nature of the risks covered, and the guarantees offered by these insurances are in line with the practice adopted in its business sector. The Group's insurance program includes the following insurances:

- General and product liability;
- Cyber risk;

- Property Damages& Business Interruption;
- Cargo policy;
- Civil liability for the company's officers.

2.6.2 Risk management policy

The company, regarding risk management policy, is referring to the AMF framework dedicated to the small and medium sized listed companies (VaMP's) published in 2008.

In general terms, one of the objectives of the internal control system is to prevent and control risks resulting from the Group's activity and the risk of errors or fraud, in accounting areas more especially.
This global objective is met through the financial dept. reportings and processes, the auditors' missions as well as the audit committee meetings.

Among the aims can be found the proper independence of directors and a convenient CEO remuneration, consistent with the company's strategy: those are carefully looked at during the remuneration and nomination committee meetings, taking place generally speaking, twice a year, to appraise the CEO performance and come up with his variable remuneration.

For example, internal action plans and policies implemented to manage the risks identified by the Group include:

- Risks associated with economic conditions and their development.
    - to limit the negative impact of adverse economic conditions on its activities, the Group is implementing a growth strategy aimed at benefiting from the trend toward increased store digitalization: offering its customers the most innovative products at high quality standards, while offering a wide range of services aimed at reducing the total cost of ownership of equipment for its customers.
- Risk of not achieving the planned objectives.
    - To limit this risk, the Finance Department prepares monthly performance analyses and periodic forecasts, and regularly informs the Board of Directors of performance and possible deviations.
- Risks associated with doing business in different countries.
    - To limit this risk, the Group is vigilant regarding export incoterms and payment terms, particularly in African countries, the Middle East, Southeast Asia and Eastern Europe. The Group further manages this risk by geographically diversifying its activities in developed as well as in emerging markets, thus blending exposure to potential risks in a given country
- Risks associated with dependence on suppliers and component procurement.
    - The Group currently works with some of the world's leading subcontractors of electronic sub-assemblies, which account for the vast majority of production at sites around the world.
    - If necessary, this global system makes it possible to switch production from one EMS to another in the event of the failure of one of them. As the risk of a shortage of electronic components is a clearly identified risk in the electronics industry, the Group is particularly vigilant in monitoring its industrial forecasts, and regularly ensures their consistency during "Pipe Reviews" by reconciling them with commercial forecasts, thus preventing any risk of component shortages. In order to best anticipate the risks of supply disruptions due to shortages, supplier failures or natural hazards, a multi-sourcing policy for components is systematically applied whenever possible, and in some cases safety stocks are built up for critical components. In addition, some strategic suppliers are required to have two production sites for sensitive components.
- Risks related to production delays - the Group signed a subcontracting contract in 2018 with a second player to limit the risk of production delays with volumes to be treated equally between BOE and this second subcontractor.
- Risks associated with dependence on customers.
    - To limit this risk, the Group seeks to maintain a diversified portfolio of customers and to have a significant basis of equipment installed with its existing customers, thus making it possible to derive part of its revenue from the renewal and maintenance of electronic labels carried out by its customers, characterized by recurring revenues.
- Risks associated with technologies and data security.
    - The IT Department is responsible for securing networks and systems, on the one hand, and the applications necessary for the continuity of the Group's business, on the other hand, and regularly performs intrusion tests or backups. In addition, the Group implements security measures for its information systems adapted to the identified risks. Together with the internal control and safety policy, these organizational, functional, technical and legal security measures are subject to annual controls.
- Risks associated with corruption and ethics.

  - An employee awareness and training program dedicated to ethical/anti-corruption themes was developed by the Group during the last quarter of 2017 on its e-learning platform.
- Risks associated with the transformation of the Group in terms of human resources. A number of programs and initiatives are being implemented to prevent this risk, including the following dimensions:
  - a “people review”, to precisely define the needs for new skills in relation to the current pool of skills;
  - the development of an employer brand and the strengthening of its strike force in terms of recruitment (with, for example, increased use of social networks);
  - the training of all employees, with investments in an e-learning platform in particular; this platform created in September 2016 includes 6 programs and 144 modules both in English and French. All programs were built by internal employees who are experts on the subject, assisted by the Human Resources Department, which supervised the entire project. The six training programs are focused on the integration of new employees, the product programs – Software and Hardware, the commercial phase, as well as on the techniques dedicated to High Frequency and Low Frequency Installation;
  - The Group thus has a proactive and multifaceted approach in order to position itself to have the necessary talents and skills for its future success, although there is still uncertainty about the level of impact of the actions taken to secure the necessary resources for its development in due time or under favorable conditions, loyalty and recognition of performance, in the form of long term Group compensation plans or specific plans in the event of acquisitions, among other things.
- Risk associated with exchange rates. Several actions are being implemented parallel to currency hedging policies in order to reduce this exposure in the coming years, notably: price adjustment clauses in customer contracts in euros, development of sales in the dollar area (international expansion plan, cash pooling in US dollars). In order to anticipate and manage variations in cash flow, regular forecasts are updated and a cash-pooling system for euros and US dollars has been finalized for the main European subsidiaries;

Risks associated with global warming and compliance with environmental regulations:

Risks associated with production methods.

For its direct supply of strategic components, the Group relies on an ecosystem of world-class companies that are leaders in their respective specialties (special electronic chips, custom TFT-LCD or e-paper, etc.), most of which dedicate particular attention to social and environmental responsibility initiatives. Two of the five largest suppliers for the Group have signed the United Nations Global Compact. Four of the seven most important suppliers for the Group are ISO 14001 certified, and two are OHSAS 18001 certified. In addition to ISO certification, one of the suppliers has been recognized as a “Sony Green Partner”. This standard encourages the responsible production and use of electronic products and components going into Sony products.

Risks associated with electrical and electronic waste treatment methods.
In order to limit the risks of uncontrolled pollution, the Group ensures that collection and recycling programs for end of-life products are set up and offered to its customers in Europe, in accordance with the WEEE directive, and in other countries outside the European Union. In countries where regulations require this, the quantities of products placed on the market, collected and recycled are periodically reported to the national registers of producers.
The Group also informs users of these provisions through specific product markings and provides dismantling instructions to recyclers.

Recycling of our labels' batteries.

Electronic labels manufactured and sold by the Group require batteries in order to operate. The enforcement of Article R. 543-130 of the French Environment Code requires producers of industrial batteries and accumulators to organize the free collection of the items producers have sold on the French market after their use. In Europe, the Group has chosen:

- Eco-organization Corepile to collect and recycle all its used batteries in France;
- in Austria, the collection and recycling activities are entrusted to Elektro Recycling Austria, a subsidiary of the Altstoff Recycling Austria AG group, which has specialized in electronic waste recycling since 2005;
- in Italy, the recycling is entrusted to the Conai organisation.

Recycling of labels and hardware equipment

In order to be part of a circular economy approach, the Group has been committed since 2014 to implementing an action plan to ensure the complete recyclability and reuse of its equipment. To this end, the Group sought the services of the ecological organization Ecologic, which collects obsolete or damaged labels, modems and routers from each customer and transports them directly to a recycling centre of the Ingram Micro group, one of the leading players in the sustainable management of electronic product life cycles.

Each year, this company brings new life to more than 20 million products throughout the world. The organisation then sorts the components of the used equipment, makes cosmetic repairs or sends off those components that are to return to the production chain. All products delivered by the Group comply with international directives related to the use and transport of hazardous substances in electrical and electronic equipment (Directive 2011/65/ EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment).

Risks associated with intellectual property.
The Company ensures that the rights of third parties are respected by carrying out prior art searches and monitoring its portfolio when necessary. It monitors, together with specialist counsels, any claims and litigation actions that would result from these actions. This general objective is achieved through the work of the finance department, audit firms and the accounts committee. One of the general objectives is also to ensure the independence of the directors and the compensation of the General Manager in line with the company's strategic objectives. This objective is achieved through the Compensation Committee, which meets twice a year to assess the performance of the executive and establish the calculation of his variable compensation.

2.6.3 Internal audit

The key players in the Company's internal audits are:

- The Executive Committee: this Committee meets quarterly to draw up the strategic guidelines, to report on global competition, as well as to define the R&D road map. This Committee therefore analyses the risks inherent in the business sector and related to the level of competition, both in terms of price and technology.

- The Audit Committee ensures that the account statements are audited in accordance with the rules and free of interference; in particular, it ensures that adequate provisions are being made for foreign exchange, liquidity and debt risks.

- The Nomination and Remuneration Committee determines the remuneration policy as well as the incentive plans to be granted, the committee also analyzes Directors profiles and appointments – the Chairman remuneration is determined according to this policy.

- The Board of Directors meets several times a year to review management's proposals concerning debt, currency hedges and any acquisition. The budget forecasts are also presented to the Board as well as their successive revisions during the year. The Board approves the financial statements after each Audit Committee meeting.

Management (sales, finance, supply chain) meets weekly to analyze the portfolio of sales opportunities, their feasibility and the forecast scheduling for these opportunities to ensure that the supply of finished products and solutions matches the level of market demand. There is also a weekly review of significant contracts to maintain the profitability of these contracts and proposed selling prices based on the production costs incurred by the Company.

These management meetings are therefore instrumental in correctly anticipating business volumes and profitability levels. The Finance and Legal department ensures, based on budget and debt forecasts, the anticipation of cash flows in euros and foreign currencies, compliance with key management indicators as per monthly reporting under IFRS standards. It provides direct internal quality control of the accounts, the Group's profitability and the use of available cash.

The Company's strategy is to hold a majority stake in its subsidiaries. The Company ensures that Board of Directors' meetings take place, and it is active in the management bodies of its subsidiaries. Each of its subsidiaries give monthly management reports to the Company, which then determines the appropriate action to be taken. Newly acquired companies under o an integration process that is based partly on points of attention identified during due diligence and partly on standard processes (IT audit, delegation of authority, chart of accounts mapping with the Group chart, etc.). In addition, the bank accounts of all subsidiaries are currently being consolidated in a single telematics gateway, which enables the Group's Finance Department to manage cash flow.

A Code of Ethics and Business Conduct was implemented in 2017; it sets out and formalizes the rules of conduct expected within the Group of all employees, suppliers and subcontractors. This support is an important tool for maintaining the quality of the control environment within the Group and is easily accessible on the e-learning platform for our employees. Delegations of power are implemented for subsidiary directors.

Half-year financial report 2020

3/ CONSOLIDATED FINANCIAL STATEMENTS RESUMED

3.1 Consolidated Balance Sheet

3.2 Consolidated Income Statement

3.3 Net income and comprehensive income

3.4 Changes in consolidated shareholder's equity

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4/ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4.2 Highlights of the period

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4.6 Consolidation scope

Consolidated financial statements as of June 30, 2020 (IFRS standards)

SES-imagotag SA is a listed company, on Eurolist Euronext Paris (Comp. B, ISIN code FR 0010282822).

The consolidated financial statements of the SES-imagotag Group (hereinafter "the Group") at June 30, 2020 cover a 6-month period. The Board of Directors approved these financial statements on September 28, 2020.

1. Consolidated Financial Statements

3.1 Consolidated Balance Sheet

Assets

In €'000	Notes	6/30/2020	12/31/2019	6/30/2019
		6 months	12 months	6 months
Intangible assets	1	109,772	104,187	96,452
Tangible assets	2	18,322	14,910	13,564
Right of use	2	17,318	19,385	7,556
Financial assets	3	1,288	1,055	1,001
Deferred taxes assets	22	17,852	14,119	9,635
NON-CURRENT ASSETS		**164,552**	**153,656**	**128,208**
Inventories and Work In Progress	4	93,586	68,075	68,078
Trade Receivables	5	93,857	82,839	65,224
Current Taxes	6	3,414	3,554	2,881
Other current receivables	6	19,569	14,227	12,158
Cash and cash equivalents	7	27,229	73,108	25,929
CURRENT ASSETS		**237,654**	**241,802**	**174,270**
TOTAL ASSETS		**402,207**	**395,459**	**302,479**

Liabilities and shareholders' equity

In €'000	Notes	6/30/2020	12/31/2019	6/30/2019
		6 months	12 months	6 months
Capital	8	31,516	31,516	29,017
Consolidated Reserves		140,446	152,677	118,880
Profit (Loss) - Group Share		-9,787	-13,139	-4,962
SHAREHOLDERS' EQUITY		**162,175**	**171,054**	**142,936**
Non-current Provisions	10	1,734	1,671	1,837
Deferred tax liabilities	22	5,350	4,400	3,739
Long Term loans	11	53,399	55,773	44,811
Non-current rental debt	11	4,284	11,637	5,317
Other non-current liabilities	12	4,891	4,804	4,991
NON-CURRENT LIABILITIES		**69,658**	**78,285**	**60,695**
Trade Payables	13	108,352	100,948	71,965
Recurring lease debt	11	16,065	9,075	2,029
Other debts and accrual accounts	14	45,957	36,097	24,854
CURRENT LIABILITIES		**170,374**	**146,120**	**98,847**
TOTAL EQUITY & LIABILITIES		**402,207**	**395,459**	**302,479**

3.2 Consolidated Income Statement

In €'000	Notes	6/30/2020	12/31/2019	6/30/2019
		6 months	12 months	6 months
SALES	**15**	**118,407**	**247,585**	**121,362**
Purchases consumed	**16**	-91,284	-189,372	-90,349
External Expenses	**17**	-12,717	-29,005	-14,541
Payroll costs	**18**	-13,654	-26,428	-12,980
Taxes and duties		-627	-904	-445
Allowances for depreciation and amortization	**1&2**	-9,042	-14,689	-6,676
Net allowances for provisions	**19**	-1,239	-4,191	-1,066
Release on impairment	**19**	583	2,106	734
Other operating income	**20**	-8	260	0
Other operating expenses	**20**	0	0	0
OPERATING PROFIT (LOSS)		**-9,580**	**-14,639**	**-3,962**
Other financial income	**21**	5,627	7,075	4,576
Other financial expenses	**21**	-7,545	-9,010	-5,554
Interests on leasing fees	**21**	-629	-344	0
FINANCIAL PROFIT (LOSS)		**-2,547**	**-2,279**	**-978**
Tax expense	**22**	2,340	3,779	-23
NET INCOME		**-9,787**	**-13,139**	**-4,962**

Including Minority interests *-442* *-651*

Earnings per share

Earnings per share	6/30/2020	12/31/2019	6/30/2019
Profit (Loss) (in €'000)	-9,344	-12,488	-4,962
Average number of shares	15,758,108	14,590,795	14,507,156
Stocks options	3,600	3 600	30 700
Bonus shares	95,600		
Earnings per share (in euros)			
- before dilution	-0,59	-0,86	-0,34
- after dilution	-0,59	-0,86	-0,34

3.3 Net income and comprehensive income

In €'000	6/30/2020	12/31/2019
NET INCOME	**-9,787**	**-13,139**
Translation adjustments		
Cash flow hedge	338	-1,555
Revaluation differences		
Actuarial gains and losses		-79
COMPREHENSIVE INCOME	**-9,448**	**-14,773**
- parent company's share	-9,006	-14,122
- minority interests' share	-442	-651

3.4 Changes in consolidated shareholder's equity

In €'000	Capital	Reserves	Result	Total
Shareholders' Equity @ 12/31/2019	**31,516**	**152,677**	**-13,139**	**171,054**
2019 Net result allocation		-13,139	13,139	
Self-owned shares		-18		-18
June 2020 net result			-9,787	-9,787
Financial Instruments		338		338
Minority reserves and other variations		587		587
Shareholders' Equity @ 12/31/2020	**31,516**	**140,446**	**-9,787**	**162,175**

3.5 Consolidated statement of cash flows

In €'000	6/30/2020	12/31/2019	6/30/2019
+ Consolidated net income (including minority interests)	**-9,787**	**-13,139**	**-4,962**
+/- Net allowances for amortization/depreciation and provisions (excluding those relating to current assets)	9,796	14,554	6,287
	0	0	0
+/- Calculated expenses and income related to stock options and similar instruments	0	0	0
-/+ Other calculated income and expenses	0	-530	-207
	0	0	0
-/+ Gains and losses on disposals (from exchange difference in IFRS P&L and financial instrument profit or loss)	-715	302	0
Cash flow after cost of net financial debt and tax	**-706**	**1,187**	**1,118**
+/- tax expense (including deferred taxes)	-2,802	-3,779	23
= CASH FLOW AFTER COST OF NET FINANCIAL DEBT AND TAXES	**-3,508**	**-2,591**	**1,141**
- Taxes paid	0	0	0
+/- Change in WCR related to operations	-23,641	25,851	10,097
= NET CASH FLOW GENERATED FROM OPERATIONS	**-27,150**	**23,260**	**11,238**
- Disbursements related to acquisitions of tangible and intangible fixed assets	-15,578	-38,832	-10,614
+ Proceeds from disposals of tangible and intangible fixed assets	0	0	0
- Disbursements related to Right of Use	-1,065	0	0
+ Proceeds from disposals of Right of Use	652	0	0
- Disbursements related to the acquisition of long-term investments	-363	-163	-115
+ Proceeds from disposals of long-term investments	130	0	6
+/- Impact of changes in scope	255	950	-3,860
+ Investment subsidies received	-18	29	-111
= NET CASH FLOW FROM INVESTING ACTIVITIES	**-15,987**	**-38,016**	**-14,694**
+ Amounts received from shareholders during capital increases	0	34,293	54
+ Loan issues	59	12,451	2,840
+ Loan issues IFRS 16	1,065	17,244	0
+ Loan repayments	-2,433	-3,627	-3,052
+ Loan repayments IFRS16	-1,429	-1,952	0
- Dividend distribution	0	0	0
-/+ Treasury share buybacks and resales	-18	-104	-35
= NET CASH FLOW FROM FINANCING ACTIVITIES	**-2,755**	**58,305**	**-194**
+/- Impact of changes in foreign currency exchange rates	13	-18	0
= CHANGE IN CASH FLOW	**-45,879**	**43,530**	**-3,650**
OPENING CASH POSITION	**73,108**	**29,578**	**29,578**
CLOSING CASH POSITION	**27,229**	**73,108**	**25,929**

2. Notes to the consolidated financial statements

4.1 Accounting rules and methods

4.1.1 Basis of preparation of the consolidated financial statements

4. 1.1.1. Consolidated financial statements – Basis of preparation

Consolidated financial statements for the H1 2020 are prepared in accordance with international accounting standards applicable by the European Union on June 30, 2020.

Standard norms include the « International Financial Reporting Standards » (IFRS) published by the International Accounting Standards Board » (IASB), « International Accounting Standards » (IAS), interpretations of the "Standing Interpretations" Committee" (SIC) and the « International Financial Reporting Interpretations Committee » (IFRIC).

The consolidated half year financial statements as of June 30, 2020 were prepared in accordance with the international standard IAS34 "intermediate financial information." They do not contain all the information required by the IFRS repository for the establishment of annual financial statements and must be read in conjunction with the Group's financial statements for the year ended December 31, 2019. The accounting principles used for the half year financial statements as of June 30, 2020 are identical to those used for the presentation of annual consolidated accounts for the fiscal year ended December 31, 2019, with the exception of new applicable standards as of January 1, 2020.

The euro is the presentation currency of the consolidated financial statements. Unless otherwise indicated, all amounts are rounded to the nearest thousand (€000).

The financial statements are prepared according to the historical cost principle with the exception of a number of asset and liability accounts that have been measured at fair value.

The consolidated financial statements include the financial statements of the subsidiaries listed in § II.6 The financial statements of the subsidiaries are prepared over the same reference period as those of the parent company, based on the same accounting methods.

The Companies close their semestrial financial statements on June 30. All intra-group balances, intra-group transactions, and unrealized income, expenses, and gains that are included in the book value of assets from internal transactions are fully eliminated.

The financial statements of each of the Group's Companies are prepared in accordance with the accounting principles and regulations in force in their respective countries. They are subject to restatements in order to comply with the consolidation principles in force in the Group.

New mandatory implementing regulations as of January 1, 2020 applied for the first time by the SES-imagotag Group:

None

New mandatory implementing regulations as of January 1, 2020, with no significant impact on the SES-imagotag Group:

New mandatory regulations applicable from January 1, 2020 and concerning the Group have not had a significant impact on the consolidated financial statements. They concern:

- The amendment to IFRS 3 "definition of a company";
- Amendments to IFRS 7, IFRS 9 and IAS 39 as part of the reform of benchmark interest rates;

- The amendments to IAS 1 and IAS 8 “Definition of significant term”;
- Modification of references to the conceptual framework in standards.

New regulations, yet published but not yet implemented by the SES-imagotag Group:

The standards, amendments to standards, interpretations adopted by the IASB or the IFRSIC (“International Financial Reporting Standard Interpretations Committee”) and by the European Union on June 30, 2020, have not given rise to early application.

4 1.1.2 Business combinations

Business combinations are dealt with under revised IFRS 3, which assesses, in particular, the notion of “takeover” in the application to securities acquisition transactions; depending on the circumstance, the impacts are taken into account in income or in equity.

In a business combination, the fair value of the transferred consideration is allocated to the acquired identifiable assets and liabilities. They are measured at fair value as of the acquisition date.

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the valuation date.

In this context, goodwill represents the residual surplus of the transferred consideration over the share of the acquiring company’s interest in the fair value of the identifiable assets, liabilities, and contingent liabilities that can be reliably measured at the acquisition date.

The allocation period is limited to the period required to identify and measure the assets and liabilities of the acquired company, the non-controlling interests, the price paid, and the fair value of the share previously acquired, without exceeding 12 months.

Subsequently, goodwill is measured annually at its cost less any accumulated impairment losses determined in accordance with IAS 36, as described in the paragraph below entitled “Intangible fixed assets.” In the event of a decline in value, impairment is recognized on the income statement, under operating income. Discrepancies resulting from impairment tests performed on puts on minority interests negotiated before the actual implementation of IFRS 3R and IAS 27R, are booked in shareholders equity.

4 1.1.3 Estimates and judgments

The financial statements have been prepared using the historical cost basis, except for financial instruments, which are recognized in accordance with the fair value basis. As per the IFRS conceptual framework, the preparation of financial statements requires making estimates and assumptions that affect the amounts appearing on these financial statements. The significant estimates made by SES-imagotag for the preparation of the financial statements mainly relate to:

- The fair value measurement of assets, liabilities, and contingent liabilities acquired during a business acquisition (IFRS 3 – Business Combinations);
- The valuations used to test impairment losses, in particular the recoverable amount of goodwill;
- The fair value measurement of financial instruments;
- The valuation of provisions for contingencies and charges;
- The measurement of the recoverable value of receivables and inventories.

- Liabilities estimations, especially in term of litigation and uncertain tax positions;
- The assumptions used for the recognition of deferred tax assets (DTA);
- Put debts;
- Right of use and rental obligations resulting from rental contracts;
- The fair value of equity instruments;

- The charge relating to share-based payments

Due to the uncertainties inherent in any assessment process, SES-imagotag revises its estimates based on regularly updated information. It is possible that the future results of the transactions concerned will differ from these estimates.

4. 1.2 Intangible fixed assets (IAS 38)

Intangible fixed assets include:

- Development costs;
- Patents;
- Software;
- An ERPS;
- Goodwill;
- Customer bases;
- Technologies.

Intangible fixed assets acquired separately are recorded at their acquisition cost and are amortized.

Amortization is calculated on a straight-line basis over the estimated useful life of the fixed assets, on the following bases:

	Duration
Technologies	15 years
R&D expenses (activated)	5 to 10 years
Patents	10 years
ERP	8 to 10 years
Customer Base	15 years
Software	2 to 5 years

No residual value was used to determine the basis of amortization.

Impairment test

In accordance with IAS 36, goodwill is tested for impairment annually, and other amortizable intangible fixed assets are tested when there is evidence of a loss of value. This evidence is examined at each annual and interim closing.

The impairment test consists of comparing the net carrying amount of the asset with its recoverable amount, determined as the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is preferred in the rare cases where a recent transaction on the assets concerned makes the information available and reliable.

Given the global management of SES-imagotag's activities from a technological and geographical point of view, it is impossible to allocate assets and cash generation to clearly identified subgroups within the group. Goodwill has been monitored on the basis of a single cash-generating unit since 31 December 2016.

Value in use is estimated using cash flow projections based on existing operating forecasts, including reasonable growth and profitability rates. The main assumptions used are:

- The 10-year projection made by management: the electronic labelling market is not yet mature at a global level and is growing strongly, hence a forecast of more than 5 years, more in line with the prospects of this market;

- The long-term growth rate of 3% reflects the growth rates of a still dynamic technology market at that time; A discount rate of 11% applied to cash flows.

The recoverable amount resulting from the annual impairment test is higher than the carrying amount of the assets.

The sensitivity of the result to changes in the assumptions used by more or less one point does not affect the results of the goodwill impairment test.

An impairment loss is recognized in the event of an impairment loss. Impairment losses can be reversed when conditions have changed, except for goodwill. With the exception of goodwill, impairment losses prospectively modify the depreciation plan since they are charged to the depreciable base.

Development costs

SES's development costs are recognized in the period in which they are incurred, with the exception of project development costs that meet the following criteria:

- The product or process is clearly identified, and the costs are individualized on a reliable basis;
- The technical feasibility of the product has been demonstrated;
- The product or process will be marketed or used internally and will generate probable future profits;
- There is a potential market for the product, or its internal usefulness has been demonstrated;
- The necessary resources are available to complete the project.

Development costs that do not meet the above criteria are recognized as expenses in the period in which they are incurred. Capitalized development costs are amortized on a straight-line basis over their useful lives.

Patents

Concerning the valuation of patents, in the absence of an active market, the Group used the acquisition cost method.

4. 1.3 Tangible fixed assets (IAS 16)

Tangible fixed assets are recorded at their acquisition cost.

Depreciation is calculated on a straight-line basis over the following useful lives:

	Duration
Machinery, equipment, tools	3 to 5 years
Improvements	5 to 10 years
Furniture and IT	1 to 10 years

No residual value was used to determine the basis of depreciation.

The depreciation periods are reviewed annually at each accounting close. Any change in duration is treated as a prospective estimate change in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates, and Errors” and results in the recognition of additional impairment.

The book values of tangible fixed assets are reviewed for impairment when events or changes indicate that the book value may not be recoverable. If there is any such index and if the book values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of tangible fixed assets is the higher value between the sale price net of disposal costs and the value in use. In assessing value in use, estimated future cash flows are discounted using a pretax discount rate that reflects current market assessments, the time value of money, and as- set-specific risks.

4. 1.4 Leases (IFRS 16)

Mandatory on January 1, 2019, IFRS 16 replaces the IAS17 "Lease Contracts" standard: when entering into a lease agreement with fixed payments, this standard requires the booking of a liability in the balance sheet corresponding to future discounted payments, in exchange for asset use rights amortized over the duration of the contract.

The Group applied the so-called "modified retrospective" transition method, which allows a booking corresponding to a liability amounting to discounted residual rents, in exchange for an adjusted right of Use. In accordance with the various simplification measures provided for by the standard, the Group has excluded contracts with a residual duration of less than twelve months.

Leases cover office and warehouse premises, production lines and industrial equipment, vehicles and computer equipment.

The duration of the contract generally chosen for the liability calculation is the initial duration of the lease contract, without taking into account the options of early termination or extension, except in special cases. The discount rate is determined for each contract by reference to the marginal borrowing rate, for the residual duration of the contract.

4. 1.5 Stocks (IAS 2)

Inventory value is assessed, in accordance with IAS 2, at the lowest value when comparing cost of goods sold and net realized value. The cost of goods sold includes:

- Cost prices for components valued at weighted average unit cost;
- Cost of assembly performed by the subcontractor;
- Ancillary costs consisting mainly of component storage costs;
- The cost of transiting the labels.

The net realized value is the estimated selling price in the normal course of business, decreased by estimated costs for completion and the estimated costs required to complete the sale.

As long as the net value of the realization is less than the value of the stock, a provision for depreciation is booked for and determined by product category / turnover ratios as follows:

- Products that have not been sold once for the last 6 months are scrutinized, excluding the current range (Vusion) as well as product references proven to be used in the next 12 Months (forecasted in the Sales Force pipe as a 90% secured deal) or subject to a refurbish action.

The refurbished (or to be refurbished product references) Depreciation rules are:

- 50% of the gross value for inventories with no turnover ratio for more than 6 months
- 80% of the gross value for inventories with no turnover ratio for more than 12 months
- 100% of the gross value for inventories with no turnover ratio for more than 18 months
- 100% of the gross value for inventories with no turnover at all

4. 1.6 Receivables and other current assets (IFRS 9)

Receivables and other current assets are recorded at their gross amount less the provisions for impairment of estimated non-recoverable amounts.

IFRS 9 standard supersedes IAS 39 standard: the new standard does trigger any material depreciation impact for the group.

The impairment of receivables and other current assets is based on an individual analysis of the risks of non-recovery : overdue > 90 days are impaired and

- a 33% allowance is booked for when hardware can be returned,
- a 50% allowance is booked for when legal claim is initiated (50% being the historical success rate),
- a 100% allowance is booked for when no outcome is expected.

4. 1.7 Derivates (IFRS 9)

All derivatives are valued on the balance sheet at fair value in accordance with IAS 39 (Level 2 fair value). Derivatives consist of currency forwards. The management of financial risks by the SES-imagotag Group (interest rate risk, currency risk, counterparty risk, and liquidity risk) is described in Note 29 of this document. Derivatives are contracted by the SES-imagotag Group under its currency risk management policy. The recording of financial instruments as hedging instruments depends on whether they qualify for hedge accounting.

4. 1.8 Forward purchases

The SES-imagotag Group has opted for cash flow hedge accounting for its forward purchases.

Forward exchange contracts used by the SES-imagotag Group may be classified as hedges of future cash flows. Hedging future cash flows protects against changes in the value of cash flows denominated in foreign currencies.

Derivatives are measured at fair value upon initial recognition. Thereafter, the fair value of derivatives is re-estimated at each closing date.

The fair value of foreign currency forwards is determined by referring to what the Group would receive (or pay) to settle the outstanding contracts as of the closing date.

Efficiency tests of cash flow hedges are carried out at each closing to ensure that the hedge is highly effective. Changes in the value of the effective portion of cash flow hedge derivatives are recognized in equity in a specific revaluation reserve account.

4. 1.9 Cash and cash equivalents

Cash and cash equivalents include:

- Financial investments that are highly liquid and present a very limited risk of change in value;
- Bank accounts;
- Cash accounts.

Investment securities (money market funds) are recognized at fair va- lue at the closing date (Level 1 fair value). Term deposits are recorded at amortized cost.

4.1.10 Treasury shares (IAS 32)

According to IAS 32 “Financial Instruments,” if an entity purchases its own equity instruments, they must be deducted from shareholders’ equity. No profit or loss should be recognized in income at the time of purchase, sale, issue, or cancellation of the entity’s equity instruments.

Such treasury shares may be acquired and held by the entity or by other members of the consolidated Group. The consideration paid or received must be recognized directly in shareholders’ equity.

4.1.11 Provisions (IAS 37)

In accordance with IAS 37 “Provisions, Contingent Liabilities, and Contingent Assets,” the Group recognizes a provision when, as of the closing date of the period, it has an obligation (legal or implicit) towards a third party due to a past event whose settlement is likely to result in an outflow of resources for the Group representing economic benefits and when the amount of the loss or liability can be measured reliably.

Should such a loss or liability be unlikely, or cannot be reliably measured, but is still possible, the Group must report a contingent liability in its commitments.

Provisions are intended in particular to cover the probable costs that litigation or on-going litigation could incur, the cause of which predated the closing date.

4.1.12 Stock options and granting of bonus shares (IFRS 2)

IFRS 2 "Share-based Payment" provides for the recording of an expense in consideration for services obtained under share purchase plans (and similar plans) granted to employees.

The Group has set up stock option, bonus share, or share purchase plans and has issued subscription warrants to some employees. The Board of Directors, which grants the options, sets the option or purchase prices.

Changes in values subsequent to the grant dates have no impact on the initial valuation of the options; the number of options taken into account to value the plans is adjusted at each accounting close to factor in the presence of beneficiaries and the fulfillment of internal performance conditions at the end of the rights vesting periods.

The valued benefit is equivalent to compensation for the beneficiaries, which is therefore recognized as payroll costs, on a straight-line basis over the vesting period, in consideration of a corresponding adjustment in shareholders' equity.

The stock option plans have been valued by referring to the fair value of the granted instruments.

The fair value of the allocated bonus shares corresponds to the value of the share on the date of the grant less the dividend distribution assumption during the vesting period. The total cost of the plan corresponds to the estimated fair value multiplied by the number of shares allocated over the vesting periods in the plan, multiplied by the probability of achieving the performance objectives.

4.1.13 Employee benefits (IAS 19 revised)

End-of-career benefits

The provision for employee benefits relates exclusively to retirement benefits that are legally owed to employees in France.

The calculation is done in accordance with IAS 19 (revised) based on the projected unit credit method. Under this method, benefit entitlements are allocated to service periods based on the plan's vesting formula, taking into account a linearization effect when the rate of vesting is not uniform during subsequent service periods.

The amount of the future payments corresponding to the benefits granted to employees is measured on the basis of assumptions of salary trends, retirement age, and mortality and then reduced to their present value on the basis of interest rates on long-term bonds of first- class issuers.

The expense for the year corresponding to the change in the cost of services rendered is recognized as payroll costs, and the discounting cost is recognized as a financial expense.

The main assumptions used in the calculation of pension liabilities are as follows:

In addition, actuarial gains and losses arising from experience-related adjustments and changes in actuarial assumptions are now recognized in "Other income and expense recognized directly in equity."

4.1.14 Deferred taxes (IAS 12)

Deferred taxes arise from temporary differences between the book and tax values of assets and liabilities

on the balance sheet. In accordance with IAS 12 "Income Taxes," they are recognized according to the liability method, based on future tax rates adopted at the end of the financial year.

4.1.15 Research tax credit (IAS 20)

The research tax credit is a tax incentive similar to a subsidy. It therefore falls within the scope of IAS 20. According to this standard, an allocation of the research tax credit should be made according to whether the research expenditure is recognized as an asset (recording in intangible fixed assets in accordance with IAS 38) or in profit and loss.

The Group capitalizes its development costs in accordance with IAS 38. The tax credit must therefore be deferred over time over the amortization period of the research and development expenses that generated this tax credit.

4.1.16 Conversion of items in foreign currencies

The consolidated financial statements at June 30, 2020 were prepared in euros, which is the parent company's functional currency. Each Group entity determines its own functional currency, and the items included in the financial statements of each entity are measured using that functional currency.

Recognition of foreign currency transactions in the consolidated companies' accounts

Foreign currency transactions recognized on the income statement are translated at the exchange rate prevailing on the transaction date, except for transactions for which the Company has hedges (USD), which are recorded at the hedging rate. Monetary items expressed in foreign currencies recorded on the balance sheet are translated at the exchange rate prevailing as of the date of the accounting close, with the exception of debts denominated in USD, which are converted at the hedging rate. The resulting exchange rate differences are recorded on the in- come statement.

Conversion of accounts of foreign Subsidiaries

The financial statements of Group companies whose functional currency is different from that of the parent company are translated into euros:

- Assets and liabilities are translated into euros at the exchange rate prevailing as of the date of the accounting close;
- Income and expenses are translated at the average exchange rate for the period as long as said exchange rate is not affected by significant price changes;
- The resulting translation differences are recognized directly in equity.

4.1.17 Earnings per share

The Group reports basic earnings per share and diluted earnings per share.

Earnings per share are calculated by dividing net income by the weighted average number of shares outstanding during the financial year. Net diluted earnings per share are calculated using the conversion of dilutive instruments outstanding as of the closing date into common shares.

4.1.18 Revenue (IFRS 15)

Sales are recognized and presented in accordance with IFRS 15 "Revenue from contracts with customers".

The revenue-generating event varies depending on the type of sale:

- When the Group is responsible for installing label systems, revenue is rec recognized when the system becomes operational (installation of the antenna). At the closing of the accounts, for installations invoiced but not yet completed, deferred income is recognized, and for installations completed but not yet invoiced, accrued income is recognized.
- When the Group only delivers labels, revenue is recognized when the goods are taken over by the carrier or the freight forwarder (in the case of FOB sales). In addition, training is invoiced separately, when the service is performed. Annual lump-sum rebates granted to customers are recorded as a

reduction of sales. Lastly, maintenance contracts are invoiced in advance for periods from four to six months. Deferred income is recognized to prorate sales related to the following period. In some cases, the group may perform Research Engineering and Development surveys. Revenue is booked for when the survey is completed. The costs of specific developments acquisition costs for new customer contracts are expensed during the year if:

- These are incremental costs specific to obtaining certain new contracts
- These costs are essential to meet the needs expressed by the customer At the end of each fiscal year, costs incurred for contracts may be expensed in case of non-finalization of an actual sales agreement, or capitalized and amortized in case of a sales agreement.

Principal or Agent

The Group conducted an analysis of the nature of its relationship with customers to determine whether it acts as a principal or as an agent in the realization of the contract or part of the contract when the Group is brought in to resell equipment, software or services. In the current scope, the Group contemplates as the main criteria the notions of risks and benefits for determining whether it acts as the principal or agent, including contractual liability credit risk, contractual liability vis à vis suppliers and the value added by the company to the suppliers' products.

Under IFRS 15 standard, the group is considered as a as the principal since it controls goods or services before they are delivered to customers.

4.1.19 Operating segments (IFRS 8)

The SES-imagotag group has only one operating segment corresponding to a homogeneous activity of installation and maintenance of electronic shelf labels.

Operating results are reviewed at the group level to make decisions about resources to be allocated and performance evaluation. Isolated information at the lower level is not available, given the global management of activities, technologies and geographical areas.

4.2 Highlights of the period

An unprecedented health and economic crisis:

The impact of the COVID-19 crisis curtailed our growth and affected margins, weighing more heavily on the parts of Europe where we have the highest penetration of innovative solutions and value-added services. In order to offset this temporary setback, we have reduced operating costs. These actions have mitigated the impact of the crisis on our profitability.

The other direct impact of the crisis was an increase in working capital as an inevitable consequence of delays or postponement in the implementation of some roll-out contracts.

4.3 Post-closing events

In order to preserve cash flow and see the Group through this difficult and unpredictable period, SES-imagotag secured a French State Guaranteed Loan (PGE) of €30m in July.

4.4 Notes to the financial statements

3. Notes to the balance sheet - assets and equity & liabilities

Note 1– Intangible Fixed Assets

Gross Fixed Assets in €'000	Opening	Increase	Transfers between line items	Decrease	Closing
Goodwill	51,274				51,274
Research and development	40,504	53	8,106		48,663
Concessions, patents & similar rights	40,240	117	4,482		44,839
Intangible fixed assets in progress	21,287	10,297	-12,588		18,997
TOTAL	**153,305**	**10,468**	**0**	**0**	**163,773**

As of June 30, 2020, the amount of goodwill is broken down as follows:

- SES-ESL merger : €12.6 M;
- SES-Imagotag GmbH's acquisition : €13.4 M;
- Pervasive Display Inc's acquisition: €18.3 M;
- Findbox (renamed SES-imagotag Deutschland GmbH)'s acquisition: €6.7 M;
- Market Hub's acquisition: €0.3 M

Research and development costs represent R&D expenses to improve and diversify our product offering.

The transfer between line items over the period mainly corresponds to the activation of R&D costs incurred as part of a new version of the Jeegy Cloud software and the launch of new label references from the VUSION product range and the Adshelf program.

Moreover, a part of the group's information systems and IT infrastructure development projects have been completed and activated for an amount of €4,482 K.

Intangible assets in progress are current expenses committed to R&D projects, IT infrastructure as well as the costs incurred for patents filing, still pending as of June 30, 2020.

The increase in intangible fixed assets in progress can be broken down as follows:

- Research and development spending for a total of €3,982 K;
- Development spending for IT infrastructure restructuring for a total of €6,107 K;
- Patent spending for an amount €208 K.

Amortization in €'000	Opening	Allowance	Transfers between line items	Write-back	Closing
Research and development	35,326	4,193			39,519
Concessions, patents & similar rights	13,792	727			14,519
TOTAL	**49,118**	**4,920**	**0**	**0**	**54,038**

Note 2– Tangible Fixed Assets

Gross Fixed Assets in €'000	Opening	Increase	Transfers between line items	Decrease	Closing
Buildings and improvements	2,323	133			2,456
Machinery, equipment, and tools	21,891	34			21,925
Other tangible fixed assets	6,618	4,944			11,562
TOTAL	**30,833**	**5,110**	**0**	**0**	**35,942**

The increase in other tangible fixed asset is mainly due to the delivery of label systems to customers under leasing contracts, for a 3,443K euros total, of which 667K was still in progress.

Amortization in €'000	Opening	Allowance	Transfers between line items	Write-back	Closing
Buildings and improvements	1,627	161			1,788
Machinery, equipment, and tools	12,795	943			13,738
Other tangible fixed assets	1,500	653			2,153
TOTAL	**15,922**	**1,757**	**0**	**0**	**17,679**

Right of use

Gross Fixed Assets in €'000	Opening	Increase	Transfers between line items	Decrease	Closing
Buildings and improvements	7,394	733	0	-130	7,997
Production line and industrial equipment	14,003	0	0	0	14,003
Vehicles and other tangible fixed assets	1,448	332	0	-522	1,258
TOTAL	**22,845**	**1,065**	**0**	**-652**	**23,258**

Amortization in €'000	Opening	Allowance	Transfers between line items	Write-back	Closing
Buildings and improvements	1,411	921	0	-121	2,211
Production line and industrial equipment	1,543	1,556	0	0	3,099
Vehicles and other tangible fixed assets	506	273	0	-246	533
TOTAL	**3,460**	**2,750**	**0**	**-367**	**5,843**

The increase in Right of Use over the period is mainly due to:

- The renewal of office and warehouse rentals in Italy, the United States and Taiwan as well as the rental of new offices in Canada;

- The renewal of the car fleet in France and in subsidiaries.

The production line and industrial equipment is related to an exclusive agreement concluded on July 1, 2019 with the BOE factory (based in Chongqing - China). This agreement deals with the production capacities of this factory in favor of SES-imagotag and will end on December 31, 2023.

The right of use amount is €14,003 K.(gross value).

Note 3 – Financial Assets

Financial assets in €'000	Opening	Increase	Decrease	Closing
Deposits and guarantees	598	313	-100	811
Other loans	432	22		454
Other	25	28	-30	23
TOTAL	**1,055**	**363**	**-130**	**1,288**

Note 4 – Inventories

Inventories in € '000	6/30/2020	12/31/2019	6/30/2019
Inventory of raw material	19,118	11,836	12,855
Inventory of finished products	66,579	30,400	32,386
Inventory of goods purchased for resale	12,987	30,578	26,249
Impairment of inventory	-5,098	-4,740	-3,412
TOTAL	**93,586**	**68,074**	**68,078**

The variation of stocks on June 30, 2020 compared to December 31, 2019 is explained :

- In one hand by the increase in component stock that are necessary for the production of the second half of the year (orders to be delivered).

- In the second hand by the switch effect to a less expensive maritime shipping mode, instead of air mode. This explains the increase of the inventory level by about six weeks.

Note 5 – Trade receivables

Trade receivables in € '000	6/30/2020	31/12/2019	6/30/2019
Gross trade receivables	90,860	83,049	63,922
Provision for Impairment	-539	-476	-368
Customers - Accrued Income	3,536	267	1,670
TOTAL	**93,857**	**82,840**	**65,224**

Under the factoring contract, the ceded trade receivables amounted to €3,8 M, within €2.0 M have already been reimbursed. The amount of assigned receivables that have not been repaid as of June 30, 2020 thus amounts to € 1,8 M.
The increase in the accounts receivables is mainly due to a significant billing in June, at the time of the resumption of activity following the context of the Covid19 crisis.

Accrued income correspond to deliveries made but for which the chargeable event has not been carried out on June 30, 2020 (installation not completed or Incoterm not allowing the ownership transfer).

Note 6 – Other current receivables

Other current receivables in € '000	6/30/2020	12/31/2019	6/30/2019
Tax receivables	9,594	8,780	7,810
Social Security receivables	34	69	69
Suppliers- advance and prepayments	1,096	194	1,678
Suppliers- credit note	6,661	3,052	
Financial Instruments			
Other receivables	1,220	909	1,039
Prepaid expenses	962	1,224	1,562
TOTAL	**19,569**	**14,227**	**12,158**

Tax receivables, excluding current taxes, mainly correspond to VAT receivables on purchases.

Supplier's advances and prepayments correspond mainly to payments received in connection with R&D services and materials.

Credit receivables correspond to expectations from our main assembly and component suppliers.

Prepaid expenses are mostly related to the company's recurrent operating expenses invoiced but related in the second half of 2020.

Note 7 – Cash and cash equivalents

Cash and cash equivalents in € '000	6/30/2020	12/31/2019	6/30/2019
Securities	30	15	45
Cash	27,199	73,093	25,884
TOTAL	**27,229**	**73,108**	**25,929**

Note 8 – Capital

Number of shares variation	Number of shares	Nominal value	Capital
Number of shares beginning of the period	15,758,108	2	31,516,216
Increase		2	
Number of shares at the end of the period	**15,758,108**	**2**	**31,516,216**

There were no stock options exercises during the period.

At June 30, 2020, the Company held a total of 12,773 treasury shares, all of which relate to the liquidity contract renewed during financial year 2014.

Treasury shares have been restated less shareholders' equity in accordance with IAS 32.

Note 9 – Other Equity Instruments

Stock options and allocation of bonus shares.

Allocation of stock options

At June 30, 2020, two stock option allocation plans were therefore in progress

Within the framework of the authorization granted by the EGM on March 1, 2012

> The 2014 Plan (1st wave) dated April 3, 2014, expiring on April 3, 2021.

Within the framework of the authorization granted by the EGM on May 21, 2014

> The 2014 Plan (2nd wave) dated October 23, 2014, expiring on October 23, 2021.

The table below shows the information relating to stock options in effect as of June 30, 2020:

Plans	Number of options notified	Number of remaining options outstanding
04/15/2010	14,000	
09/15/2010	8,500	
10/21/2011	58,500	
08/31/2012	315,800	
12/18/2012	19,000	
06/30/2013	65,200	
03/04/2014	43,000	
10/23/2014	33,150	3,600
TOTAL	**557,150**	**3,600**

As of June 30, 2020, the outstanding stock options amount to 3,600, representing 0,02% of the voting rights after dilution.

Note 10 – Non-current provisions

Non-current provisions in € '000	Opening	Allowance	Release of allowance	Release of non-used allowance	Closing
Provisions for RMA's	80	41			121
Provisions for leased assets refurbishment	739				739
Other provisions for risks	852	99	76		874
TOTAL	**1,671**	**140**	**76**	**0**	**1,734**

A provision for risk for €808 K has been booked to prevent a litigation against a supplier for several years. At the end of the negotiations, SES agreed to pay in H2 2020 the amount claimed, which is fully covered by the provision. The other provisions are related to labor disputes.

The provisions for leased assets refurbishment are related to leasing contract adjustments under IFRS16. The counterpart is recognized as a tangible fixed asset, increasing the right of use.

Note 11 – Long-term loans

Loans are recognized at the amortized cost using the effective interest rate method.

Long Term Loans in € '000	Opening	Increase	Decrease	Closing
Bond debt	49,345	59		49,404
Other long-term loans from credit institutions	6,428		-2,433	3,995
Recurring and non-recurring leasing related debt	20,712	1,065	-1,429	20,348
TOTAL	**76,485**	**1,124**	**-3,862**	**73,748**

Long Term Loans in € '000	06/30/2020	Less than 1 year	1 year to 5 year	More than 5 years
Bond & loans from credit institutions	53,399	2,426	41,409	9,564
Recurring and non-recurring leasing related debt	20,348	16,065	4,284	
TOTAL	**73,748**	**18,490**	**45,693**	**9,564**

The increase in rental debts is related to new commercial leases for €733 K and new vehicle rental contracts for € 333K.

Note 12 – Other non-current liabilities

Other non-current liabilities in € '000	6/30/2020	12/31/2019	6/30/2019
Other debt – Price supplement	2,975	3,091	3,360
Research tax credit	1,687	1,705	1,565
Other operating grants	229	8	66
TOTAL	**4,891**	**4,804**	**4,991**

Variation in other debts is broken down below:

Other debts - Price supplement in €'000	6/30/2020	12/31/2019	6/30/2019
Put on minority interests in Findbox	504	620	620
Earn-out Market Hub	2 000	2 000	2 000
Earn-out PDi	471	471	740
TOTAL	**2 975**	**3 091**	**3 360**

- Findbox (renamed SES-imagotag Deutschland GmbH): €2,000 K paid in H1 2019 in respect of the put debt on the minority portion of 33% in the context of the acquisition of SES-imagotag Deutschland GmbH which was the subject of an amendment signed in January 2019 on the terms of payment. A new payment took place in January 2020 for €115 K. The balance will be paid in 2021 for €504 K;
- Market Hub: the put option fair value for the 40% minority interests is estimated up to €2,000K;
- PDi: €1,851 K paid in H1 2019 for the earn out on PDi's acquisition, which was the subject of a firm and final agreement in September 2018.

Note 13 – Trade payables

Trade payables in € '000	**6/30/2020**	**12/31/2019**	**6/30/2019**
Trade payables	80,385	77,400	52,637
Suppliers - accrued expenses	27,967	23,548	19,327
TOTAL	**108,352**	**100,948**	**71,965**

Note 14 – Other debts and accrual accounts

Other debts and accrual accounts in € '000	**6/30/2020**	**12/31/2019**	**6/30/2019**
Customers - prepayments	14,744	11,507	4,517
Customers - accrued income	5,711	4,668	911
Social security and tax liabilities, pension commitments	19,450	14,097	13,537
Financial instruments	200	1,254	
Deferred income	5,852	4,571	5,888
TOTAL	**45,957**	**36,097**	**24,854**

The increase in customer’s prepayments is mainly explained by down payments invoiced as part of significant roll-outs in the second half of the year in Europe and the United States.

The increase in social and fiscal debts is related to taxes on sales made over the last two months of the second quarter in 2020.

The amount booked as a financial instrument corresponds to the fair value of instruments subscribed but not consumed as of June 30, 2020.

4. Notes to the income statement

Note 15 – Sales

Sales for the period break down as follows by geographical zone:

Millions of €	30/06/2020		30/06/2019	
France	20,2	17%	33,5	28%
Export	98,2	83%	87,9	72%
TOTAL	**118,4**		**121,4**	

Sales can be broken down into : 105,5 M€ for goods and 12,9 M€ for services.

Note 16 – Purchases consumed

The amount of purchased consumed is composed of the following:

> Consumption of purchases of raw materials and merchandise;
> Consumption of inventories of finished products;
> Transportation and incidental expenses relating to these purchases.

Note 17 – External expenses

External expenses in € '000	6/30/2020	12/31/2019	6/30/2019
Subcontracted variable expenses	-4,552	-9,745	-5,382
Outsourced personnel and recruitment expenses	-1,934	-3,279	-1,120
Travel expenses	-1,670	-5,537	-2,767
Marketing	-1,316	-2,960	-1,820
Consulting Fees	-1,450	-3,549	-1,681
IT & Telecom expenses	-1,747	-2,615	-1,229
Other	-47	-1,321	-542
TOTAL	**-12,717**	**-29,005**	**-14,541**

Note 18 – Payroll costs

Payroll costs in € '000	6/30/2020	12/31/2019	6/30/2019
Payroll costs	-13,621	-26,363	-12,897
Pension commitments	-33	-65	-83
TOTAL	**-13,654**	**-26,428**	**-12,980**

As of June 30, 2020, the payroll costs correspond to the net amount including the compensation received for the Covid-19 crisis for an amount of € 787K (€315 K to France and €417K to Austria).

Note 19 – Net allowance for provisions

Net allowance for provisions in € '000	Opening	Allowance	Release of allowance	Closing
Warranty for provisions	80	41	0	121
Other provisions for contingencies and charges	852	99	-76	875
Provisions for leased assets refurbishment	739	0	0	739
Provisions on inventory value	4,740	644	-286	5,098
Provision for trade receivables	476	63	0	539
Variation	**6,887**	**846**	**-362**	**7,371**
Of which right of use impact				
Current				
Change in provisions for contingencies and charges		1,017	-362	
Other operating expenses		-270		
Financial				
Financial expenses		99		
TOTAL		**846**	**-362**	

Note 20 – Other operating income and expenses

The other operating income and expense are non-significant as at June 30, 2020.

Note 21 – Other financial income and expenses

Financial result in € '000	6/30/2020	12/31/2019	6/30/2019
Financial instruments	1,389	500	123
Foreign exchange gains	4,127	6,297	4,258
Other financial income	111	279	196
Other financial income	**5,627**	**7,075**	**4,576**
Financial instruments	0	0	0
Bank interest expenses	-1,222	-1,951	-874
Leasing related interest expenses	-628	-344	-155
Foreign exchange losses	-6,021	-6,671	-4,244
Other financial expenses	-204	-387	-188
Provision for risks	-99	0	-92
Other financial expenses	**-8,174**	**-9,354**	**-5,554**
TOTAL	**-2,547**	**-2,279**	**-978**

As of June 30, 2020, the share of financial income from hedging instruments generates an income of €1,389 K against a net income of €123 K as of June 30, 2019. This is explained by the contract volume term consumed over the first half of the year, i.e. $ 89 million in the first half of 2020 against only $ 19 million the previous year (same period).

Note 22 – Income tax and deferred tax

in € '000	6/30/2020	12/31/2019	6/30/2019
Deferred taxes	2,802	3,881	97
Tax Liabilities	-462	-102	-120
Deferred taxes	**2,340**	**3,779**	**-23**

Income tax has been accounted for, based on the best estimate of the expected annual rate.

Income tax and deferred tax in € '000	6/30/2020	12/31/2019	6/30/2019
Tax losses carry forward	16,103	12,467	8,269
Temporary differences	1,749	1,652	1,366
Financial Instruments	0	0	0
TOTAL DTA	**17,852**	**14,119**	**9,635**
Amortization of technologies	2,029	2,133	2,342
Activated R&D expenses	2,406	1,909	1,238
Temporary differences	631	273	159
Financial Instruments	285	84	
TOTAL DTL	**5,350**	**4,400**	**3,739**

Deferred tax assets relating to carry forwards include all companies in the group where the recoverability of tax losses is expected to be less than 5 years

As the medium- and long-term growth and earnings projections, seem realistic, the tax-deferred losses incurred in the first half of the financial year in the subsidiaries were recognized as an active deferred tax.

The deferred tax liabilities relating to the technologies identified following the goodwill allocation work break down as follows:

- Pervasive Displays Inc : €888 K;
- SES-imagotag Deutschland Gmbh: €458 ;
- SES-imagotag Gmbh : €683 K.

Note 23 – Net income - Earnings per share

Net profit for the year amounted to €-9 787 K

Effect of potential dilution on the capital:

Instruments	Number	Effect
Stocks options	3,600	0,02%
TOTAL	**3,600**	**0,02%**

Earnings per share

Earnings per share	6/30/2020	12/31/2019	6/30/2019
Profit (Loss) (in €'000)	-9,344	-12,488	-4,962
Number of shares at closing	15,758,108	14,590,795	14,507,156
Stocks options	3,600	3,600	30,700
Bonus shares	95,000		
Earnings per share (in euros)			
- before dilution	-0,59	-0,86	-0,34
- after dilution	-0,59	-0,86	-0,34

II.5 Other information

Note 24 – Off balance sheet commitments

Commitments made:

- Comfort letter to Bank Austria (SES-imagotag Gmbh's Bank) : €4,600 K throughout the term of the loan
- Comfort letter to Sparkasse Freiburg (SES-imagotag Deutschland GmbH's Bank) for a €750 K loan
- Comfort letter to SES-imagotag Gmbh (insolvency risks)
- Comfort letter to SES-imagotag Netherlands BV (insolvency risks)
- Rental payment guarantee of €182 K (CIC)
- Rental payment guarantee of €45 K (BNP)
- Interest-bearing collateral account (CIC)
- Guarantee for export market of €7 K (CIC)

The bond issues would become payable if the consolidated leverage ratio, which refers to the ratio of net financial debt to gross operating surplus, was to be less than 3.5. leverage ratio.

Note 25 – Degree of exposure to market risk

The Company is mainly exposed to currency fluctuations on its purchases made in dollars (approximately 80% of the volumes).

Degree of exposure to market risk in $ '000	End of June 2020
Hedging portfolio as of December 2019	112,000
Currencies sport hedging	50,000
Released on H1 2020	89,000
Hedging portfolio as of June 2020	**73,000**

Note 26 – Research and development expenditure

Over financial half-year 2020, €3,982 K in research and development expenditure was capitalized on the balance sheet as fixed asset in progress.

Note 27 – Transactions with related parties

The related parties identified by the Group are:

- Group shareholders owning more than 10% of the share capital;
- Members of the Board of Directors.

As of June 30, 2020, the amount of transactions completed with the Group's majority shareholder BOE Smart Retail (Hong Kong) Co, Ltd are:

€ 59,9M purchases to Chongqing BOE Smart Electronic Systems Co Ltd (manufacturing agreement or MSA);

Note 28 – Compensation paid to the C.E.O. and retirement plan (GSC)

The gross compensation paid to the Chairman and Chief Executive Officer for the past period amounts to EUR 275k in respect of their 2020 fixed compensation and 2019 bonus.

A contract under the Social Guarantee of Chief Executive Officers (GSC) was signed during 2012 to the benefit of the Chairman and Chief Executive Officer. The annual subscription for the year 2020 is €19 K. This contract includes the basic plan and a supplemental plan, providing compensation coverage over a 12-month period (former plan).

The compensation of the Chairman and CEO is detailed as follows:

Executive compensation in $ '000	**6/30/2020**	**6/30/2019**
Short term benefits	274,500	301,600
Post-employment benefits	0	0
Other long-term benefits	0	0
End of contract indemnities	0	0
Share-based payment	0	0

Note 29 –Credit, liquidity, and cash flow risks

Liquidity risk

To manage the liquidity risk that may Note 29 arise from the collectability of financial liabilities, whether at their contractual due date or early, the Group implements a cautious financing policy based in particular on the investment of its excess available cash in risk-free financial investments.

All short-term investments consist of term deposits.

Credit risk

The financial assets that could potentially expose the Group to credit or counterparty risk mainly correspond to:

- Trade receivables: customer acceptance procedures and related credit risk analyses are fully incorporated into the overall risk assessment process implemented by the Group. This risk is controlled on a daily basis through the collection and recovery processes. In addition, the large number of individual customers minimizes the risk of concentration of credit relating to trade receivables.

- and financial investments: the Group's policy is to spread out its investments over short-term monetary instruments, generally for less than one month, in keeping with rules of diversification and counterparty quality. The book value of financial assets recognized on the financial statements, which is presented net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group does not hold any significant financial assets that are outstanding and not impaired;

II.6 Consolidation scope

Company Name	Head office	Consolidation Method	% controlled 6/30/2020	% controlled 6/30/2020	% controlled 12/31/2019
SES-imagotag S.A.	France	(Parent)	(Parent)	(Parent)	(Parent)
SES-imagotag Pte Ltd	Singapore	GI	100	100	100
SES-imagotag Mexico srl. de cv	Mexico	GI	99	99	99
SES-imagotag Italia Srl.	Italy	GI	100	100	100
SES-imagotag Gmbh	Austria	GI	100	100	100
Solutions Digitales SES-imagotag Ltée	Canada	GI	100	100	100
Market Hub Technologies Ltd	Ireland	GI	100	100	60
SES-imagotag INC.	United States	GI	100	100	100
SES-imagotag Netherlands BV	Netherlands	GI	100	100	100
SES-imagotag Denmark Aps.	Denmark	GI	100	100	100
SES-imagotag Iberia S.L.	Spain	GI	100	100	100
SES-imagotag Deutschland GmbH	Germany	GI	100	100	100
Pervasive Displays Inc	Taiwan	GI	100	100	100
BOE Digital Technology CO Ltd.	China	GI	51	51	51
SES-imagotag PDI Digital	Austria	GI	70	70	70
Non-consolidated company (non-significant activity in H1 2020)					
SES-imagotag Hong Kong Ltc	Hong Kong		100	100	100

ses imagotag

KPMG Audit

Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

Deloitte & Associés

6, place de la Pyramide

92908 Paris la Défense Cedex

S.A.S. with a capital of €2,188,160

572 028 041 RCS Nanterre

SES-imagotag S.A.

Société anonyme

55, place Nelson Mandela

92000 Nanterre

Statutory auditors' review report on the half-year financial information

Period from January 1 to June 30, 2020

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

To the Shareholders of SES-imagotag S.A.,

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

- the limited review of the accompanying condensed half-year consolidated financial statements of SES-imagotag S.A. for the period from January 1 to June 30, 2020;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements were approved by the Board of Directors on September 28, 2020 based on the information available on that date in the evolving context of the COVID-19 health crisis and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our limited review.

Conclusion on the financial statements

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

Based on our limited review, nothing has come to our attention that causes us to believe that the condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union.

Specific verification

We have also verified the information presented in the half-year management report prepared on September 28, 2020 commenting the condensed half-year consolidated financial statements subject to our limited review. We have no comments to make on its fair presentation and its consistency with the condensed half-year consolidated financial statements.

Paris La Défense, September 30, 2020

The Statutory Auditors

KPMG Audit *Division of KPMG S.A.*	Deloitte & Associés
Grégoire Menou	Julien Razungles

Certificate from the person responsible for the Annual Report

I hereby certify that, to the best of my knowledge, the consolidated financial statements for this half year, have been drawn up in accordance with the applicable accounting standards and provide a true and fair view of the assets and liabilities, the financial position and the profits of the company and all companies included in the scope of consolidation, and that the Activity Report provides a true and fair view of the major events having occurred during the first six months of the financial year, their impact and the main transactions between related parties, as well as a description of the main risks and uncertainties to which the Group is exposed for the six months to come for that same financial year.

Mr. Thierry Gadou

Chairman & CEO