

vusion  
ses imagotag



Half Year  
Report **2023**

A VUSION for the Future

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<b>Introduction and presentation of the Group's activities</b>	<b>1</b>
<b>1. Half Year result</b>	<b>9</b>
1.1 Comments on Financial Results for the period ending June 30, 2023	10
1.2 Investments	12
1.3 Comments on Cash and Debt for the period ending June 30, 2023	13
1.4 Major KPIs	14
1.5 Post closing event	14
1.6 Outlook	14
<b>2. Risk factors and uncertainties</b>	<b>15</b>
2.1 Risk factors and uncertainties	16
2.2 Insurance program and internal control	17
<b>3. Half year financial report 2023</b>	<b>33</b>
3.1 Consolidated Balance Sheet	34
3.2 Consolidated Income Statement	35
3.3 Net income and comprehensive income	36
3.4 Changes in consolidated shareholder's equity	36
3.5 Consolidated statement of cash flows	37
<b>4. Notes to the Consolidated Financial Statements</b>	<b>39</b>
4.1 Accounting rules and methods	40
4.2 Highlights of the period	49
4.3 Subsequent events	49
4.4 Notes to the half year Consolidated Financial Statements	50
4.5 Other information	60
4.6 Scope of consolidation	62
<b>Statutory Auditors' Report</b>	<b>63</b>
<b>Certificate of the person responsible for the report</b>	<b>65</b>

## About SES-imagotag

# Global leader\*

## in digital solutions for physical retail

At SES-imagotag, we invent IoT and digital technologies that create a positive impact on society by enabling sustainable and human-centered commerce.

SES-imagotag is the global leader in digital solutions for physical retail, with more than 350 retailers in Europe, Asia and North America.

*\*Based on the Group's revenue as of December 31, 2022 and the revenue published by the main players in the ESL market over the same period.*

## Key Figures<sup>1</sup>

Founded in  
**1992**

**18**  
countries

Over **600**  
employees

**35,000**  
stores

**350 million**  
smart labels

**4 billion**  
Cloud interactions every year

**€621 million**  
in revenue

**350 customers**  
in more than 60 countries

## EcoVadis Platinum

80/100 on the environmental component

<sup>1</sup> Key figures at 31/12/2022.

## Message from the Chairman and CEO

The first half of 2023 was a watershed moment in SES-imagotag's history and marked the very successful start of our new 5-year strategic plan Vusion '27.

During the period we achieved strong profitable growth, acquired new large clients who are among the most admired retailers in the world and made decisive breakthroughs in the United States as well as strategic acquisitions in data analytics and AI. In addition, we finalized the Digital Shelf System (DSS) program, an innovation which allowed us to enter into a historical contract with Walmart. We also experienced positive cash flow and improvements in our operating performance.

As previously announced, the strong growth delivered in H1 2023 drove significant improvement in our financial results. Economic performance improved across all ESL and VAS business lines and ESL margins increased, thanks to the already perceived trend towards normalized electronic components and manufacturing costs at the end of last year. The improvement in the mix of VAS activities also contributed to our margin improvement. During the first half of the year, we also strengthened our portfolio of VAS solutions with the acquisitions of Belive and Memory, two companies providing cutting edge solutions in data analytics and AI.

Despite a challenging macroeconomic environment, we note with satisfaction that many retailers in the world continue to invest in the digital transformation of their main assets: physical stores. Innovation at the service of this transformation is the engine of our growth.

For the second half of the year, we anticipate ongoing strong growth in line with our objective of achieving full-year revenue of €800m and continued improvement in our profitability.



Thierry GADOU  
Chairman and CEO,  
SES-imagotag

## Vision & Mission

### Technology supporting retailers, consumers and brands

Physical retail is the world's largest industry. It alone accounts for more than 20% of global GDP and employment. It is therefore one of mankind's activities that has a sizeable impact on our societies. However, it faces critical challenges: food security, food waste management, the carbon footprint of in-store retail and the impact of logistics and packaging operations. Today, consumers aspire to a new, positive, omnichannel, sustainable, transparent, secure, and fair retail environment that respects personal data.

Against this backdrop, it is imperative to put technology at the service of individuals and consumers. Retailers can now harness the power of IoT, Cloud and AI technologies to transform physical stores into high-value, data-driven digital assets that are increasingly automated, connected to consumers and suppliers, and able to deliver efficient and seamless services thanks to transparent, omnichannel and personalized information, while guaranteeing the integrity and confidentiality of personal data. The digitization of physical stores helps accurately analyze in-store events in real time, ushering in a new era of enhanced collaboration between suppliers and retailers to improve efficiency, transparency, security and resilience of the entire chain.

As the world's leading in-store retail technology player, SES-imagotag's primary objective is to help retailers to achieve their digital transformation.

## Global ambition

Today, the Group is present in 18 countries, serving more than 350 retailers worldwide.

For 30 years, SES-imagotag has been supporting the growth of its long-standing customers (Leclerc, Intermarché, Système U, Auchan, Monoprix, Carrefour, etc.) as well as numerous international chains (Walmart, Media Markt, Saturn, Edeka, Jysk, Kesko, Spar, Colruyt, Rewe, T-Mobile, Coop, Euronics...), i.e. a total of more than 350 retailers worldwide.



\*Currently underway.

## Governance

The Group pursues a rigorous corporate governance approach in accordance with the recommendations of the AFEP MEDEF Code.

**50%** independent members | **50%** women | **61.9 years** average age | **4** citizenships | **13** meetings | **84%** attendance rate



Mrs Candace  
JOHNSON




Mr Thierry  
GADOU



Mrs Hélène  
PLOIX




Mr Peter  
BRABECK-LETMATHE



Mr Franck  
MOISON




Mrs Cenhui  
HE






Mr Rengui  
CHEN



Mrs Fangqi  
YE

**Audit Committee**  
 Chair  Member

**ESG, Nomination and Remuneration Committee**  
 Chair  Member

### Audit Committee

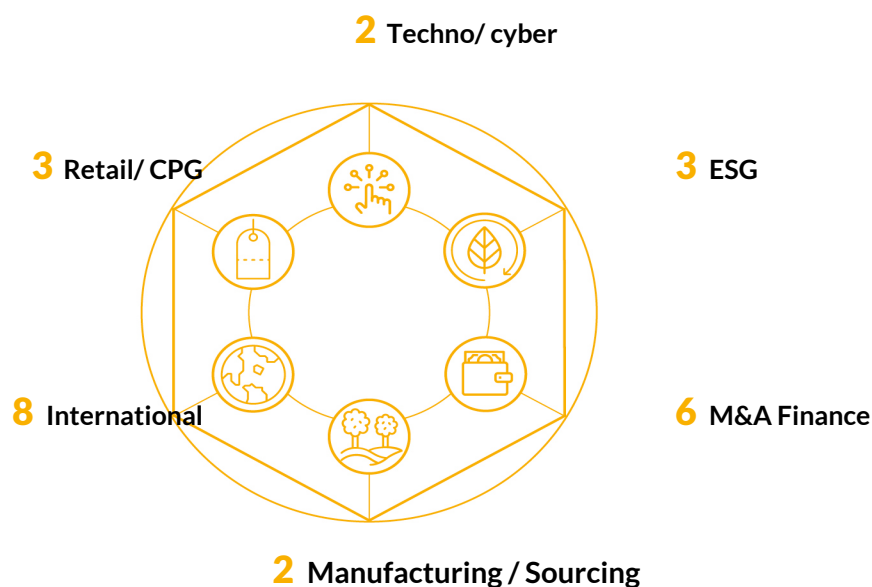
**3** members  
**66%** independence rate  
**92%** attendance rate  
**4** meetings

### ESG, Nomination and Remuneration Committee

**3** members  
**100%** independence rate  
**100%** attendance rate  
**3** meetings



The responsibilities within the Board of Directors are distributed as follows:



## Composition of the Board as of December 31, 2022

At December 31, 2022, the Board was composed of eight directors, including four independent directors, and one non-voting member. The Company therefore complies with the AFEP-MEDEF Code recommendation specifying that the proportion of independent directors must be at least half, in companies with dispersed capital and without controlling shareholders.

	Age	Gender	Citizenship	Number of mandates in listed companies	Independence	Date of first appointment	Term of office	Years attending the Board	Individual Board attendance rate	Audit Committee	ESG, Nomination and Remuneration Committee
Thierry GADOU	56	M	French	0	-	January 18, 2012	General meeting 2023	10 years and 11 months	100%		
Peter BRABECK-LETMATHE	78	M	Austrian	0	Yes	November 28, 2022	General meeting 2023	1 month	100%		
Candace JOHNSON	70	F	American	0	Yes	August 31, 2012	General meeting 2023	10 years and 6 months	100%	X	
Franck MOISON	69	M	French	2	Yes	June 29, 2020	General meeting 2023	2 years and 6 months	100%	X	X
Hélène PLOIX	78	F	French	1	Yes	February 6, 2018	General meeting 2024	4 years and 10 months	92%	X	X
Fangqi YE	53	F	Chinese	0	-	February 6, 2018	General meeting 2024	4 years and 10 months	23%		
Rengui CHEN	56	M	Chinese	0	-	March 28, 2022	General meeting 2024	2 years and 6 months	100%		
Cenhui HE	35	F	Chinese	0	-	June 29, 2020	General meeting 2023	2 years and 6 months	85%	X	
Johnson LEE	45	M	Chinese	1	Non-Voting Director	June 22, 2018	Board of Directors post General meeting 2024	4 years and 6 months			





# 2023 Half Year Results

1.1 Comments on Financial Results for the period ending June 30, 2023	10
1.2 Investments	12
1.3 Comments on Cash and Debt for the period ending June 30, 2023	13
1.4 Major KPIs	14
1.5 Post closing events	14
1.6 Outlook	14

Pursuant to European Regulation on international accounting standards, the consolidated financial statements of the SES-imagotag group for the period ended June 30th, 2023 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.

€m	H1 2023	H1 2022	Changes	
<b>Revenues</b>	<b>380.7</b>	<b>285.9</b>	<b>+33%</b>	
<b>Variable Cost Margin</b>	<b>92.2</b>	<b>61.1</b>	<b>+51%</b>	
	% rev.	24.2%	21.4%	+2.8pts
Operating expenses	(48.7)	(35.7)	+36%	
	% rev.	-12.8%	-12.5%	-0.3pts
<b>EBITDA</b>	<b>43.5</b>	<b>25.3</b>	<b>+72%</b>	
	% rev.	11.4%	8.9%	+2.5pts
Depreciation and Amortization	(15.5)	(13.0)	+19%	
Non-recurring / non-cash items	(5.3)	(3.9)	+35%	
<b>Operating Income</b>	<b>22.7</b>	<b>8.4</b>	<b>+171%</b>	
	% rev.	6.0%	2.9%	+3.1pts
Financial Income / (expense)	(0.5)	(1.1)	-54%	
Tax	(7.1)	(2.4)	+193%	
<b>Economic Net Income / (loss)<sup>1</sup></b>	<b>15.1</b>	<b>4.9</b>	<b>+209%</b>	
	% rev.	4.0%	1.7%	+2.3pts
Fair value revaluation of warrants	76.4			
<b>Net Income / (loss)</b>	<b>91.5</b>	<b>4.9</b>	<b>+1,771%</b>	
	% rev.	24.0%	1.7%	+22.3pts

## 1.1 Comments on financial results for the period ending June 30, 2023

### Revenues

Revenues in €m	H1 2023	H1 2022	Changes
Europe & MEA	317.8	221.3	+44%
America & Asia	62.9	64.6	-3%
<b>Group total revenues</b>	<b>380.7</b>	<b>285.9</b>	<b>+33%</b>

#### Strong revenue growth

Total revenue in H1 2023 grew +33% versus the previous year, for a total of €380m, in line with the annual target. Order entries during the first half of the year grew +35% versus H1 2022 to €518m, driven notably by wins in the United States.

This performance was achieved despite a challenging environment for retailers, with high inflation, lower consumption in volume terms, and strong downward pressure on margins.

#### Sales momentum by region

Revenue in the EMEA region (Europe, Middle East, Africa) reached €318m, representing strong growth of +44% versus H1 2022. The first half of the year saw the continuation of large deployments in Europe, as well as the recent signing of several large contracts.

<sup>1</sup> This indicator defines the Net Income before the impact deriving from the revaluation under IFRS of the fair value of the warrants to be vested

Top line in the Americas and Asia-Pacific region totaled €63m in the first half of the year, a slight decrease versus the period one year ago, but still delivering strong growth of +27% on a like-for-like basis<sup>2</sup>. This growth was fueled principally by North America, where the company registered a number of successes in the first half of the year, including a large contract with Walmart, and several new deployment contracts across food retail, non-food retail and convenience store chains.

### Software, Services and Non-ESL Solutions (VAS<sup>3</sup>)

VAS revenue includes : VUSION Software licenses and SaaS platform; maintenance contracts; professional services (installation, set-up fees, project management, engineering services for custom solutions, etc.); Captana revenues from cameras, sensors and SaaS; Pulse and In the Memory Data Analytics SaaS platform; Engage solution (video rail, digital signage and V-ads SaaS platform); and Industrial IoT solutions (PDi Digital).

In H1 2023, VAS revenue totaled €53m, a +18% growth rate compared to H1 2022, and equivalent to 14% of the company's total revenue for the period.

Within the context of the challenging macroeconomic environment, some retailers slowed down or postponed implementing new projects thus resulting in slower VAS sales growth.

Nevertheless, the recurring portion of VAS revenue – although still a small proportion of total VAS top-line -- has continued to grow strongly, thus improving the average profitability of the VAS offer.

### Strong Profitability growth

The **variable cost margin (VCM)** was the main driver of profitability growth. VCM totaled €92.2m in H1 2023, compared to €61.1m in H1 2022, or +51% growth and a margin rate of 24.2% compared to 21.4% in H1 2022 (+2.8 points).

This improvement in the VCM ratio was driven primarily by:

- ESL margin improvement, resulting from a normalized electronic component cost environment following two years of increases related to the COVID pandemic, optimized procurement, and higher volumes. This momentum should continue into the second half of 2023.
- The margin on VAS business lines has also improved due to a more favorable mix driven by higher growth of subscription services and other recurring revenue streams.

The growth in the VCM rate should continue through the coming semesters and will be the main driver of the improvement in the EBITDA margin.

**Operating expenses** increased from 12.5% of revenue in H1 2022 to 12.8% in H1 2023.

This slight growth in the operating expense ratio is due to the acquisition of the companies Memory and Belive which were completed during the first half of 2023. The revenue models of the acquired companies are typical of software companies, with higher margins and higher operating expenses. However, these acquisitions are together accretive to SES-imagotag's EBITDA margin.

Excluding the impact of these acquisitions, the operating expense ratio continued to improve and totaled 11.7%, or a -0.8 point reduction compared to H1 2022.

EBITDA totaled €43.5m in H1 2023, compared to €25.3m in the first half of 2022.

The **EBITDA** margin grew to 11.4% in H1 2023, compared to 8.9% in H1 2022, or an increase of +2.5 points over the 12-month period. This improvement, in both absolute and percentage terms, is due primarily to the improvement in the VCM ratio, which in turn was driven by margin improvement in both the ESL and VAS business lines.

**Depreciation and amortization expense** increased by +19% between H1 2022 and H1 2023, from -€13.0m to -€15.5m. This increase reflects the significantly higher level of R&D and innovation investment (Cloud, Engage, Captana, IoT, new color e-Paper range), industrial projects, IT and process digitalization (Salesforce, Microsoft), and performance improvement (SAP project).

Non-recurring and non-cash items totaled -€5.3m in H1 2023, made up of the cost of the employee performance share plans (IFRS 2) totaling -€4.4m (with no cash impact) and the expenses related to the acquisition of Belive and Memory for a total of -€0.9m.

### Operating income

The Operating Income (EBIT) totaled €22.7m in H1 2023 vs. €8.4m in H1 2022 an increase of +171%.

<sup>2</sup> As a reminder, SES-imagotag's H1 2023 consolidated revenue no longer includes revenue from the Chinese subsidiary (sold in September 2022) which totaled €15m in H1 2022.

<sup>3</sup> VAS is the acronym for Value-Added Solutions & services.

### Net financial expense

The net financial expense in H1 2023 was -€0.5m, compared to a net financial expense of -€1.1m in the first half of 2022. It was accounted for mainly by:

- debt-related financial expense of -€4.6m;
- net impact of exchange gains and losses totaling +€4.7m; and
- IFRS 16 restatement of -€0.1m.

Pre-tax income totaled +€22.2m in H1 2023, compared to +€7.3m in H1 2022. The tax charge in H1 2023 was -€7.1m compared to a charge of -€2.4m during the first six months of 2022.

### Economic net income

Economic net income (net income excluding the impact of the Walmart warrants) in H1 2023 is a positive €15.1m, of which -€0.1m is allocated to minority interests, compared to a net profit of €4.9m in H1 2022.

### Impact of the fair value revaluation of warrants

On June 2, 2023, the Shareholders' Meeting approved the grant of 1,761,200 stock warrants to Walmart. Under IFRS standards the fair value of such warrants must be assessed. The fair value was calculated and estimated at a total of €163m as of June 2, 2023. A contract asset and a financial debt totaling this amount were booked in the consolidated financial statements. The contract asset will not be revalued and will be amortized on a prorated basis, in line with the revenues generated by Walmart during the roll-out phase of the Vusion platform in the Walmart stores. The financial debt will be revalued at every closing of accounts, based notably, on the number of warrants still to be vested and the share price of SES-imagotag. Any change in the valuation of the warrants to be vested will impact the financial income in the consolidated financial statements. As of June 30, 2023, the share price of SES-imagotag decreased vs. June 2, 2023 which also decreased the fair value of the warrants granted to Walmart. The new valuation generated €76m of financial income which was booked in SES-imagotag's consolidated financial statements. The Group will disclose the impact of such IFRS restatements on the revenues and the net income at every closing.

### Net income

Net income is a positive €91.5m of which -€0.1m is allocated to minority interests compared to net profit of €4.9m in H1 2022.

## 1.2 Investments

€m	H1 2023	H1 2022
IT and R&D capitalized expenses	44.9	12.8
Industrial	1.6	1.4
Hardware as a service	0.3	0.5
Others	1.3	1.1
<b>Total CAPEX</b>	<b>48.0</b>	<b>15.8</b>

**R&D and industrial investments** grew as compared to H1 2022, marking the final development phase of the latest generation Digital Shelf System (DSS) which amounts close to €32m capital expenditures on H1 2023. This phase includes large-scale operating tests of prototypes and pilot manufacturing lines. It is this revolutionary platform - in terms of materials (hardware), software and radio - that led to the signing of the large ESL roll-out contract with Walmart in the US in H1 2023, and that should strengthen SES-imagotag's competitiveness and capacity for profitable growth in the years to come. The intensive investment phase of this program has been finalized.

**IT investments** (€5.3m in H1 2023 and €3.8m in H1 2022) enabled the extension of SAP coverage to a larger number of affiliates and also focused on cybersecurity. Concerning the latter, SES-imagotag received ISO 27001 certification in H1 2023.

Investment totaled €48.0m in H1 2023, compared to €15.8m in H1 2022. As the DSS program winds down, investments will decrease sharply in H2 2023 to end the year at around 8% to 9% of revenue and are expected to decrease to a target range of 5% to 7% of revenue from 2024 onwards.

## 1.3 Comments on cash and debt for the period ending June 30, 2023

### Strong cash flow improvement, in spite of strategic investments in R&D and external growth

In H1 2023, SES-imagotag generated positive free cash flow of €34.5m, compared to a net cash burn of €13.7m in H1 2022.

This positive free cash flow generation primarily reflects improvements in profitability and working capital, which should continue into the second half of the year driven by:

- Growth in the company's EBITDA before IFRS16 which increased by €17.8m (+73%) from €24.2m in H1 2022 to €42.0m in H1 2023;
- The significant improvement in all the components of the operating working capital (accounts receivables, inventory, accounts payables ) which decreased by almost €10m between year-end 2022 and June 30, 2023, despite the strong growth in operating activity. This improvement was driven primarily by the optimization of inventory levels (-€5m between year-end 2022 and June 30, 2023) and customer receivables that represented 47 days of revenue compared to 60 days of revenue at year-end 2022.

During the first half of the year, SES-imagotag made several strategic investments:

**The acquisitions of Memory and Belive** have been valued on an EBITDA multiple that is lower than SES-imagotag's, for close to €90m.

**R&D and industrial investments** are detailed in section 1.2 above.

In addition to the structural improvement in working capital, SES-imagotag has benefited from growth in client down payments, in line with the high level of order entries which totaled €0.5 bn in H1 2023.

Excluding the H1 2023 extraordinary and non-recurring items discussed (Walmart down payment, the acquisition of Belive and Memory, and investments in the DSS program) SES-imagotag generated free cash flow of €20m in the first half of the year.

### Improved capital structure

At the end of June, the company had cash of €193m.

Financial debt (before IFRS 16 and IFRS 9) totaled €199m, for net financial debt of €6m and a net debt/last 12-month EBITDA ratio of 0.1x, compared to 0.7x at year-end 2022.

## Cash Flow statement

€m	H1 2023	H1 2022	
EBITDA before IFRS16 impact	42.0	24.2	
Capex	(48.0)	(15.8)	
Change in Working Capital	128.8	(21.6)	
<b>Operational Cash-flow</b>	<b>122.7</b>	<b>(13.2)</b>	
Net financial expense	(1.1)	(0.8)	
Tax	(0.9)	(0.3)	
Other	0.6	2.4	
Financial investments	(91.5)	(1.7)	
Impact of the changes in consolidation scope	4.7		FY 2022
<b>Change in Net Debt (before IFRS 16 and IFRS 9)</b>	<b>34.5</b>	<b>(13.7)</b>	<b>(48.8)</b>
<b>Net Cash / (Debt) before IFRS 16 and IFRS 9</b>	<b>(6.0)</b>	<b>(5.4)</b>	<b>(40.5)</b>
Cash	193.4	75.7	33.9
Debt (before impact of IFRS16 & IFRS 9)	(199.4)	(81.1)	(74.4)

## 1.4 Major KPIs

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.

The Group considers EBITDA to be a performance indicator that presents operating income before depreciation and amortization of fixed assets, restated for some items during the period that affect comparability with previous reporting periods. It also represents a good approximation of the cash flow generated by operating activities before taking into account investments and changes in working capital. Consequently, restatements include significant non-recurring items or items that will never lead to a cash disbursement

The Variable Cost Margin consists in deducting the cost of goods sold as well as installations costs and transportation costs, from the total revenue.

Bridge between operating result and EBITDA is as follows:

€ m	H1 2023
<b>EBITDA</b>	<b>43.5</b>
- Capital/ Debt related fees	(0.9)
- Share-based payments (IFRS 2)	(4.4)
- Depreciation and amortization expense of tangible and intangible assets	(15.5)
<b>Operating profit (loss)</b>	<b>22.7</b>

### Net debt/net cash:

These indicators define, respectively, the Group's net financial debt or net cash position, calculated based on the following consolidated balance sheet items: (-) Loans (-) Current and non-current lease liabilities (IFRS16) (+) Cash and cash equivalents.

If the result is negative, the level of Loans exceeds the level of Cash and Cash equivalents, and is therefore considered net debt or net financial debt. If, however, the result is positive, then the level of Loans is lower than the level of Cash and Cash equivalents and is considered Net Cash.

### Change in Working Capital Requirement

Change in working capital is calculated based on the following items from the consolidated balance sheet: (+)Trade receivables (gross value, before depreciation) (+) inventory and work-in-progress (gross value, before depreciation) (-) trade payables (+) current taxes (+) other current receivables (-) other debt and accrual accounts.

### Economic net income

This indicator defines the Net Income before the impact deriving from the revaluation under IFRS of the fair value of the warrants to be vested

## 1.5 Post closing event

None

## 1.6 Outlook

For the second half of 2023, SES-imagotag anticipates revenue in line with the annual target of €800m, with a strong Q4 both in terms of sales and order entries, as well as continued profitability growth driven by ongoing improvements in manufacturing costs.

For 2024, the company anticipates ongoing strong growth, driven in particular by an acceleration of sales in the United States, and growing profitability.





## Risk factors and uncertainties

<b>2.1 Risk factors and uncertainties</b>	<b>16</b>
2.1.1 Risks associated with the Group strategy	
2.1.2 Operational and technical Risks	
2.1.3 Legal and compliance related risks	
2.1.4 Financial risks	
<b>2.2 Insurance program and internal control</b>	<b>33</b>
2.2.1 Insurance policy	
2.2.2 Internal control and Risk management policy	

## 2.1 Risk factors and uncertainties

Before purchasing Company shares, investors are invited to examine all of the information contained in this annual report, including the risk factors described below. These risks are, at the registration date of this annual report, those which the Company believes could have a material adverse effect on the Group and its business, financial position, results, outlook and share price, and which are important for making investment decisions. However, we draw investors' attention to the fact that the list of risks presented below is not exhaustive and that other risks may or may not exist that are unknown or whose occurrence is not considered as likely have a material adverse effect on the Group and its business, financial position, results or outlook at the registration date of the this report.

The Audit Committee assesses the risks that may have consequences for the Group's business, as well as the appropriateness of the procedures implemented. The Audit Committee's findings and conclusions are presented to the Board of Directors, which approves the main risk factors included in this report.

In accordance with the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, this chapter presents the main risks that may, as of the date of this report, affect the Group's business, financial position, reputation, results or prospects. These risks have been identified in the context of the Group's risk mapping, which assesses their criticality, i.e., their severity and probability of occurrence, after taking into account the action plans in place (described in the "Risk Management" section for each risk factor). Within each of the risk categories mentioned above, the risk factors that the Company considers, at the date of this report, to be the most significant (indicated by an asterisk \*), particularly in terms of their criticality, are mentioned first.

TYPE OF RISKS IDENTIFIED	
<b>Strategic</b>	
	Economic conditions*
	Geopolitics*
	Climate change
	The Group's development
	Competitive environment
	Technological changes
	Acquisitions
	Suppliers shareholders
<b>Operational</b>	
	Supplier dependency, industrial partners/EMSs, and the supply and cost of components*
	Safety and security, cybersecurity and data privacy*
	Defective products and services*
	Human resources*
	Customer dependency
	Life cycle/Obsolescence
	Management
	Corruption/Ethics
	Health risk
<b>Legal and compliance</b>	
	Intellectual property
	Listed Company and financial information
	Regulations
	Taxation
	Ongoing litigation and investigations
<b>Financial</b>	
	Exchange rate*
	Liquidity
	Counterparty

Within each of the risk categories mentioned above, the risk factors that the Company considers, at the date of this report, to be the most significant (indicated by an asterisk \*), particularly in terms of their criticality, are mentioned first.

## 2.1.1 Risks associated with the Group strategy

### 2.1.1.1 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: recessions and deflation can dampen demand.

In addition, the introduction or increase of customs barriers and other trade restrictions by some countries could cause a slowdown in world trade. This could adversely affect the growth of the global economy and, consequently, the Group's business.

Moreover, insofar a large part of the Group's products are assembled by External Manufacturing Services (EMS's) located in China, the increase in customs barriers could lead to a contraction in exports of the Group's products to the rest of the world.

In addition, during periods of economic recession, some of the Group's customers may experience financial difficulties that could lead to payment delays or even arrears.

According to forecasts (source: International Monetary Fund, Global Economic Outlook, January 2023), global growth remains subject to the negative consequences of the COVID-19 pandemic, which are expected to continue in 2023, as well as to the current geopolitical context marked by the Russian-Ukrainian crisis, offering very limited visibility for most economic players regarding their activities. Growth is expected to slow from 3.4% in 2022 to 2.9% in 2023, and remains below the historical average (2000-19) of 3.8%.

The COVID-19 outbreak in China slowed growth in 2022 and may slow the recovery in 2023. The war in Ukraine could intensify and the tightening of financing conditions on a global scale could accentuate over-indebtedness: economic progress could therefore be hampered in the event of increased geopolitical fragmentation.

If the current economic environment were to deteriorate, this could have a material adverse effect on the Group and its business, financial position, results and outlook.

**Global economic risk management:** the Group constantly monitors global economic conditions (economic growth, inflation, exchange rates, borrowing rates, customs barriers, etc.). The Group benefits from a global and diversified portfolio of countries and geographical regions to optimize its overall growth, reduce its regional dependence and improve its risk profile.

This strategy proved its relevance during the health crisis: as some regions remained very dynamic and others were severely affected by the crisis, the Group managed to maintain strong overall growth (the Group's revenue growth reached 47% in 2022).

**Management of the risk of trade restrictions (customs barriers or specific taxes, etc.):** the Group has a global network of specialist correspondents (lawyers and tax specialists) who help it understand regulatory changes likely to have an impact on the Group's business. In the specific case of customs duties applied in the United States on products manufactured in China, the Group has developed and keeps on developing a multiple-supply-chain locations, both in Asia and the Americas (Mexico).

### 2.1.1.2 Risks associated with geopolitics events\*

Significant geopolitics events may have an adverse effect on the safety of our business, economic turmoil as well as organizational malfunctioning. Depending on the location of the geopolitics events, criticality may vary for the Group, nevertheless, the concerns may involve: our own employees health and safety, sourcing risks, logistics routes or logistic capacities availability, cyber risks, customer credit issues, and potential stalled situation in market development for several regional areas.

Regarding the specific situation in Ukraine, the Group has not planned for a significant business development in this area. Organizational malfunctioning (logistics) is the key issue induced by this Ukrainian crisis as logistic routes connecting Europe to Asia cross China, Kazakhstan, Russia, Ukraine and Poland.

Regarding Cyber risks please refer to paragraph 2.1.2.2.

Regarding Customer dependency please refer to paragraph 2.1.2.5.

**Risk management related to geopolitical events:** the group's managers (in particular the supply chain and logistics departments) are constantly monitoring the various difficulties that their service providers could face, and, in the specific context of the Ukrainian crisis, with the help of its logistics service providers and in coordination with its insurance broker, the Group has planned alternative routes through the Baltic States while managing the number of trucks per convoy. In addition, traditional shipping routes remain an operational option.

### 2.1.1.3 Risks related to the Climate Change

Climate-related risks and opportunities have been put into a timeline for the Group with a deadline set for 2030: the Group will step up year on year its commitments to reducing its carbon footprint and developing solutions for a more sustainable and more responsible retail.

In this context, the main risks identified are :

- In the short term, all SES-imagotag stakeholders expect measures to be taken to tackle climate change. Not responding to these expectations constitutes a risk factor that could affect the Group's reputation.
- In the medium term, as we transition towards a more sustainable economy, one major challenge relates to potential new regulations enforcing a global or regional carbon pricing system, which would have direct financial consequences on all companies.
- Then in the long term, if the global ecological transition does not happen apace, rising temperatures and water scarcity could have a direct impact on our supply chain as well as the energy supply for our data centers;

The Group has pledged the following commitments within the context of its **low carbon strategy**:

- a) To foster "Positive Retail" by increasingly converting physical stores into more efficient digital assets capable of reducing inventory and food waste, promoting the local supply chain and promoting a low-carbon e-commerce thanks to the leveraging of existing physical stores for a local deliveries network, hence avoiding the construction of a multitude of picking platforms, finally to encourage responsible consumption by providing better information to consumers.
- b) To promote the eco-design of the hardware to lower the number of required components, to streamline the IT infrastructure, to prolong its useful life, thereby lowering energy consumption and, therefore, the carbon emissions (scopes 1, 2 and 3) of the Group's activity;
- c) To encourage our customers to collect used labels to give them a "second life" and promote a circular economy.

The Group has regularly commissioned numerous evaluations of its ESG action plan (completed by specialized rating agencies), while continuously making efforts to improve using these benchmarks and comparisons to gauge the effectiveness of the Group's climate change strategy.

A specific communication, dedicated to the Group's social, societal and environmental responsibility, is also developed on the Group's website.

The Group is carefully tracking **regulatory changes** to anticipate not only their implementation but also any potential consequences, such as disruption to the supply chain, which could then lead to increased costs or supply interruptions.

In this context, the Group has:

- established an environmental management system that received ISO 14001 certification in 2022;
- introduced a systematic audit of the majority of its suppliers, through the "ECOVADIS responsible purchasing" program, which ensures, among other things, compliance with international environmental standards (water management, standards for the handling of chemicals, etc.) - Section 4.5.2 of this report gives precise details of this action plan;
- analyzed its compliance with the European taxonomy regulations - (Section 4.4 of this report details this analysis) and, in this context, plans to carry out an analysis of the effects of climate change on its activity in 2023;
- plans to review, in the course of 2023, the effects of the Corporate Sustainability Reporting Directive (CSRD) published on December 16, 2022 in the Official Journal of the European Union, on corporate sustainability reporting.

The first review of the current situation consisted of carrying out an initial carbon assessment (scopes 1, 2 and 3) in order to build a carbon reduction plan based on this initial calculation. Details of the carbon footprint and related indicators are available in the Section 4.3.1 of the 2022 URD, as well as on the Company's website, [www.ses-imagotag.com](http://www.ses-imagotag.com).

In addition, the Group has examined the potential benefits for its customers of the solutions it markets, particularly in terms of avoided carbon emissions (see section 4.3.3 of the 2022 URD).

To respond to the risk of more frequent and extreme natural disasters and phenomena, given that our employees are for the most part located in geographical areas not subjected to extreme natural disasters and so their safety is not at great risk, the measures envisaged are mostly geared towards operational continuity, both in terms of services provided by our cloud platform and the production of hardware (IoT devices):

- a) Strategies to continue the activity of our cloud platforms have been implemented with the support of our subcontractors and partners, allowing us to provide these services from different sites. The Group has also been ISO 27001 (information security management) certified in 2023.
- b) Suppliers of components and electronic labels also have their own supply chains and could potentially encounter similar problems. In 2021, the Group mitigated this risk through its supply chain audit program conducted in partnership with EcoVadis, its active multi-sourcing policy and the opening of a third label assembly site on the American continent.
- c) The effective analysis of the resilience of the Group's business model and its adaptation to the impacts of climate change will be a key element in the response to the risks of natural disasters: the Group has already assessed the climate risks at its main storage sites but intends to continue this research, in order to examine exposure to climate hazards and assess resilience of operations.

Please refer to section 4.3.4. of the 2022 URD for further details regarding the climate related risk analysis (through TCFD reporting standards).

### 2.1.1.4 Risks related with the Group development strategy

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

- increase revenue of the traditional electronic labelling solutions business, both in mature markets and on international markets currently adopting the solutions marketed by the Group;
- increase revenue from value-added services;
- increase revenue from the development of new verticals and new markets excluding food distribution;
- control the Group's operating and development expenses during periods of very strong business growth;
- develop the benefits and synergies expected from its various partnerships.

If the Group is unable to achieve these business development targets, this could have a material adverse effect on the Group, its business, financial position, results and outlook.

**Risk management related to the Group's development strategy:** limiting the risk consists in:

- a commercial development plan leading to a diversification of the geographical risk;
- a close performance monitoring: the Finance Department produces monthly performance analyses and periodic forecasts, and regularly informs the Board of Directors of performance, possible deviations from the budget trajectory and corrective measures implemented by management;
- significant R&D investments and intellectual property portfolio;
- investment in talented and skilled human resources, as well as a strong focus on retention, incentive programs such as performance shares plans.

### 2.1.1.5 Risks related to the competitive environment

The Group faces intense competition from international players, mainly from Asia, seeking to acquire market share through price wars, a fairly standard phenomenon in the technology sector.

If the Group does not have sufficient financial resources or the necessary skills, particularly in a context of technological change, to preserve the differentiation and added value of its products, the Group's business and financial results could be materially and adversely affected.

These competitive pressures weighing heavily on equipment sale prices could erode the Group's sales and profitability and undermine its outlook.

In addition, an effort to consolidate the various players in the market in which the Group operates, in particular its customers in the retail sector or upstream the value chain among industrial assembly manufacturers or component suppliers, could modify the competitive landscape of the electronic labeling industry and drive down prices, costs and margins.

**Competitive risk management:** the Group applies a strategy to prevent these risks based on several priorities:

- active and global competitive intelligence. Ongoing efforts to improve industrial competitiveness and reduce costs, in particular based on strong purchasing expertise and a leadership strategy regarding market share maximizing economies of scale;
- focus on targeted markets where our differentiation strategy through services can play out favorably and where we aim at a significant market leadership and market share;
- significant investments in R&D and innovation (see next section) that aim to establish strong differentiation and add value, reinforced by an active policy in terms of filing and defending our intellectual property;
- a differentiation of our offer through services;
- lastly, the Group is developing close ties, particularly in terms of capital, with key players in the value chain (BOE technology, E Ink group, Qualcomm incorporated...), in order to deepen its cooperation and converge its interests with these key players.

### 2.1.1.6 Risks related to technological developments

Certain technological innovations introduced by competitors or new entrants could make it possible to meet the expectations of the Group's customers in a more efficient or cost-effective manner, and thus weaken the Group's financial and business position.

**Technology risk management:** the Company conducts an active global technology watch in areas related to its business (digital display technologies, radio protocols, connected objects, computer vision, artificial intelligence, etc.). It invests significant amounts in R&D and intellectual property (see paragraph 5.1.2 "Investments" of this universal registration document). It makes acquisitions of patents or companies with missing and important technologies (Imagotag, Findbox, PDI, and MarketHub) and establishes technological partnerships with technological companies in order to benefit from a strong ecosystem (Microsoft, SAP, Qualcomm, BOE, E Ink, etc.).

Regarding risks related to Intellectual property, please refer to section 2.1.3.

### 2.1.1.7 Risks related to acquisitions

As part of its development policy, the Group has carried out growth transactions (notably through acquisitions, such as the recent acquisition of In the Memory and of BeLive, during H1 2023). Although the Group examines and appraises any investment project under a very strict due diligence procedure, the assumptions underlying the profitability of these investments may be proven false or the consolidation of the acquired companies could fail. Indeed, the consolidation of acquisitions, especially if they are significant in size, may require the implementation of a complex, long and expensive process. It may also involve a number of risks, such as having to bear costs and expenses to deal with unforeseen events, the fact that management diverts its attention from day-to-day operations, and increased engagement of management teams due to the increase in the volume and scope of business following the acquisition.

In addition, the Group cannot guarantee that an acquisition will generate the potential synergies expected, the expected cost savings, an increase in results and cash flow, improved operational efficiency and more generally the benefits that the Group can expect. If the Group fails to effectively consolidate a new acquisition, this could have a detrimental effect on its business, financial position, results, development and outlook.

**Risk management:** the Group has proven an impressive track record in extracting value from its past acquisitions, an ability to achieve the proper integration of technology, sales and above all, human capital, by building up loyalty through:

- the entrepreneurial culture, as the Group has implemented synergies while maintaining sufficient autonomy;
- financial incentives linked to the achievement of objectives, as the Group also strives to ensure the loyalty of the management teams of the acquired companies.

### 2.1.1.8 Risks related to relations with shareholders partners

The Group's shareholders include companies that are also suppliers and technological or industrial partners. BOE, its main supplier and industrial partner, is also a major shareholder in the Group with 32.37% of the share capital and voting rights, as of 30 June 2023. As such, BOE exercises a certain influence over the Company. It is possible that the interests and objectives of BOE do not always converge with those of the Company or those of its other shareholders.

Lastly, the BOE group and the companies it controls may acquire companies that compete directly with the Group's companies or that have business relations with the Group.

**Risk management:** when the partners are also shareholders, the Group pays close attention to the conflict of interest that may arise. Governance takes the form of an audit and review of regulated and current agreements between interested parties, in order to preserve the competitiveness of business and industrial agreements in relation to economic market conditions. Moreover, members of the Board representing shareholder partners do not take part into these agreements review. In addition, the Group applies a competitive intelligence and multiple-sourcing policy to protect its interests, more precisely through market prices benchmark regarding its supply chain purchases.

## 2.1.2 Operational and technical Risks

### 2.1.2.1 Risks related to dependency with regard to suppliers, industrial partners/EMSs, and the supply and cost of components \*

The Group has outsourced all of its equipment production (electronic labels) to leading industrial partners specializing in the assembly of electronic products (“external manufacturing services” or EMS), including BOE, a major shareholder. In the event of an increase in demand or if the Group needs to replace an existing EMS, it cannot be certain of the existence or availability of additional production capacity on acceptable terms. In addition, the use of new production units may lead the Group to suffer production delays and incur additional costs due to the time it will have had to spend training new EMSs on the Group's methods, products, and control, quality, work, environmental footprint, health and safety standards. In addition, production by one or more EMSs could be interrupted or delayed, temporarily or permanently, due to economic, social or technical issues, such as the insolvency of an EMS, the failure of production sites or an interruption in the production process due to social movements beyond the control of the Group or due to health crises, such as the Coronavirus pandemic. 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 its ability to achieve its objectives.

**Supplier dependency risk management:** the first-tier subcontractors with whom the Group organizes its production of electronic equipment have several factories located in different regions in Asia and in Mexico: switching production capacity locations is possible, within the framework of a business continuity plan.

In addition, in order to secure production capacity that meets the Group's ambitions, an exclusivity agreement was signed in 2019 with the BOE group's Chongqing plant. The five-year volume projections indicate that the Company will not use the entire production capacity currently installed by the plant. In order to ensure the exclusivity of the production capacity of Chongqing BOE Smart Electronics System Co., Ltd, the Company decided to enter into an exclusivity agreement whose value was estimated by comparing the assumed capacity utilization rate of production capacities at a utilization rate of 100%.

The Group also relies on a good supply of electronic components and screens in order to carry out industrial scheduling with these EMSs. The failure of one or more component or screen suppliers, including as a result of social movements, unexpected stock-outs, quality defects, export restrictions or sanctions, health crises, and more generally, any disruption in supply, in particular due to tensions on the supply of electronic components.

Component costs represent a substantial portion of the Group's purchases, which amounted to €480.2 million for the year ended December 31, 2022, and of the Group's variable costs, which recorded a margin on variable costs of €131.4 million for the year ended December 31, 2022. Any substantial increase in component costs, due in particular to a contraction in supply or a concentration of the Group's suppliers, could therefore have a material adverse effect on the Group's contribution margin, and more generally on the Group's business, financial position, results and outlook if the latter is not able to pass it on to its customers within a reasonable period of time.

**Risk management related to the supply of components:** as the risk of a shortage of electronic components or screens is a clearly identified risk in the electronics industry, the Group is particularly vigilant in implementing a policy of multiple sources of supply and ensures that its industrial forecasts are consistent with business forecasts, the objective of which is to prevent any risk of a shortage of components. The objective is to avoid any risks of components shortages.

**Risk management related to supply disruption:** in order to better anticipate risks of supply disruptions due to shortages, supplier failures or natural risks, a multiple-supply policy for components is systematically applied when possible, and in some cases safety inventories are set aside for critical components.

In addition, supply also depends on smooth and timely supply chain and logistic flows. The failure or delay of a service provider or any tension within the supply chain, due to social movements, shortages in the availability of resources or means of transport, particularly container ships, strikes, export restrictions, a health crisis or transit crisis, could result in the Group being unable to deliver to its industrial subcontractors or to its customers and lead to additional costs or even the cancellation of orders that could adversely affect its business, results, financial position or outlook.

**Management of the risk of logistic disruption:** supply chain and logistic flows from Asia, constituting our upstream supply chain, present several possible means of transportation between air, sea and land transportation (the Silk Road). These multiple means of transportation would make it possible, if necessary, to use one or another means of transportation, given that their respective economic and environmental effects vary significantly.

### 2.1.2.2 Risks related to safety and security, cybersecurity and data privacy\*

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

The introduction of new technologies (Cloud computing), changes in industrial control systems and the development of new uses, including social networks, expose the Group to new threats. Computer attacks and intrusion attempts are increasingly targeted and carried out by real specialists who can target the Company as well as its customers and private or public partners. More generally, system failures could lead to loss or leakage of information, delays and additional costs that could harm the Group's strategy or image.

Despite the procedures put in place by the Group, it cannot guarantee hedging against these technological and IT risks and could encounter difficulties in the normal course of business in the event one of these risks occurs. If necessary, this could have a detrimental impact on the Group's business, results, financial position and its ability to achieve its objectives.

**Management of the risk related to information system security:** as part of its transformation towards the distribution of digital solutions, the Group has implemented a series of measures to protect its various solutions. The Information Systems Department is responsible for securing the networks and systems, on the one hand, and the applications necessary for the continuity of the Group's business, on the other, and regularly performs intrusion tests and backs up data. In addition, the Group has implemented measures to guarantee the security of its information systems, adapted to the risks identified and aligned with the requirements of ISO 27001, a certification obtained in early 2023. In conjunction with its internal control and security policy, these organizational, functional, technical and legal security measures are subject to regular checks. Lastly, regular training is provided to employees in order to prevent any mismanagement of emails in particular.

**Data security risk management:** the Information Systems and Research and Development Departments are responsible for data security. To this end, strict rules and procedures for defining and allocating access to various data ensure they remain private. In addition, the use of leading Cloud hosting solutions ensures a high level of availability. Lastly, all of the Company's critical and non-critical data are regularly backed up on various devices to ensure their integrity. All employees and IT and R&D stakeholders are made aware of the development rules and best practices to ensure that solutions comply with the "Privacy by Design" and "Security by Design" rules.

**Management of the risk related to the Group's facilities** (offices and warehouses) is guaranteed by private access entrances reserved for badge holders and by filtering visitors, which involves checking them at facility entrances. The safety of our storage facilities is subject to annual safety questionnaires, undertaken in partnership with our insurance broker.

### 2.1.2.3 Risks related to defective products and services\*

The Group may occasionally be confronted with a manufacturing or operating defect or an assembly of defective components in any of the Group's products and systems. If necessary, this 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 been, may or may be required to carry out recall campaigns or to adapt or replace the equipment in question.

These complaints may harm the reputation and quality image of the products concerned and thus 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 effect on the Group's business, results, financial position and ability to achieve its objectives.

**Risk management:** the group's R&D and industrial purchasing departments draft precise design data sheets that the Group's quality department ensures compliance with, as part of a test program completed at the end of production. It complements these tests with monitoring focused on new product launches.



### 2.1.2.4 Risks related to human resources\*

SES-imagotag is a growing and diversifying Group, offering new ways of using display solutions, managing stores and using available data on prices and products. The Group's VUSION strategic plan for 2027 aims to make the Group a leader in omnichannel electronic signage solutions. In this regard and in the context of a competitive and evolving technological industry, attracting, developing and retaining the necessary skills is a key issue (see also paragraph 2.1.2.7 of this report).

The Group must also be able to respond to a series of qualitative and quantitative challenges in terms of talent management services:

- strengthen its pool of skills, particularly technical (and especially in the field of software engineering) needed to support growth and enable the delivery of new value-added services on a global scale;
- identify, attract, train, retain and motivate qualified personnel;
- build leadership capabilities at all levels to support its continued growth and transformation;
- on-board new employees effectively, particularly in the context of acquisitions.

This involves anticipating and planning the acquisition and development of the skills that will drive the Group's future success, as there is a risk of not having them in time to support the strategy. If the Group fails to meet these human resource challenges, a key factor for its development, this could have a material adverse effect on its business, financial position, results or outlook.

**Risk management:** a number of programs and initiatives have been implemented to prevent this risk and cover the following aspects:

- a people review to ensure the traditional diversity of the staff, to define the needs for new skills with regards to the current pool of skills, to foster career promotion;
- the development of an employer brand and the strengthening of its strike force in terms of recruitment (with, for example, increased use of social media);
- retention and recognition of performance in the form of long-term Group compensation plans or specific compensation plans in the event of acquisitions.

The Group has forged several partnerships with universities and schools in France and Austria in order to maintain a pool of young talent, in particular within divisions requiring technological skills.

In addition, the human scale of the Company promotes exchanges and the organization of social events. Permanent bonds are forged within the Company's social network, promoting internal communication and working groups. Much emphasis is placed on training, the indicators and statistics of which are largely developed in our Non-Financial Performance Report. Talent retention is supplemented by regular and close monitoring of the objectives of each employee and managerial evaluations, at a rate of two per year. Lastly, the Chairman and CEO regularly explains and comments on the Group's strategy during regular video-conferences.

Several long-term compensation plans have been approved in recent years in order to retain key talent. About 30% of our personnel benefit from this.

### 2.1.2.5 Risks related to customer dependency

Although the Group's revenue is distributed among a large number of customers, some of them account for a substantial portion of its revenue. For the year ended December 31, 2022, the Group's top ten customers accounted for nearly 62% of the Group's consolidated revenue and the Group's largest customer accounted for around 34% of the Group's consolidated revenue. The loss or contraction of the business of one or more of these customers, a concentration of players in the sector in which they operate or the default of one of these customers, could reduce revenue by the same amount, which could have a material adverse effect on the Group's business, financial situation, results or outlook. Please note the 2027 strategic plan includes several major deals to be signed with a limited number of key customers, likely to trigger a higher customer dependency ratio.

**Management of the risk related to customers dependency:** to limit this risk, the Group seeks to maintain a diversified portfolio of customers, both geographically and in terms of the business sectors to be equipped with its solutions. In order to ensure that commercial relations with its customers are not interrupted, the Group strives to satisfy their demands to the best of its ability, in particular by investing in innovation and by maintaining an ongoing dialogue with them, in particular through the "NPS" surveys (customer satisfaction surveys).

### 2.1.2.6 Risks related to obsolescence and inventory impairment

The Group amasses large inventories for its most traditional product references, due to long supply cycles (production and transportation), in order to ensure acceptable delivery times to its customers.

The risks to which these large inventories are exposed lie both in a potential production forecast error, taken in advance of sales forecasts, which could lead to unnecessary over-stocking, and also lie in the acceleration of technology innovations that could lead to an inventory of product references that have become obsolete. This would result in a substantial depreciation of the value of our inventories (see also the notes to consolidated financial statements in section 4 in this report for a description of the inventory impairment rules followed by the Group).

**Risk management:** inventory turnover rates are regularly analyzed through permanent inventories monitored in our IT systems as during biannual physical inventories. Slow turnovers lead to sales and marketing stock push campaigns, or of industrial rework campaigns. For product references that cannot be covered by these targeted campaigns, the Finance Department records provisions for the impairment of inventory with low turnover, as described in the notes to the consolidated financial statements.

### 2.1.2.7 Risks related to management teams

The Group's success depends to a certain extent on the continuity and skills of its management team built around Mr. Thierry GADOU, Chairman and CEO. In the event of an accident or the departure of one or more of these executives or other key employees, their replacement could be difficult and could adversely affect the Group's operational performance. More generally, competition for the recruitment of senior executives is fierce and the number of qualified candidates is limited. The Group may not be able to retain some of its executives or key personnel, or in the future, attract and retain senior executives and key employees. In addition, in the event that its executives 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.

**Risk management:** since 2012, the Group has been pursuing a policy to retain management teams through, among other things, performance share plans (which have provided good stability for the management team). In addition, the ESG, Nomination and Remuneration Committee regularly reviews the succession plan for key managers, including the Chairman and CEO.

### 2.1.2.8 Risks related to corruption and ethics

In the course of its business, the Group may be exposed to risks related to corruption, particularly in some of the emerging countries in which it operates. The Group ensures that all of its employees act in accordance 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 to which it is subject or the regulations in force.

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 material adverse effect on its business, financial position, results or outlook.

**Risk management:** a code of business ethics and conduct is in place. It includes and formalizes rules regarding behavior expected across the Group from all employees, suppliers and subcontractors, and our network of partner-distributors. This document is an important tool for maintaining the quality of the control environment within the Group. It is available on the e-learning platform for our employees as well as on our website, menu "ESG". Moreover, this training is part of the "on-boarding program" for any new comer, and is complemented by trainings on specific topics ( gift and hospitality policy for example)The code of ethics is signed each year by every employee, as is the code of conduct by our top suppliers.

### 2.1.2.9 Health Risks

The Group suffered the consequences of the Covid-19 pandemic during 2020. The risks inherent to such a health crisis encompass a slowdown in consumption (risks detailed in 2.1.1.1) and a disruption of the Group's business, either due to its subcontracting chain (detailed in section 2.1.2.1) or due to malfunctions in its internal organization (detailed in 2.1.2.4).

**Risk management:** in terms of internal organization, the group has demonstrated the robustness of its digital organization and its communication tools: periods of lockdown were managed smoothly and without malfunctions since remote working and inter-team communication were already supported through an internal social network and collaborative platforms. This was attributable to the existing configuration of the Company's information systems, which ensured business continuity, regardless of whether or not the support functions are physically at our facilities.

Remote working was therefore implemented smoothly from a systems and equipment perspective, with a focus on new managerial practices (prevention of risks related to isolation, risks related to hyper-connectivity, management of autonomy, on-boarding of new employees, and monitoring operations and maintaining group bonds). Lastly, there were regular communications on the prevention of musculoskeletal conditions and equipment was lent to employees (screens, ergonomic chairs, etc.).

## 2.1.3 Legal and compliance related risks

### 2.1.3.1 Risks related to intellectual property

The risk that the Group faces in terms of intellectual property is the risk of suffered or active counterfeiting.

Counterfeiting infringements may be committed by third parties against products, copyrights or patented industrial processes. These actions are likely to have an immediate effect on the Group's revenue and results and may harm the reputation and, where applicable, the quality of the products concerned.

The Group could be unintentionally guilty of counterfeiting, particularly when it comes to the risk related to the period 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 given increasingly short development time frames. This situation would force the Group to modify the product by increasing the project's research and development costs, or to negotiate rights to use the patented item. In either case, the project margin 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 counterfeiting, of which the Group is the victim or which is attributable to it, could have a substantial adverse effect on its reputation, business, financial position, results and outlook.

From a financial perspective, in view of the risk analysis carried out at the registration date of this report and in accordance with applicable accounting standards, no provision has been recognized in the consolidated financial statements at June, 30, 2023.

**Risk management:** the Group ensures compliance with the rights of its intellectual property portfolio via an internal manager who is responsible for managing this monitoring with the help of external advisors. At the same time, the Group also ensures compliance with the rights of third parties by systematically carrying out patent and trademark searches. As of December 31, 2022, the Group had filed 569 patents corresponding to 116 patent families.

### 2.1.3.2 Risk related to SES-imagotag's status as a listed company and to financial communication

SES-imagotag's shares are traded on the regulated market of Euronext Paris, and the Company is therefore subject to all European and French stock market regulations, in particular as they pertain to financial communication and to Regulation (EU) n°596/2014 of the European Parliament and of the Council of 16 April 2014 regarding market abuse, and to Directive 2004/109/CE of the Parliament and of the Council of 15 December 2014 regarding the compatibility of transparency obligations as they apply to information on issuers whose shares are accepted for trading on a regulated market. More precisely, the Company is subject to the obligations of permanent information, notably the publication of all privileged and periodic information, and particularly the preparation of half-yearly and annual consolidated financial statements. Although the Company strictly monitors the quality, exhaustivity, and exactness of the information - including the financial information - it produces and provides to the market, the Company could be the object of attempts to destabilize or to contest that information, which could cause prejudice or harm to the Company, its reputation and its share price.

During the month of July 2023, the Company was the subject of a destabilization campaign carried out by a short seller, who accused the Company of double-counting its revenue and of over-stating its revenue and earnings in the consolidated accounts for the year ended December 31, 2022. The Company firmly refuted these erroneous and deceitful allegations regarding its accounts, which had been certified without reservation by the external auditors, and resorted to appropriate legal action; the Company's share price nevertheless suffered a significant impact.

### 2.1.3.3 Risks related to compliance with regulations (particularly regarding subcontractors' labor practices and environmental regulations)

The Group's business is subject to various regulations, particularly in terms of compliance and compatibility of the products it sells with the regulations applicable to them, as well as industrial, safety, social regulation, health, and environmental standards.

Provisions for the removal and treatment of end-of-life electrical and electronic equipment are increasingly demanding and their application is subject to increasingly rigorous and frequent controls, particularly in the context of Directive 2012/19/EU of the European Parliament and of the Council of July 4, 2012 on waste from electrical and electronic equipment ("WEEE").

Quite recently, Law no. 2020-105 of February 10, 2020 on the fight against waste and the circular economy aims, in particular, to combat the planned obsolescence using a repairability indicator. The manufacturer will be encouraged to design more repairable products and to provide information about the availability of spare parts.

Despite the procedures put in place by the Group and despite the fact that the risks of harming the environment are not limited to the scope of the Group's business, it is not able to guarantee hedging against the environmental risk and could encounter difficulties in performing its activities in the event one of them occurs. In this scenario, it could have an adverse effect on the Group's business, results, financial position and its ability to achieve its objectives.

More generally, in the event of non-compliance with applicable laws and regulations, the Group could be ordered to pay fines, and the authorities could go as far as prohibiting the products marketed in question from being sold. These standards are complex and subject to change and, although the Group pays particular attention to compliance with current regulations, it cannot rule out any risk of non-compliance.

In addition, the Group could incur significant costs in order to comply with regulatory changes and cannot guarantee that it will always be able to adapt its activities and its organization to these changes within the necessary time frame. Furthermore, changes in the application and/or interpretation of existing standards by the authorities and/or courts are also likely to occur at any time.

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

**Management of risks related to regulations (particularly regarding subcontractors' labor practices):** the Group ensures compliance with the safety standards inherent to its equipment (in particular CE marking, marking for substances of concern, as part of the REACH regulation for our lithium batteries, OHSAS standards). All of these standards are monitored by the Group's Quality Department.

For its direct supply of strategic components, the Group relies on a global ecosystem of leading players in their respective fields of expertise (special electronic chips, customized TFT/LCD screens and e-Paper, etc.). Most of these players pay particular attention to social and environmental responsibility initiatives. The Group chose to sign industrial partnerships with leading subcontractors, particularly in Asia, all of which adhere to the principles of the United Nations Global Compact or meet the necessary certifications for an excellent level of labor and environmental practices, as well as with a demonstrated requirement for safe working conditions for their employees.

**Risks related to electrical and electronic waste treatment methods.** In order to limit the risks of uncontrolled pollution, the Group implements and offers collection and recycling programs for end-of-life products to its customers in Europe, in accordance with the WEEE directive, and in many other countries outside the European Union. In countries where regulations require it, the quantities of products put on the market, collected and recycled are periodically declared to the national registers of producers. The Group also informs users of these provisions with a specific marking on the products and provides recyclers with dismantling instructions.

In order to be part of a circular economy approach, the Group committed in 2014 to implementing an action plan to ensure the complete recyclability and reuse of its equipment.

All products delivered by the Group comply with the international directives on the use and transportation of hazardous substances in electrical and electronic equipment (Directive 2011/65/EU of the European Parliament and of the Council of June 8, 2011 on limiting the use of certain hazardous substances in electrical and electronic equipment).

Our Non-Financial Performance Report details our environmental risk management (section 4 of the 2022 URD or our website [www.ses-imagotag.com](http://www.ses-imagotag.com)).

### 2.1.3.4 Risks related to taxation and its developments

The Group is subject to complex and changing tax legislation in the various countries in which it operates. Due to its international activity, it is subject to transfer pricing rules, which can be particularly complex and are subject to different 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 mandatory deductions to which it is subject, as well as its reporting obligations. In addition, the tax regulations of the various countries in which the Group operates may be subject to a wide variety of interpretations. Therefore, the Group cannot guarantee that the relevant tax authorities will agree with its interpretation of the applicable legislation. In addition, tax laws and regulations or other mandatory deductions may be amended and the interpretation and application made by the relevant jurisdictions or authorities may change, in particular in the context of joint initiatives taken in the past internationally or in Europe (the OECD, G20, European Union).

In particular, the current incorporation into French tax legislation:

- i. the principles established by the OECD on tax base erosion and profit shifting (BEPS);
- ii. the multilateral convention for the implementation of measures relating to tax treaties to prevent BEPS dated June 7, 2017;
- iii. the rules provided for by the Council Directive of July 12, 2016 establishing rules against tax evasion practices directly affecting the functioning of the internal market (the Anti-Tax Avoidance Directive, or ATAD); and
- iv. provisions provided for in the proposed directive aimed at establishing a common consolidated corporate tax base (CCCTB) could increase the tax burden on the Group.

A challenge to the Group's tax situation by the relevant authorities could lead the Group to pay additional taxes, potentially significant adjustments and fines, or an increase in the costs of its products or services for the purpose of collecting these taxes, which may result in the Group paying additional taxes, which could in turn have a material adverse effect on its business, results, financial position and outlook.

**Risk management:** the Group monitors regulations with the help of external consultants.

### 2.1.3.5 Risks related to ongoing litigation and investigations

In the normal course of business, the Group may find itself implicated in a certain number of administrative and legal proceedings for which it may be held liable on different legal bases.

#### Tax litigation

In previous years, Group companies have been subject to tax audits and sometimes proposed adjustments. The financial consequences of these tax reassessments are recognized by means of provisions for amounts notified and accepted or considered as presenting a probable outflow of resources and that can be reliably determined.

The Group periodically reviews the estimate of this risk in light of changes in controls and litigation and considers that no current control will have a substantial impact on its financial position or liquidity.

#### Business and employment-related litigation

Litigation is regularly reviewed by the Group's Legal Department and is covered by provisions when the Group considers that it is probable that an outflow of resources will be necessary to cover the risk incurred and that this amount may need to be estimated reliably. Reversals that are not applicable mainly result from the resolution of these disputes, for which the Group was successful or for which the actual amount of the loss was lower than its estimated amount. Breakdown is included in Note 10 "Provisions for risks and expenses" to the consolidated financial statements included in this report.

## 2.1.4 Financial risk

### 2.1.4.1 Risks related to exchange rate\*

The Group is highly exposed to fluctuations in the euro/US dollar exchange rate, as a large part of its sales are denominated in euros, and a majority of its component and production costs are denominated in US dollars. As a result, upward movements in the US dollar automatically increase the cost of sales in euros. Such changes could have a material adverse effect on the Group's business, results, financial position or outlook (Please refer to note 25 in the notes to the consolidated financial statements in this report).

**Risk management:** in addition to currency hedging policies, several measures have been put in place to reduce this exposure in the coming years, notably:

- price adjustment clauses in customer contracts in euros;
- development of sales denominated in US dollars.

In order to anticipate and manage cash flow changes, forecasts are prepared on a regular basis and a cash centralization system in euros and US dollars has been set up for the main European subsidiaries.

### 2.1.4.2 Liquidity risk

Liquidity risk is the risk of not having the necessary funds to meet commitments when they fall 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 the inability to access credit at satisfactory conditions.

The Group cannot guarantee the availability of adequate financing at the appropriate time, which could impair its development capacities and thus have a material adverse effect on its business, financial position, results or outlook.

With regard to financial assets, all of the Group's marketable securities consist of term deposits.

With regard to financial liabilities, the bulk of the Group's indebtedness consists of bond loans (Euro PP), bank loans, revolving credit lines (RCF) or bridge loans, as well as a State guaranteed loan.

Should the Group covenant ratio, which is the ratio of net financial debt to EBITDA, exceed 3.5, the bond loans would have to be reimbursed immediately. As of June 30, 2023, the group is compliant with this covenant ratio.

The Group may refinance, at some point, part of its financing with new loans. Doing so, the liquidity and interest rate market conditions, at the time of these refinancings, may affect the Group's development capacities as well as its financial results.

See also **Notes 11 and 21** to the Group's consolidated financial statements.

**Risk management:** The management of financial risks, and more specifically liquidity and cash monitoring risks, is detailed in Section 2.2.2 of this report, "Internal control". In addition, the Group regularly explains its strategy to financial investors as well as the resources necessary for its implementation, in order to be able to call on private placements or to carry out capital increases (public offering) and thus have financial resources.

### 2.1.4.3. Credit and/or counterparty risk

Credit and/or counterparty risk is the risk that a party to a contract entered into with the Group will default on its contractual obligations, which would result in a financial loss for the Group.

The financial assets that could expose the Group to credit and/or counterparty risks are mainly receivables from its customers (in the event of payment defaults or non-compliance with payment terms) and financial investments. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, financial position, results or outlook.

**Risk management:** the Group has set up a customer collection service with a virtually global scope. This department carries out the solvency studies prior to any transaction with customers and/or suppliers and focuses on necessary knowledge regarding the financial health of our customers.

## 2.2 Insurance program and internal control

### 2.2.1 Insurance policy

The Group implements a policy aimed at obtaining external insurance coverage to cover the risks to which the Company and its employees are exposed, which can be insured at reasonable rates. The Group believes that the nature of the risks covered and the guarantees offered by this insurance are in line with the practice adopted in its sector.

The Group's insurance program includes the following insurance policies:

- general liability;
- cyber risk;
- property damage;
- transportation;
- directors and officers liability;
- international assistance for travelers.

### 2.2.2 Internal control and Risk management policy

Risk management is intended to provide reasonable assurance regarding:

- a) compliance with laws and regulations;
- b) the performance and optimization of operations;
- c) the reliability of financial information.

The Company refers to the French Financial Market Authority reference framework ("Risk Management and Internal Control Reference Framework"). In general terms, one of the objectives of the internal control system is to prevent and control the risks resulting from the Group's activity and the risks of error or fraud, particularly in accounting.

This general objective is achieved thanks to the input and surveillance from the Finance Department, the audit firms and the Audit Committee.

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

The Audit Committee ensures that the financial statements are audited, in accordance with the rules, and established independently. In particular, it ensures that currency, liquidity and debt risks are properly anticipated. The Audit Committee is kept informed of matters relating to risk management. The risk assessment and treatment approach is the subject of a specific annual discussion with the members of the Committee and the Statutory Auditors, during which the mapping of major risks, as well as the associated action plans are reviewed.

The ESG, Nomination and Remuneration Committee determines the compensation policy allocated or attributable to the Chairman and also ensures that best ethical practices are applied in the management of the Group's business: anti-corruption (Sapin II Law) and GDPR compliance plans, as well as the gifts and entertaining policy, the Company's Code of Conduct and the Supplier Code of Conduct are all subjects of special attention. This Committee also ensures the implementation and monitoring of the following processes:

- identification of potential conflicts of interest and
- ethical alerts.

The Board of Directors meets several times a year in order to study management's proposals in terms of debt, hedging of foreign exchange risks, and any acquisitions. The budget forecasts are also presented as well as their successive revisions during the year.

Management (trade, finance and supply chain) meets weekly to analyze the portfolio of business opportunities, the likelihood of completion and the potential timing of these achievements in order to ensure the adequate supply of finished products and solutions required by the market. In addition, a weekly review of major contracts takes place in order to preserve the profitability of the latter, the sale price to be proposed according to the costs to be incurred by the Company. These managerial meetings therefore ensure that business volumes and profitability are properly anticipated.

## 2. Risk factors and uncertainties

In this context, the Industrial Purchasing Department, which is responsible for purchasing components and raw materials necessary for the manufacture of products, as well as negotiating industrial assembly subcontracting, plays an important role in the internal control system given the financial flows involved:

- centralized management of purchases, in order to manage strict management rules (calls for tenders, purchase requests, approvals, etc.);
- supplier management, in particular through performance indicators, supplier reviews and audits on operational aspects (quality, supply chain, etc.) but also on ethical, social and environmental responsibility and compliance aspects in line with the Group's ESG objectives.

The Finance Department manages the accounting and financial internal control and aims to ensure:

- the compliance of the published accounting and financial information with the applicable rules;
- the reliability of the published financial statements and of the other information communicated to the market;
- the preservation of assets;
- the prevention and detection of fraud and accounting and financial irregularities, to the extent possible.

**Reporting and analysis:** each month, in order to ensure effective Group management, Management Control consolidates all the information from a single, centralized management tool to prepare dashboards for the Group's Executive Committee and management. These dashboards include appropriate analyses of significant discrepancies and trends.

The Group's Finance Department is responsible for the Accounting and Management Shared Service Centers (SSCs) and managing them. This organization, which is centralized in France, helps to improve the Group's level of internal control through the sharing of best practices and the standardization of procedures, as well as the positive effect of the SSCs' work on the segregation of duties.

Delegations of authority are established within the Group in order to define the scope of responsibilities, according to the skills, resources and proximity to the operations necessary for decision-making. Thresholds and rules are established and defined for each manager and included in the delegations of authority to enable efficient and fluid decision-making while addressing the Group's challenges and risks.

This is how:

- contractual commitments are subject to managerial delegations;
- the expenditure commitment policy, based on a purchase order process authorized for certain buyer profiles only, including levels of commitments and delegations, is applied within our information systems;
- in addition, the bank accounts of all subsidiaries are grouped together in a single telematic portal enabling the Group's Finance Department to control cash flows, which alone validates payment campaigns.

The Finance Department thus ensures direct internal control over the quality of the financial statements, the Group's profitability and the use of available cash.

In addition to the expense procedures, the management of financial resources is subject to a monthly analysis in order to ensure:

- the Group's liquidity;
- hedging of foreign exchange risks;
- monitoring of relationships with banks;
- managing the customer risk hedging strategy.

Lastly, the Group's Legal Department is responsible for ensuring compliance with the regulatory and legal framework imposed on it in the various countries, protecting the Group's assets (particularly its intellectual property) and its business as a whole, and defending its interests. Its main responsibilities are as follows:

- legal assistance for transactions, on all types of regulations, drafting and updating of standard contracts (purchase of goods and services, conditions of sale, promotional operations, etc.), management of the law firms consulted, management of pre-litigation disputes and litigation;
- protection of intellectual property rights in collaboration with the R&D Departments for patents and marketing for trademarks (legal watch);
- coordination of the Group's insurance program, allowing for the alignment of the insurance program with the Group's activities;
- participation in the Group's acquisition strategy;



- tax and customs aspects are monitored and procedures are drafted and reviewed by the Legal and Tax Departments: justification of the tax schemes chosen, customs classifications, etc.;
- aspects relating to environmental regulations are dealt with in close collaboration with the operational departments responsible for the eco-design of products, packaging and used equipment recovery processes;
- Lastly, in cooperation with the Quality Department, the ISO certifications obtained (ISO 9001, ISO 14001, ISO 27001) make it possible to strengthen the Group's sound management of operational risks.

The Company's strategy is to have majority control over its subsidiaries. The Company ensures that the meetings of the Board of Directors are held and participates in the management bodies of its subsidiaries. Each subsidiary sends monthly management reports to the Company, which decides to take appropriate action, if necessary.





# Half year financial report 2023

3.1 Consolidated Balance Sheet	34
3.2 Consolidated Income Statement	35
3.3 Net income and comprehensive income	36
3.4 Changes in consolidated shareholder's equity	36
3.5 Consolidated statement of cash flows	37

## Consolidated financial statements as of June 30, 2023 (IFRS standards)

SES-imagotag SA is listed in compartment A of the Euronext™ Paris exchange (ISIN code FR 0010282822). The consolidated financial statements at June 30, 2023 cover a 6-month period and present a balance sheet of €1,013,218k and consolidated net profit of €91,539k. The Board of Directors approved these financial statements on September 19, 2023.

### 3.1 Consolidated Balance Sheet

#### Assets

In €'000	Notes	06/30/2023 (6 months)	12/31/2022 (12 months)	06/30/2022 (6 months)
Intangible assets	1	287,870	152,051	130,508
Tangible assets	2	19,972	20,046	19,654
Right of use	2	8,128	10,279	11,622
Financial assets	3	20,576	20,198	1,477
Deferred tax assets	22	9,268	13,796	16,621
<b>NON-CURRENT ASSETS</b>		<b>345,814</b>	<b>216,370</b>	<b>179,883</b>
Inventories and Work In Progress	4	158,733	164,417	166,578
Trade Receivables	5	126,002	109,247	138,581
Current Taxes	6	4,818	3,683	3,302
Other current receivables	6	184,445	9,022	18,178
Cash and cash equivalents	7	193,405	33,937	75,664
<b>CURRENT ASSETS</b>		<b>667,404</b>	<b>320,306</b>	<b>402,303</b>
<b>TOTAL ASSETS</b>		<b>1,013,218</b>	<b>536,676</b>	<b>582,186</b>

#### Liabilities and shareholders' equity

In €'000	Notes	06/30/2023 (6 months)	12/31/2022 (12 months)	06/30/2022 (6 months)
Capital	8	31,702	31,702	31,522
Consolidated Reserves		259,341	164,143	164,261
Equity - Group share		291,043	195,845	195,783
Share in minority participation		-3,388	-2,520	-2,285
<b>SHAREHOLDERS' EQUITY</b>		<b>287,654</b>	<b>193,324</b>	<b>193,498</b>
Non-current Provisions	10	3,615	2,700	2,930
Deferred tax liabilities	22	8,923	7,214	7,485
Long Term loans	11	199,418	74,424	81,054
Non-current lease debt	11	4,772	6,423	5,837
Other non-current liabilities	12	17,275	3,752	3,319
<b>NON-CURRENT LIABILITIES</b>		<b>234,003</b>	<b>94,513</b>	<b>100,624</b>
Trade Payables	13	177,059	155,878	168,859
Current lease debt	11	2,732	1,686	1,524
Other debts and accrual accounts	14	311,770	91,275	117,682
<b>CURRENT LIABILITIES</b>		<b>491,561</b>	<b>248,839</b>	<b>288,064</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,013,218</b>	<b>536,676</b>	<b>582,186</b>

## 3.2 Consolidated Income Statement

### Income statement

In €'000	Notes	06/30/2023 (6 months)	12/31/2022 (12 months)	06/30/2022 (6 months)
<b>SALES</b>	15	<b>380,713</b>	<b>620,860</b>	<b>285,865</b>
Cost of goods sold	16	(281,848)	(479,586)	(220,398)
External expenses	17	(30,859)	(38,913)	(18,925)
Payroll costs	18	(28,828)	(47,514)	(23,525)
Taxes and duties		(1,172)	(2,387)	(1,086)
Depreciation and amortization expense	1&2	(15,486)	(27,202)	(13,473)
Other operating income	20	259	7,926	(59)
Other operating expenses	19	(58)	(1,493)	(14)
<b>OPERATING PROFIT (LOSS)</b>		<b>22,721</b>	<b>31,691</b>	<b>8,386</b>
Other financial income	21	94,120	53,336	41,508
Other financial expenses	21	(18,086)	(59,131)	(42,449)
Interests on leasing fees	21	(124)	(262)	(132)
<b>FINANCIAL PROFIT (LOSS)</b>		<b>75,910</b>	<b>(6,058)</b>	<b>(1,073)</b>
Tax expenses	22	(7,093)	(7,060)	(2,419)
<b>NET INCOME</b>		<b>91,539</b>	<b>18,573</b>	<b>4,894</b>
Of which Group share		91,596	18,954	5,039
Of which minority interests		(56)	(381)	(146)

### Earnings per share

Earnings per share	06/30/2023	12/31/2022	06/30/2022
Profit (Loss) (€'000)	91,596	18,954	5,039
Weighted average number of shares at closing	15,850,808	15,798,896	15,761,008
Performance shares <sup>4</sup>	223,700	223,700	197,650
Earnings per share			
- basic earnings	5.78	1.20	0.32
- diluted earnings	5.70	1.18	0.32

<sup>4</sup> Performance shares related to shares granted but not yet delivered as of the closing date. At June 30, 2023 it corresponds to 107 850 shares relating to Tranche 2 (plan 2021) and 115 850 shares relating to Tranche 3 (plan 2022).

### 3.3 Net income and comprehensive income

In €'000	06/30/2023	06/30/2022
<b>NET INCOME</b>	91,539	4,894
<i>Items potentially classified as P&amp;L items</i>	252	2,490
Translation adjustments	45	
Cash flow hedge	207	2,490
<i>Items not potentially classified as P&amp;L items</i>		
Actuarial gains and losses	0	0
<b>COMPREHENSIVE INCOME</b>	<b>91,791</b>	<b>7,384</b>
• parent company's share	92,100	7,529
• minority interests' share	(56)	(146)

### 3.4 Changes in consolidated shareholder's equity

In €'000	Capital	Reserves + Profit (Loss)	Equity attributable to owners of the parent	Minority interests	Share-holders' Equity
<b>Equity at 12/31/2021</b>	<b>31,522</b>	<b>152,996</b>	<b>184,518</b>	<b>(2,139)</b>	<b>182,378</b>
Capital increase	180	5,859	6,039		6,039
Treasury shares		(542)	(542)		-542
Changes in scope of consolidation		(9,725)	(9,725)		-9,725
Other variations		453	453		453
<b>Shareholders transactions</b>	<b>180</b>	<b>(3,955)</b>	<b>(3,775)</b>	<b>0</b>	<b>-3,775</b>
2022 profit (loss) items		18,954	18,954	(381)	18,573
Other profit (loss) items		(3,852)	(3,852)		(3,852)
<b>Total profit (loss)</b>	<b>0</b>	<b>15,102</b>	<b>15,102</b>	<b>(381)</b>	<b>14,721</b>
<b>Equity at 12/31/2022</b>	<b>31,702</b>	<b>164,143</b>	<b>195,845</b>	<b>(2,520)</b>	<b>193,324</b>
Capital increase		3,848	3,848		3,848
Treasury shares		171	171		171
Changes in scope of consolidation		0	0	(812)	(812)
Other variations		(669)	(669)		(669)
<b>Shareholders transactions</b>	<b>0</b>	<b>3,350</b>	<b>3,350</b>	<b>(812)</b>	<b>2,538</b>
06/30/2023 profit (loss) items		91,596	91,596	(56)	91,539
Other profit (loss) items		252	252		252
<b>Total profit (loss)</b>	<b>0</b>	<b>91,848</b>	<b>91,848</b>	<b>(56)</b>	<b>91,791</b>
<b>Equity at 06/30/2023</b>	<b>31,702</b>	<b>259,341</b>	<b>291,043</b>	<b>(3,388)</b>	<b>287,654</b>

## 3.5 Consolidated statement of cash flows

In €'000	06/30/2023	12/31/2022	06/30/2022
+/- Consolidated net income (including minority interests)	91,539	18,573	4,894
'+/- Net increase in amortization/depreciation and provisions	15,956	28,005	15,578
-/+ Other calculated income and expenses	(72,152)	6,756	2,398
-/+ Gains and losses on disposals and financial instrument profit or loss	(745)	(6,096)	169
Cash flow after cost of net financial debt and tax	34,598	47,238	23,039
+/- tax expense (including deferred taxes)	6,239	4,980	2,072
<b>= CASH FLOW AFTER COST OF NET FINANCIAL DEBT AND TAXES</b>	<b>40,837</b>	<b>52,218</b>	<b>25,109</b>
- Taxes paid			
+/- Change in WCR related to operations	128,815	(32,182)	(21,556)
<b>= NET CASH FLOW GENERATED FROM OPERATIONS</b>	<b>169,652</b>	<b>20,036</b>	<b>3,553</b>
- Disbursements related to acquisitions of tangible and intangible fixed assets	(48,026)	(50,999)	(15,789)
+ Proceeds from disposals of tangible and intangible fixed assets		0	
- Disbursements related to Right of Use		0	(873)
+ Proceeds from disposals of Right of Use		0	59
- Disbursements related to the acquisition of long-term investments	(214)	(1,976)	(88)
+ Proceeds from disposals of long-term investments	12	99	2
+/- Impact of changes in the scope of consolidation <sup>5</sup>	(80,673)	(13,807)	(1,700)
+ Investment subsidies received	0		
<b>= NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(128,901)</b>	<b>(66,683)</b>	<b>(18,389)</b>
+ Amounts received from shareholders during capital increases			
+ Loan issues	128,181	130	65
+ Loan issues IFRS 16			934
+ Loan repayments	(8,260)	(7,166)	(471)
'+ Lease debt repayments	(1,420)	(1,543)	(775)
- Dividend distribution			
-/+ Treasury share buybacks and resales	171	(542)	17
<b>= NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>118,672</b>	<b>(9,121)</b>	<b>(230)</b>
+/- Impact of changes in foreign currency exchange rates	45	(54)	973
<b>= CHANGE IN CASH FLOW</b>	<b>159,468</b>	<b>(55,822)</b>	<b>(14,093)</b>
<b>OPENING CASH POSITION</b>	<b>33,937</b>	<b>89,759</b>	<b>89,759</b>
<b>CLOSING CASH POSITION</b>	<b>193,405</b>	<b>33,937</b>	<b>75,664</b>

<sup>5</sup> Corresponds to the value of the acquisition of In the Memory and Belive entities for €90,408k and the amount of cash available at acquisition date for €9,735k.







# Notes to the Half Year Consolidated Financial Statements

4.1 Accounting rules and methods	40
4.2 Highlights of the period	49
4.3 Subsequent events	49
4.4 Notes to the half year consolidated financial statements	50
4.5 Other information	60
4.6 Scope of consolidation	62

## 4.1 Accounting rules and methods

### 4.1.1 Basis of preparation of the consolidated financial statements

#### 4.1.1.1 Consolidated financial statements

As stated in the European regulation 1606/2002 dated 19 July 2002 on international standards, Consolidated financial statements for the H1 2023 period are prepared in accordance with international accounting standards applicable by the European Union on June 30, 2023.

The half year financial statements are prepared in accordance with the international standard IAS34 related to Interim Financial Reporting. They do not include all of the information required by the IFRS framework for the preparation of annual financial statements and must be read jointly with the Group's financial statements at year-end 2022.

The half-year financial statements are prepared in accordance with the same accounting principles as for the 2022 annual statements, with the exception of potential new mandatory provisions applicable as of January 1st 2023.

The presentation currency of the consolidated financial statements is the euro. All values are rounded to the nearest thousand (€000) unless otherwise indicated.

The financial statements are prepared on a historical cost basis with the exception of several asset and liability accounts, which have been measured at fair value.

The consolidated financial statements include the financial statements of the subsidiaries listed in section 4.6 (consolidation scope).

The financial statements of the subsidiaries are prepared for the same reference fiscal year as the year used for the parent company, on the basis of comparable accounting methods.

The Group's companies closed their annual financial statements at June 30, 2023. All intra-group balances, intra-group transactions as well as unrealized profit (losses), expenses and income included in the carrying amount of assets from internal transactions are eliminated in full.

The separate statutory 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 restated to comply with the Group's consolidation principles.

**New mandatory provisions applicable as of January 1, 2023 and applied for the first time by the SES-imagotag group:**

None

**New mandatory provisions applicable from January 1, 2023 and concerning the Group did not have a significant impact on the consolidated financial statements. They include:**

- amendments to AS1 (information on accounting standards), IAS 8 (information on estimated amounts), IAS 12 (deferred tax on assets and liabilities generated on the same transaction), IFRS 17 and IFRS 9 (insurance coverage, comparative information).

**New published IFRS standards, interpretations and amendments that are not yet applicable or that have not been applied by the Group in advance:**

The standards, amendments to standards and interpretations adopted by the IASB or the International Financial Reporting Standard Interpretations Committee (IFRSIC) as well as by the European Union at June, 30, 2023, but not mandatory on June 30, 2023, did not result in early application.

#### 4.1.1.2 Business combinations

Business combinations are dealt within the context of the revised IFRS 3, which assesses the notion of "takeover" within the context of security acquisition transactions. Depending on the case, the impacts are recognized in profit or loss, or in equity.

As part of a business combination, the fair value of the consideration transferred is allocated to the identifiable assets acquired and the liabilities assumed. The latter are measured at fair value on 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 at the date it is measured.

In this context, goodwill represents the residual excess of the consideration transferred over the acquirer's interest in the fair value of identifiable assets and 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 previously acquired share. The allocation period must not exceed 12 months.

Subsequently, goodwill is measured annually, at its cost, less any impairment losses representing decreases in value determined as indicated in the paragraph below entitled "Intangible Assets," in accordance with IAS 36. In the event of a decrease in value, the Group's impairment loss is determined as follows: depreciation is recognized in the income statement as operating profit or loss.

With regard to puts on non-controlling interests issued after the first application of IFRS 3R and IAS 27R, the Group recognizes subsequent changes in debt in equity (transactions between the controlling shareholder and non-controlling interests, which relate to equity securities of capital but have no impact on control).

### 4.1.1.3 Estimates and judgments

The financial statements have been prepared according to the historical cost principle, with the exception of financial instruments which are recognized according to the fair value principle. The preparation of the financial statements requires, in accordance with the conceptual framework of IFRS, to make estimates and use assumptions that affect the amounts appearing in 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 obtained during an acquisition (IFRS 3 "Business combinations");
- The valuations used for impairment tests on assets, in particular the recoverable amount of goodwill;
- The fair value measurement of financial instruments;
- Valuation of the recoverable amount of receivables and inventories;
- Estimates of liabilities, in particular for litigation and uncertain tax positions;
- The assumptions used to recognize deferred tax assets;
- Rights-of-use and lease obligations resulting from leases;
- The fair value of equity instruments;
- Share-based payment expense.

Due to the uncertainties inherent in any valuation process, SES-imagotag reviews its estimates on the basis of regularly updated information. It is possible that the future results of the operations concerned may differ from these estimates.

### 4.1.2 Intangible assets (IAS 38)

Intangible assets include:

- Development costs;
- Patents;
- Software;
- An ERP;
- Goodwill;
- Customer database;
- Technologies.

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

Amortization is calculated on a straight-line basis according to the estimated useful life of the assets, on the following basis:

	Amortization period
Technologies	<b>15 years</b>
Development expenses	<b>5 years</b>
Patents	<b>10 years</b>
ERP	<b>6 to 10 years</b>
Customer base	<b>15 years</b>
Software	<b>2 to 5 years</b>

No residual value is used to determine the basis for amortization.

### Impairment test

In accordance with IAS 36, goodwill is tested for impairment annually and other amortizable intangible assets are tested when there is evidence of impairment. The existence of this evidence is examined at each annual and interim reporting date.

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

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 disposal costs is preferred in the rare cases where a recent transaction on the assets concerned makes the information available and reliable. In most cases, the value-in-use is estimated by using cash flow projections based on existing operating forecasts for a period of ten years, including growth and profitability rates that are considered reasonable. The assumptions made are those of sustained market growth, driven by a current low penetration of ESL solutions and growing strongly under the effect of ESL roll-outs at major global retailers as currently observed. In this context, the growth rate is high (above 20% per year through 2027), the rate of operating expenses is expected to decrease, and the gross margin should increase due to the development of higher margin recurring services and revenues.

The main assumptions used are:

- The five-year projection made by management: the electronic shelf labelmarket is not yet mature at the global level and is growing strongly, leading to a forecast of more than five years, in line with the outlook for this market;
- The long-term growth rate of 3% reflects the growth rates of a technological market that is still dynamic at this time;
- A discount rate of 11% applied to cash flows.
- The recoverable amount resulting from the impairment test is higher than the carrying cost of the assets.

The sensitivity of the result to variations of plus or minus one point in the assumptions used does not affect the results of the goodwill impairment test.

An impairment charge is recognized in the event of a loss of value. Impairment losses may be reversed when conditions have changed, except for goodwill. With the exception of goodwill, impairment losses affect the amortization schedule prospectively since they are charged against the amortizable base.

### Development expenses

SES-imagotag's development expenses are recorded as expenses for the period during which they are incurred, with the exception of development expenses for projects that meet the following criteria:

- The product or process is clearly identified and the costs can be reliably segregated;
- The technical feasibility of the product is demonstrable;
- The product or process will be marketed or used internally and will generate probable future economic benefits;
- There is a potential market for the product or its internal utility has been demonstrated;
- The resources required to complete the project are available.

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

## Patents

Concerning the assessment of patents, the Group used the acquisition cost method in the event there is no active market.

### 4.1.3 Fixed assets (IAS 16)

Property, plant and equipment are recorded at their acquisition cost.

Depreciation is calculated using the straight-line method, over the following useful lives:

	Depreciation period
Industrial tools and equipment	3 to 5 years
Fixtures and fittings	5 to 10 years
Furniture, office supplies, IT and hardware	1 to 10 years

No residual value is used to determine the depreciable base.

Depreciation periods are reviewed annually at the end of each accounting period. Any change in duration is treated as a change in estimate applied prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and gives rise to the recognition of additional impairment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes indicate that the carrying amount may not be recoverable.

If there is any such indication and if the carrying amounts exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the higher of the selling price net of disposal costs and the value-in-use. To measure value-in-use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments, time value, money and the risks specific to the asset.

### 4.1.4 Leases (IFRS 16)

IFRS 16 "Leases", whose application was mandatory as of January 1, 2019, replaces IAS 17 "Leases" and related interpretations. When entering into a lease agreement with fixed payments, this standard requires the recognition of a liability in the statement of financial position corresponding to the discounted future payments, in exchange for rights-of-use to the asset depreciated over the term of the contract.

The Group applied the so-called "modified retrospective" transition method by which a liability is recognized at the transition date equal to only the discounted residual rent, in exchange for a right-of-use amount adjusted for the amount of rent paid in advance or recorded as accrued expenses, and the costs of refurbishment.

In line with the various simplification approaches provided for by the standard, the Group has excluded leases with a residual term of less than twelve months.

Lease agreements are in place for offices and warehouses, production lines and industrial equipment, vehicles and IT equipment.

The term of the contract generally used to calculate the liability is that of the contract initially negotiated, without taking into account early termination or extension options, except in specific cases. The discount rate is determined for each contract by reference to the incremental borrowing rate, for the residual term of the contract.

### 4.1.5 Inventories (IAS 2)

Inventories are valued, in accordance with IAS 2, at the lower of cost and net realizable value.

The valuation of finished goods is comprised of the following items:

- Cost of components valued at the weighted average unit cost;
- Cost of the assembly service by the subcontractor;
- Additional costs mainly consisting of storage costs for components;
- Label transit costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When the net realizable value is lower than the value of the inventory, a provision for impairment is recognized according to the following method:

The depreciation of inventories is determined according to the category of the product and the related rotation rules as described below:

For each category, the rule consists of:

- 1) Calculating the rotation of the products concerned. This gives the number of days since an article within a given category was last consumed;
- 2) Only products that have not been rotated for more than six months may be subject to a provision for impairment.
  - A. New products not refurbished :
    - 50% of the gross value for assets that have not rotated for more than 6 months;
    - 80% of the gross value for assets that have not rotated for more than 12 months;
    - 100% of the gross value for assets that have not rotated for more than 18 months;
    - 100% of the gross value for assets that have never rotated.

Among these, the following items are excluded from the calculation of the provision, namely:

- Products for which there is a firm order over the next 12 months or a 90% chance of a business opportunity over the next 6 months that would cover at least 50% of the inventory quantities.
- Products subject to refurbishing or reworking in order to sell the products in question.
- Innovative products for future product ranges.
  - B. Refurbished or refurbishable goods
    - 50% of the gross value of goods representing more than 18 months of past or future consumption if the product has rotated over the last 12 months
    - 100% of the gross value of the goods exceeding 18 months of past or future consumption if the product has not rotated over the last 12 months
    - 100% of the gross of the goods that have never rotated.

### 4.1.6 Financial assets, receivables and other current assets (IFRS 9)

Financial assets, receivables and other current assets are recognized at their gross amount, less provisions for impairment of amounts estimated to be unrecoverable.

For trade receivables including contract assets, the Group has assessed the losses actually incurred in recent years on its customer portfolio and concluded that the new IFRS 9 impairment model as of January 1, 2019 has no material effect on the Group's financial statements compared to the IAS 39 model.

Regarding the provision for impairment of trade receivables, only receivables overdue by more than 90 days and a reason for litigation from the customer are analyzed on a case-by-case basis, according to the following criteria:

- In the absence of an identified risk, no provision is made for any reason related to a request for additional documentation;
- Projects allowing for the equipment to be recovered are provisioned at 33%;
- Receivables assigned to litigation are provisioned according to the historical recovery ratio (50%);
- Receivables deemed irrecoverable are fully provisioned (100%)

For financial assets, upon initial recognition of an equity security that is not held for trading purposes, the Group may make the irrevocable election to present in other comprehensive income subsequent variations in the fair value of the security. This choice is made for each investment. As of June 30, 2023, the Group holds a minority stake (note 3 of this document) to which this choice was applied.

### 4.1.7 Financial instruments (IFRS 9)

IFRS 9 sets out the requirements for the recognition and measurement of financial assets and liabilities, as well as certain contracts for the purchase or sale of non-financial assets. This standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

All derivative instruments are valued in the statement of financial position at their fair value, in accordance with IFRS 9.

Derivative financial instruments consist of forward foreign exchange contracts.

The management of financial risks by the SES-imagotag group (interest rate risk, foreign exchange risk, counterparty risk and liquidity) is described in Note 29 to this document as well as in Chapter 2.1.4 of the Risk Factors and Uncertainties section.

Derivative financial instruments are contracted by the SES-imagotag group as part of its foreign exchange risk management policy. The recognition of financial instruments as hedging instruments then depends on whether or not they are eligible for hedge accounting.

The Group has implemented a factoring contract that includes the legal transfer of rights to assigned receivables to the extent that the assignment is made in accordance with the provisions of Art. 1346 - 1 of the Civil Code and Articles L. 313-23 to L. 313-34 of the Monetary and Financial Code. The contract also provides for the substantial transfer of the credit risk and late payment associated with these same claims taking into account the collateral approvals granted by the factoring company covering both the risk of non-payment (from the due date) as well as the risk of insolvency of the debtor, thus limiting the factoring company's right of recourse to the Group in the event of non-payment. In addition, the dilution risk, retained by the Group, was analyzed in the light of the actual level of non-values on the basis of historical data on the scope of the receivables assigned. The terms of the remuneration are fixed and cannot be revised after the transfer of the invoices. Thus, the result of these various analyses (transfer of contractual rights to receive cash flows and substantial transfer of risks and benefits) made it possible to conclude on the de-consolidating nature of the contract.

### 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 qualified as cash flow hedges. A cash flow hedge is used to protect against changes in the value of cash flows denominated in foreign currencies. Derivatives are measured at their fair value upon initial recognition. Subsequently, at each reporting date, the fair value of the derivatives is re-estimated. The fair value of forward foreign exchange contracts is determined by reference to what the Group would receive (or pay) to unwind the current contracts at the reporting date.

Hedge accounting is applicable if, and only if, the following conditions are met:

- The hedging relationship is composed solely of items eligible for hedge accounting;
- A hedging relationship is clearly identified, formalized and documented from the date it is set up;
- The hedging relationship complies with the following effectiveness criteria:
  - There is an economic relationship between the hedged item and the hedge,
  - There is no preponderance of credit risk in the change in fair value of the hedging item and the hedged item,
  - The hedging ratio of the hedging relationship is equal to the ratio between the amount of the hedged item that is actually hedged by the entity and the amount of the hedging instrument that the entity actually uses to hedge that amount of the hedged item.

Changes in the value of the effective portion of cash flow hedges are recognized in other comprehensive income in a specific revaluation reserve account. The ineffective portion of hedging derivatives is recognized in the income statement.

The deferral/discount component is excluded from the hedging relationship, and changes in value are recognized in profit or loss under “Other finance income and expenses”.

### 4.1.9 Cash and cash equivalents

Cash and cash equivalents include:

- Financial investments, which are highly liquid and have a very limited risk of changes in value;
- Bank accounts;

- Cash accounts.

Marketable securities (SICAV money market funds) are recognized at fair value at the reporting date (fair value level 1).

Term deposit accounts are recognized at amortized cost.

### 4.1.10 Treasury shares (IAS 32)

According to IAS 32 “Financial Instruments,” if an entity repurchases its own equity instruments, they must be deducted from shareholders’ equity. No gain or loss should be recognized in profit or loss on the 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 equity.

### 4.1.11 Provisions (IAS 37)

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the Group recognizes a provision when, at the reporting date, it has an obligation (legal or implied) vis-à-vis a third party resulting from a past event whose settlement is likely to result in an outflow of resources representing economic benefits for the Group, and when the amount of the loss or liability can be reliably measured.

In the event that this loss or liability is neither probable nor reliably measurable, but remains possible, the Group recognizes a contingent liability in its commitments.

Provisions are intended, in particular, to cover the probable costs that may be incurred due to ongoing lawsuits or litigation, the operative event of which existed at the reporting date.

### 4.1.12 Stock options and allocation of performance shares (IFRS 2)

IFRS 2 “Share-Based Payment” provides for the recording of an expense in return for services obtained under share subscription plans (and similar) granted to employees.

The Group has set up stock option plans, performance shares or share purchase plans and has issued warrants to certain employees. The purchase or subscription option prices are set by the Board of Directors, which grants the options.

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 closing date to take into account the presence of the beneficiaries and the achievement of internal performance conditions for the purposes of vesting periods. The valued benefit is equivalent to compensation paid to the beneficiaries, which is therefore recognized in employee benefits expense on a straight-line basis over the vesting period, with a corresponding adjustment in shareholders’ equity.

Stock option subscription plans were valued by reference to the fair value of the instruments granted.

The fair value of the performance shares granted corresponds to the value of the share on the day of the grant less the hypothetical dividend distribution during the vesting period.

The expense of the overall plan corresponds to the estimated fair value multiplied by the number of shares granted over the vesting periods foreseen in the plan, multiplied by the probability of achieving the performance objectives.

### 4.1.13 Employee benefits (revised IAS 19)

#### Retirement benefits

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

The calculation is made in accordance with the revised version of IAS 19, using the projected unit credit method.

Under this method, entitlements are allocated to periods of service according to the plan’s vesting formula, taking into account a linearization effect when the rate of entitlement is not uniform over the course of the subsequent periods of service.



The amount of future payments corresponding to the benefits granted to employees is measured on the basis of assumptions for changes in salaries, retirement age and mortality, then reduced to their present value on the basis of interest rates on long-term bonds of Tier 1 issuers.

The expense for the fiscal year corresponding to the change in the cost of services rendered is recognized in employee benefits expenses; the cost of discounting is recognized in finance expenses.

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

#### 4.1.14 Deferred taxes (IAS 12)

Deferred taxes result from temporary differences between the carrying amount and tax value of assets and liabilities as stated on the balance sheet. In accordance with IAS 12 "Income Taxes", they are accounted for using the variable carry-forward method, based on the future tax rates adopted at reporting date on June 30, 2022.

The Group recognizes a deferred tax asset for tax losses and unused tax credits carried forward, to the extent that it is probable that future taxable profits will be available against which these unused tax losses and tax credits can be offset, taking into account the carry-forward periods and applicable tax rates in each country.

#### 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, the research tax credit must be allocated according to whether research expenditure is recognized as an asset (recognition as intangible assets according to IAS 38) or in profit or loss.

For the share of capitalized R&D costs, the recognition in the income statement of the research tax credit generated is deferred over time over the amortization period of the underlying capitalized R&D costs. For the share of research expenses recognized as expenses, the research tax credit is recognized immediately in the income statement. The Group has opted to recognize the entire research tax credit as a deduction from expenses recognized in the income statement, under other external expenses.

#### 4.1.16 Translation of foreign currency items

The consolidated financial statements at June 30, 2023 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 this functional currency.

### Recognition of foreign currency transactions in the financial statements of consolidated companies

Foreign currency transactions recognized in the income statement are translated at the exchange rate prevailing on the transaction date, with the exception of transactions for which the Company has hedges (USD).

These are recognized at the hedging rate. Monetary items expressed in foreign currencies, recognized on the balance sheet, are translated at the exchange rate prevailing at the reporting date, with the exception of debts denominated in USD which are translated at the hedge rate. The resulting exchange differences are recorded in the income statement.

### Conversion of foreign subsidiaries' financial statements.

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

- Assets and liabilities are translated into euros at the exchange rate prevailing on the closing date;
- Income and expenses are translated at the average exchange rate for the period as long as this is not affected by significant changes in exchange rates;
- The resulting translation differences are recognized directly in shareholders' equity.

### 4.1.17 Earnings per share

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

Net earnings per share is obtained by dividing net profit or loss by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by using the conversion into ordinary shares of dilutive instruments outstanding at the reporting date.

### 4.1.18 Revenue from contracts with customers (IFRS 15)

Revenue is recognized and presented in accordance with IFRS 15 "Revenue from Contracts with Customers".

The Group's revenue can be broken down into revenue from goods and services.

The revenue-generating event varies according to the nature of the sale:

- When the Group is in charge of installing the shelf label systems, revenue is recognized when the system becomes operational. At the reporting date, installations invoiced but not completed give rise to the recognition of deferred income; installations completed but not invoiced give rise to the recognition of an invoice to be prepared;
- When the Group only delivers the electronic labels, revenue is recognized on the basis of the international commercial terms;
- Training services are invoiced and recognized when the service is provided, independently of the delivery of the labels;
- Transport costs are invoiced simultaneously with the invoicing of the labels, and the related revenue is recognized in the same way as the main service (delivery of the labels);
- Annual flat-rate discounts granted to customers are deducted from revenue;
- Contracts for maintenance, licensing and other services are invoiced and recognized when the service is completed.
- In certain cases, the Group may be required to perform research and development engineering services. The related revenue is recognized when the service is completed and the performance obligation is met.
- Expenses corresponding to specific developments incurred in connection with the acquisition of new customer contracts are recognized as expenses in the year in which they are incurred, except for those meeting the following criteria:
  - These are incremental costs specific to obtaining certain new contracts,
  - These costs are essential to meeting the needs expressed by the customer.

At the end of each fiscal year, the costs incurred for contracts not obtained are recognized as expenses. Costs incurred for contracts obtained are capitalized and amortized on a straight-line basis over the term of the contracts.

## Principal or Agent

The Group has conducted an analysis of the nature of its relationships with its customers in order to determine whether it is acting as a principal or as an agent in the performance of the contract or part of the contract when the Group resells equipment, software or services. In the current framework, the Group uses the concepts of risks and rewards as its main criteria to determine whether it is acting as a principal or an agent, and in particular contractual liability vis-à-vis the customer, liability for credit risk, contractual liability vis-à-vis suppliers and the added value provided to the services or products of suppliers.

Under IFRS 15, the Group is considered to be acting as principal since it controls the goods or services before transferring them to its customer.

### 4.1.19 Operating segments (IFRS 8)

The SES-imagotag group has only one operating segment corresponding to a single activity of installing and maintaining electronic shelf labels.

Operating results are reviewed at the Group level. The objective is to make decisions about the allocation of resources and the evaluation of performance. Isolated information at the next level down is not available, given the overall management of the activities, technologies and regions.

## 4.2 Highlights of the period

The first half of 2023 marked the very successful start of the new 5-year strategic plan Vusion '27: strong profitable growth; new large contracts, including in the US; the final stage of the Digital Shelf System (DSS) program; and strategic acquisitions in data analytics and AI. (In the memory and Belive) which will also improve the VAS portfolio.

Following the signing of the Walmart agreement for a roll-out of SES-imagotag electronic shelf labels in the chains stores across the United States, the Shareholders' Meeting approved the grant of 1,761,200 stock warrants to Walmart inc.

## 4.3 Subsequent events

None

## 4.4 Notes to the half year consolidated financial statements



### DETAILED LIST OF NOTES

<b>NOTE 1.</b>	<b>Intangible Assets</b>	<b>51</b>
<b>NOTE 2.</b>	<b>Tangible Fixed Assets</b>	<b>53</b>
<b>NOTE 3.</b>	<b>Financial Assets</b>	<b>54</b>
<b>NOTE 4.</b>	<b>Inventories</b>	<b>54</b>
<b>NOTE 5.</b>	<b>Trade receivables</b>	<b>54</b>
<b>NOTE 6.</b>	<b>Other current receivables and current taxes</b>	<b>55</b>
<b>NOTE 7.</b>	<b>Cash and cash equivalents</b>	<b>55</b>
<b>NOTE 8.</b>	<b>Capital</b>	<b>55</b>
<b>NOTE 9.</b>	<b>Other Equity Instruments</b>	<b>56</b>
<b>NOTE 10.</b>	<b>Non-current provisions</b>	<b>56</b>
<b>NOTE 11.</b>	<b>Long-term loans and lease debts</b>	<b>56</b>
<b>NOTE 12.</b>	<b>Other non-current liabilities</b>	<b>57</b>
<b>NOTE 13.</b>	<b>Trade payables</b>	<b>57</b>
<b>NOTE 14.</b>	<b>Other debts and accrual accounts</b>	<b>57</b>
<b>NOTE 15.</b>	<b>Sales</b>	<b>58</b>
<b>NOTE 16.</b>	<b>Cost of goods sold</b>	<b>58</b>
<b>NOTE 17.</b>	<b>External expenses</b>	<b>58</b>
<b>NOTE 18.</b>	<b>Payroll expense</b>	<b>59</b>
<b>NOTE 19.</b>	<b>Other operating expenses</b>	<b>59</b>
<b>NOTE 20.</b>	<b>Other operating income</b>	<b>59</b>
<b>NOTE 21.</b>	<b>Other financial income and expenses</b>	<b>59</b>
<b>NOTE 22.</b>	<b>Income tax and deferred tax</b>	<b>59</b>
<b>NOTE 23.</b>	<b>Net income - Earnings per share</b>	<b>60</b>

## Note 1 - Intangible Assets

Gross value in €'000	Opening	Increase	Transfers between line items	Decrease	Change in consolidation scope	Closing
Goodwill	51,274	98,760	–	–	–	150,034
Development	70,701	308	13,068	–	1,331	85,408
Concessions, patents & similar rights	60,584	136	7,060	–	–	67,780
Intangible fixed assets in progress	52,858	44,459	(20,128)	(63)	–	77,126
<b>TOTAL</b>	<b>235,417</b>	<b>143,663</b>	<b>–</b>	<b>-63</b>	<b>1,331</b>	<b>380,348</b>

As of June 30, 2023, the amount of goodwill breaks down as follows:

- SES-ESL merger: € 12.6 m;
- Acquisition of SES-Imagotag GmbH: € 13.4 m;
- Acquisition of Pervasive Displays Inc (PDi): € 18.3 m;
- Acquisition of Findbox (now Captana GmbH): € 6.7 m;
- Acquisition of Market Hub : € 0.3 m;
- Acquisition of In the Memory: €90.4 m;
- Acquisition of Belive: € 8.3 m.

### Goodwill In The Memory

Founded in 2018 by a team of data scientists from the retail sector, In The Memory has developed a powerful data management and business intelligence platform, and has quickly acquired a large customer base among the leaders in retail and consumer products. In The Memory's solutions combine both strong business expertise and advanced technology for processing and analyzing large amounts of data from various sources. This dual business and data expertise endows the decision-making tools of the Memory platform with a unique quality, both for retailers and brands.

With this new acquisition, following that of MarketHub (Ireland) in early 2022, the SES-imagotag group continues to build its Data division, which also includes Captana, a company specializing in real-time analysis of store shelves by computer vision and artificial intelligence, as well as several solutions within the VUSION platform.

Following the approval of the Board of Directors on December 5, 2022, an agreement was signed on January 12, 2023 for the acquisition by SES-imagotag of 100% of the shares of In The Memory for an amount of €83,643 k. Of this total, €81,643k was paid on January 31, 2023. The balance of €2,000k will be paid on January 31, 2024.

A conditional consideration whose amount is indexed to In The Memory's performance during the 2023, 2024, 2025 and 2026 financial years has been determined by the company for an amount of €13m. This amount will be payable in successive installments at the following deadlines: July 2025, May 2026 and May 2027 for the achievement of performance for the years 2023-2024, 2025 and 2026 respectively.

The amount of goodwill calculated at June 30, 2023 amounts to €90.4m and has been calculated as follows:

in €'000	
Value of shares	€ 83,644
Conditional consideration	€ 13,000
Acquisition price for 100% shares	€ 96,644
Equity value on 31/12/2022	€ 6,194
Goodwill as of 30/06/2023	€ 90,450

Under IFRS 3, SES-imagotag has one year from the date of acquisition of In The Memory to allocate realizable assets and liabilities. Therefore, the amount of goodwill recognized as at June 30, 2023 is provisional and will be allocated definitively in the 12 months following the acquisition.

## Goodwill Belive

Founded in 2019, Belive has developed an artificial intelligence and computer vision platform allowing retailers to manage their store network in real time, including: availability of products on the shelves, time spent at checkout, planogram compliance, etc. Belive solutions facilitate the daily activities of store associates thanks to competitive technology that can be adapted to all types of stores and departments; Data is available in real time for the store, as well as for headquarters and warehouses.

With this merger, the group aims to complete its technological offer in order to provide a wider choice of solutions and broader coverage of all the needs of retailers, both in terms of use cases and pre-existing digital infrastructure. The synergies between Captana and Belive solutions will also make it possible to offer the best of both technologies and accelerate innovation to drive the digitalization of stores.

Following the approval of the Board of Directors on December 5, 2022, an agreement was signed on February 28, 2023 for the acquisition by Captana, GmbH, a fully-owned subsidiary of the SES-imagotag group, of 67.09% of the shares of Belive for an amount of € 6,655k. This amount was paid in full on April 14, 2023.

The amount of goodwill recognized at June 30, 2023 amounts to €8.3 million and has been calculated as follows:

in €'000	
Acquisition price for 67.09% of Belive's shares	€ 6,655
Equity value on 31/03/2023 x 67.09%	€-1,655
Goodwill as of 30/06/2023	€ 8,310

Under IFRS 3, SES-imagotag has one year from the date of acquisition of Belive to allocate realizable assets and liabilities. Therefore, the amount of goodwill recognized as at June 30, 2023 is provisional and will be allocated definitively in the 12 months following the acquisition.

Development costs represent the research and innovation costs incurred by the Group and which have made it possible to improve and diversify our product offering.

The transfers between lines during the financial year corresponds to:

- the capitalization of development costs incurred in the context of the ongoing development of the Jeegy Cloud software and new references in the Vusion range, and the Captana program;
- the capitalization of part of the development projects for the Group's information systems and IT infrastructure.

Intangible assets in progress correspond to expenses incurred in connection with marketable research and development projects, the development of the Group's IT infrastructure, and costs incurred for the filing of patents which had not yet been granted by June 30, 2023.

The increase in assets under construction during the period is explained by the following elements:

- development expenditures for € 39 331 k mainly attributable to the Digital Shelf System platform, including large scale tests and pilot manufacturing lines.
- development and restructuring of the Group's IT infrastructure and software for € 5,128k mainly due to an expanded scope of implementation for the SAP ERP (extra entities now running on SAP) as well as cyber security measures. The Group was ISO 27001 certified in H1 2023.

Amortization in €'000	Opening	Allowance	Transfers between line items	Write-back	Change in consolidation scope	Closing
Research and development	55,627	5,173	—	12	372	61,184
Concessions, patents & similar rights	27,739	3,555	—	—	—	31,294
<b>TOTAL</b>	<b>83,367</b>	<b>8,728</b>	<b>—</b>	<b>12</b>	<b>372</b>	<b>92,478</b>

## Note 2 - Tangible Fixed Assets

Gross Fixed Assets in €'000	Opening	Increase	Transfers between line items	Decrease	Change in consolidation scope	Closing
Buildings and improvements	3,706	209	–	95	–	4,010
Machinery, equipment, and tools	23,201	255	2,754	–	1	26,211
Other tangible fixed assets	26,430	2,659	(2,754)	(7)	523	26,851
<b>TOTAL</b>	<b>53,337</b>	<b>3,124</b>	<b>–</b>	<b>88</b>	<b>524</b>	<b>57,071</b>

Amortization in €'000	Opening	Allowance	Transfers between line items	Write-back	Change in consolidation scope	Closing
Buildings and improvements	2,217	222	–	–	9	2,448
Machinery, equipment, and tools	17,491	1,377	–	8	–	18,876
Other tangible fixed assets	13,582	2,063	–	(7)	138	15,776
<b>TOTAL</b>	<b>33,290</b>	<b>3,663</b>	<b>–</b>	<b>1</b>	<b>147</b>	<b>37,099</b>

### Right of use

Gross Fixed Assets in €'000	Opening	Increase	Transfers between line items	Decrease	Closing
Buildings and improvements	10,198	412	–	(119)	10,491
Production line and industrial equipment	14,727	–	–	–	14,727
Vehicles and other tangible fixed assets	1,300	404	–	(200)	1,504
<b>TOTAL</b>	<b>26,226</b>	<b>815</b>	<b>–</b>	<b>-319</b>	<b>26,722</b>

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

- the renewal of lease agreements in Canada, Taiwan, Ireland, Mexico and Japan;
- the renewal of the car fleet mainly in France;

The decrease in user rights is explained by:

- the termination of the leases of the Canadian entity;
- the termination of vehicle leases for € 200k.

Amortization in €'000	Opening	Allowance	Transfers between line items	Write-back	Closing
Buildings and improvements	3,903	1,062	–	(118)	4,847
Production line and industrial equipment	11,455	1,636	–	–	13,091
Vehicles and other tangible fixed assets	588	269	–	(200)	657
<b>TOTAL</b>	<b>15,946</b>	<b>2,968</b>	<b>–</b>	<b>-319</b>	<b>18,595</b>

## Note 3 - Financial Assets

Financial assets in €'000	Opening	Increase	Decrease	consolidation scope	Closing
Non-consolidated investments	18,668				18,668
Deposits and guarantees	946	78	(12)	176	1,188
Other loans	584	32			616
Other		105			105
<b>TOTAL</b>	<b>20,198</b>	<b>215</b>	<b>-12</b>	<b>176</b>	<b>20,576</b>

Non-consolidated investments refer to the minority interest stake taken in H2 2022 in the BOE Yiyun entity, a technology company.

## Note 4 - Inventories

Inventories in € '000	06/30/2023	12/31/2022	06/30/2022
Inventory of raw material	16,928	30,108	25,006
Inventory of finished products	134,831	127,123	133,928
Inventory of goods purchased for resale	16,499	16,086	16,060
Impairment of inventory	(9,525)	(8,900)	(8,417)
<b>TOTAL</b>	<b>158,733</b>	<b>164,417</b>	<b>166,578</b>

At June 30, 2023 the rotation of inventories has improved versus the previous year, at 68 days compared to 100 days at year-end 2022.

## Note 5 - Trade receivables

Trade receivables in € '000	06/30/2023	12/31/2022	06/30/2022
Gross trade receivables	127,254	110,532	139,675
Provision for Impairment	(1,252)	(1,285)	(1,095)
<b>TOTAL</b>	<b>126,002</b>	<b>109,247</b>	<b>138,581</b>

At June 30, 2023, days sales outstanding ratio has improved versus the previous year, at 47 days compared to 60 days at year-end 2022.

Under the current deconsolidating factoring contract for the French entity, the total amount of deconsolidated trade receivables is €6.7 m, of which €6.1 m has been repaid. The amount of assigned receivables not repaid at June 30, 2023 is therefore €0.6 m.

Provision for impairment is detailed as follow :

Amount in € '000	Gross value	Provision
Receivables overdue less than 90 days	119,880	0
Receivables overdue between 90 days and 360 days	4,465	(192)
Receivables overdue more than 360 days	2,908	(1,060)
<b>TOTAL</b>	<b>127,254</b>	<b>(1,252)</b>



## Note 6 - Other current receivables and other current taxes

Current tax receivables amounted to € 4,818k as of June 30, 2023. They mainly correspond to research tax credits in France and in Austria.

The other current receivables are detailed below :

Other current receivables in € '000	06/30/2023	12/31/2022	06/30/2022
Tax receivables	14,887	3,397	5,473
Social Security receivables	64	39	46
Suppliers- advance and prepayments	158	32	799
Suppliers- credit note	1,111	1,679	3,401
Financial Instruments	0	501	5,543
Other receivables	163,738	0	203
Prepaid expenses	4,488	3,375	2,714
<b>TOTAL</b>	<b>184,445</b>	<b>9,024</b>	<b>18,178</b>

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

Credit notes receivable from our main suppliers of finished product and component assembly were recognized for an amount of € 1,043k as of June 30, 2023.

The amount classified as other receivables relates mainly to the warrants granted to Walmart up to €163.4m.

Prepaid expenses relate to the company's current operating expenses invoiced but relating to a later period, and mainly the second half of 2023.

## Note 7 - Cash and cash equivalents

Cash and cash equivalents in € '000	06/30/2023	12/31/2022	06/30/2022
Securities	29	15	32
Cash	193,376	33,922	75,632
<b>TOTAL</b>	<b>193,405</b>	<b>33,937</b>	<b>75,664</b>

## Note 8 - Capital

Change in number of shares	Number	Nominal value in €	Share capital in €
Number of shares beginning of the period	15,850,808	2	31,701,616
Increase	0	2	0
<b>Number of shares at the end of the period</b>	<b>15,850,808</b>	<b>2</b>	<b>31,701,616</b>

As of June 30, 2023, the company held a total of 5,577 treasury shares, all relating to the liquidity contract entered during the year 2021. Treasury shares are restated as a deduction from equity in accordance with IAS 32.

## Note 9 - Other Equity Instruments

Stock options and allocation of performance shares.

### Allocation of stock options

At its meeting of June 29, 2020, the Board of Directors approved the principle of a performance share plan, the effect of which is to grant 470,000 shares to be issued subject to performance conditions and conditions of continued presence.

The definitive acquisition of the shares is subject to a condition of presence of the beneficiary and planned as follows:

- In 2022: Delivery of Tranche 1 Shares in 2022 if the performance conditions are met (Target 2020);
- In 2023: Delivery of Tranche 2 shares in 2023 if the performance conditions are met (Target 2021);
- In 2024: Delivery of Tranche 3 shares in 2024 if the performance conditions are met (Target 2022);
- In 2025: Delivery of Tranche 4 shares in 2025 if the performance conditions are met (Target 2023).

For performance shares delivered during the years 2022 to 2025 (Target 2020 to Target 2023), the performance shares will not be subject to any retention period from the date of delivery of the shares (given the 2-year period between grant and vesting).

## Note 10 - Non-current provisions

Non-current provisions in € '000	Opening	Allowance	Release of allowance	Release of non-used allowance	Closing
Provisions for RMAs	139	63	(44)		157
Provisions for leased assets refurbishment	870				870
Provision for retirement benefits	711	111			822
Other provisions for risks	981		(22)	807	1,766
<b>TOTAL</b>	<b>2,701</b>	<b>173</b>	<b>(66)</b>	<b>807</b>	<b>3,615</b>

Provisions for the repair of leased assets relate to leases under IFRS 16. The counterparty is recognized in property, plant and equipment, as an increase in 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	With cash impact			No cash impact			Closing
	Opening	Increase	Decrease	Change in scope	Translation differences	Others	
Bond debt	49,717	68					49,785
Other long-term loans from credit institutions	24,708	128,113	(8,260)	5,073			149,634
Current and non-current lease debt	8,109		(1,420)			816	7,505
<b>TOTAL</b>	<b>82,533</b>	<b>128,181</b>	<b>(9,680)</b>	<b>5,073</b>	<b>0</b>	<b>816</b>	<b>206,923</b>

The increase with impact on cash of €128,113K corresponds to the drawdown of the entire revolving credit facility for €40M. The balance, i.e. €88 m, corresponds to a bridge loan taken out by the Group for the acquisition of In The Memory and Belive entities.

The non-cash increase of €5,073k corresponds to the impact of the entry into scope of the new entities acquired during the first half of 2023, namely In The Memory and Belive.

As of June 30, 2023, the Group respected the consolidated leverage ratio designating the ratio between net financial debt and EBITDA below 3.5. As a reminder, the impact of the application of IFRS 16 is excluded from the definition of financial debt for the purpose of calculating covenants.

Long Term Loans in € '000	06/30/2023	Less than 1 year	1 year to 5 year	More than 5 years
Bond & loans from credit institutions	199,418	144,290	55,128	0
Bank	0	0	0	
Recurring and non-recurring leasing related debt	7,505	2,732	4,772	0
<b>TOTAL</b>	<b>206,923</b>	<b>147,022</b>	<b>59,900</b>	<b>0</b>

The portion of the Loans due in less than one year corresponds mainly to the €40m bond maturing at the end of December 2023, the bridge loan for the acquisition of In The Memory and Belive for €88m maturing at the end of December 2023, and the amount due by the end of December 2023 of the amortizable loan guaranteed by the State. In addition, the Group's refinancing of the €40m bond and the €88m bridge loan maturing in December 2023 is well underway between the Group and its banking partners.

## Note 12 - Other non-current liabilities

Other non-current liabilities in € '000	06/30/2023	12/31/2022	06/30/2022
Other debt - Price supplement	13,482	481	483
Research tax credit	3,792	3,271	2,835
Other operating grants	0	0	0
<b>TOTAL</b>	<b>17,275</b>	<b>3,752</b>	<b>3,319</b>

The change in "Other debt - Price supplement" is the estimated earn out amount of €13m calculated for the acquisition of In the Memory.

## Note 13 - Trade payables

Trade payables in € '000	06/30/2023	12/31/2022	06/30/2022
Trade payables	120,699	107,767	132,454
Suppliers - accrued expenses	56,360	48,111	36,405
<b>TOTAL</b>	<b>177,059</b>	<b>155,878</b>	<b>168,859</b>

## Note 14 - Other debts and accrual accounts

Other debts and accrual accounts in € '000	06/30/2023	12/31/2022	06/30/2022
Customers - prepayments	187,517	61,419	83,296
Customers - credit notes	1,754	1,662	705
Social security and tax liabilities, pension commitments	22,196	17,945	25,696
Financial instruments	87,435	0	0
Deferred income and other debts	12,868	10,249	7,985
<b>TOTAL</b>	<b>311,770</b>	<b>91,275</b>	<b>117,682</b>

The increase in customers prepayments corresponds to the receipt of the first deposit received under the commercial contract with Walmart for an amount of €145m, and whose first deliveries are scheduled for the end of 2023.

The amount recognized in financial instruments corresponds in part to the fair value of the hedging instruments for €422k and the fair value of the remaining warrants to be exercised by Walmart for €87,012k.

Deferred revenue corresponds to sales made during the first half of the year but for which the contractual obligations were not fully fulfilled as at June 30, 2023. The proceeds of these sales will be recognized in the second half of the year.

## Note 15 - Sales

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

Sales in €m	06/30/2023		06/30/2022	
Europe & EMA	317.8	83 %	221.3	77 %
France	93.1		32.8	
EMEA	224.7		188.5	
Americas & Asia	62.9	17 %	64.6	23 %
<b>TOTAL</b>	<b>380.7</b>		<b>285.9</b>	

Sales in €m	06/30/2023		06/30/2022	
Electronic labels	327.7	86 %	240.8	84 %
Software, services and non-electronic labels solutions	53.0	14 %	45.1	16 %
<b>TOTAL</b>	<b>380.7</b>		<b>285.9</b>	

Revenue in the Europe and MEA region (Europe, Middle East, Africa) reached €317.8m, up +44% compared to the first half of 2022.

Revenue from Asia and the Americas amounted to €63m, down slightly year-on-year but up strongly on a like-for-like basis of +27%, once the effect of the disposal of the JV in China is restated. This growth is mainly driven by North America, where the Group recorded numerous successes in the first half of 2023, including a major contract with Walmart, and several ESL roll-out contracts in food retail, non-food retail, and convenience stores.

The Group has opted to concentrate all purchases of goods sold on the parent company, SES-imagotag SA. This enables the optimization of inventory management on behalf of all Group entities. The goods sold by the parent company and its subsidiaries are thus all bought by the parent company which resells them to its subsidiaries. This organizational framework accounts for the inter-company flows that are eliminated in the consolidated accounts.

## Note 16 - Cost of goods sold

*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	06/30/2023	12/31/2022	06/30/2022
Subcontracted variable expenses	(8,293)	(12,129)	(6,461)
Outsourced personnel and recruitment expenses	(3,940)	(5,266)	(2,307)
Travel expenses	(3,612)	(5,345)	(2,259)
Marketing	(4,695)	(4,914)	(3,427)
Consulting Fees	(3,381)	(4,596)	(2,269)
IT & Telecom expenses	(4,580)	(5,199)	(2,419)
Other	(1,442)	(1,464)	218
<b>TOTAL</b>	<b>(29,943)</b>	<b>(38,913)</b>	<b>(18,925)</b>

## Note 18 - Payroll expense

Payroll costs in € '000	06/30/2023	12/31/2022	06/30/2022
Payroll expense	(24,402)	(39,797)	(20,043)
Performance shares (IFRS2)	(4,365)	(7,598)	(3,452)
Pension commitments	(60)	(118)	(30)
<b>TOTAL</b>	<b>(28,828)</b>	<b>(47,514)</b>	<b>(23,525)</b>

The impact of change in scope due to acquisitions totals € 3,669k.

## Note 19 - Other operating expenses

Other operating expense are non-significant as at June 30, 2023.

## Note 20 - Other operating income

Other operating income are non-significant as at June 30, 2023.

## Note 21 - Other financial income and expenses

Financial result in € '000	06/30/2023	12/31/2022	06/30/2022
Financial instruments	2,356	89	115
Foreign exchange gains	14,968	52,698	41,190
Other financial income	76,796	549	202
<b>Other financial income</b>	<b>94,120</b>	<b>53,336</b>	<b>41,508</b>
Bank interest expenses	(4,596)	(2,387)	(1,407)
Leasing related interest expenses	(124)	(262)	124
Foreign exchange losses	(12,579)	(55,805)	(40,896)
Other financial expenses	(911)	(939)	(402)
<b>Other financial expenses</b>	<b>(18,210)</b>	<b>(59,394)</b>	<b>(42,581)</b>
<b>TOTAL</b>	<b>75,910</b>	<b>(6,058)</b>	<b>(1,073)</b>

## Note 22 - Income tax and deferred tax

in € '000	06/30/2023	12/31/2022	06/30/2022
<b>TOTAL</b>	<b>(7,093)</b>	<b>(7,060)</b>	<b>(2,419)</b>

The tax charge has been taken into account for the period on the basis of the best estimate of the expected average annual rate.

Income tax and deferred tax in € '000	06/30/2023	12/31/2022	06/30/2022
Tax losses carry forward	7,814	12,335	15,255
Temporary differences	1,453	1,460	1,366
<b>Total Deferred Tax Assets</b>	<b>9,268</b>	<b>13,796</b>	<b>16,621</b>
Amortization of technologies	1,465	1,563	1,660
Activated R&D expenses	5,665	5,126	4,567
Temporary differences	1,792	526	1,257
<b>Total Deferred Tax Liabilities</b>	<b>8,923</b>	<b>7,214</b>	<b>7,485</b>

Deferred tax assets on tax losses carry forward are attributable to the French entity for a total € 7,814k.

## Note 23 - Net income - Earnings per share

Net profit for the period amounted to € 91,596k.

Impact of potential dilution on the capital:

Earnings per share	06/30/2023	12/31/2022	06/30/2022
Profit (Loss) (€'000)	91,596	18,954	5,039
Weighted average number of shares at closing	15,850,808	15,798,896	15,761,008
Performance shares <sup>6</sup>	223,700	223,700	197,650
Earnings per share			
- basic earnings	5.78	1.20	0.32
- diluted earnings	5.70	1.18	0.32

## 4.5 Other notes

### Note 24 - Off balance sheet commitments

Commitments made:

- Comfort letter in favor of SES-imagotag GmbH, a wholly-owned subsidiary of the company;
- Comfort letter in favor of SES-imagotag Netherlands B.V., a wholly owned subsidiary of the Company;
- Rent-related guarantee payment €376k (CIC);
- Guarantee granted for exports € 398k (CIC);
- Pledge of interest-bearing bank account (CIC);
- Regarding the bonds, the Company undertakes to maintain a consolidated Net Debt to last 12-month EBITDA ratio below 3.5x. This covenant is calculated every six months..

### Note 25 - Degree of exposure to market risk

The Company is mainly exposed to currency fluctuations on its purchases made in dollars.

Degree of exposure to market risk in \$k	As of June 2023
Hedging portfolio as of December 2022	60,000
New contract hedging purchased on H1 2023 for 2023	30,000
Hedging contracts released in H1 2023	35,000
Hedging portfolio as of June 2023	55,000

### Note 26 - Research and development expenditure

Over the first half of 2023, € 39,331k in development expenditure were 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.

<sup>6</sup> Performance shares related to shares granted but not yet delivered as of the closing date. At June 30, 2023 it corresponds to 107 850 shares relating to Tranche 2 (plan 2021) and 115 850 shares relating to Tranche 3 (plan 2022).

As of June 30, 2023, transactions completed with the Group's majority shareholder BOE Smart Retail (Hong Kong) Co, Ltd or its affiliates are:

- \$ 234.6m in purchases to Chongqing BOE Smart Electronic System Co Ltd ) related to a supply contract and industrial outsourcing services (Master Service Agreement)
- \$ 0.1m in component sales to Chongqing BOE Smart Electronic System Co.Ltd.

At the end of FY 2022, our EMS Chongqing BOE Smart Electronic System Co Ltd signed a supplier agreement with an external components supplier: hence, the sales historically performed by SES-imagotag SA to Chongqing BOE Smart Electronic System Co Ltd have ceased at the beginning of H1 2023.

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

The gross compensation paid to the Chairman and Chief Executive Officer amounts to € 180k in respect of his H1 2023 fixed compensation.

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 2023 is € 21k.

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 €	06/30/2023	06/30/2022
Short term benefits	180,000	180,000
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

The Company does not hold risky investments.

## 4.6 Scope of consolidation

Company Name	Head office	Consolidation Method <sup>7</sup>	% controlled 06/30/2023	% controlled 06/30/2023	% controlled 12/31/2022
SES-imagotag S.A.	France	(Parent)	(Parent)	(Parent)	(Parent)
SES-imagotag Pte Ltd	Singapore	FC	100	100	100
SES-imagotag Mexico srl. de cv	Mexico	FC	99	99	99
SES-imagotag Italia Srl.	Italy	FC	100	100	100
SES-imagotag GmbH	Austria	FC	100	100	100
Solutions Digitales SES-imagotag Ltée	Canada	FC	100	100	100
Market Hub Technologies Ltd	Ireland	FC	100	100	100
SES-imagotag INC.	United States	FC	100	100	100
SES-imagotag Netherlands BV	Netherlands	FC	100	100	100
SES-imagotag Denmark Aps.	Denmark	FC	100	100	100
SES-imagotag Iberia S.L	Spain	FC	100	100	100
Captana GmbH	Germany	FC	100	100	100
Pervasive Displays Inc	Taiwan	FC	100	100	100
SES-imagotag Pdi Digital	Austria	FC	70	70	70
SES-imagotag Australia Pty Ltd	Australia	FC	100	100	100
SES-imagotag Japan K.K.	Japan	FC	100	100	100
SES-imagotag RDC d.o.o.	Croatia	FC	100	100	100
In The Memory	France	FC	100	100	N.A
Belive	France	FC	67.09	67.09	N.A

<sup>7</sup> FC : fully consolidated





## Statutory Auditors' Report

# Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2023

*This is a free translation into English of the statutory auditors' review report on the half-yearly 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-yearly 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,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of SES-imagotag, for the period from January 1 to June 30, 2023
- the verification of the information presented in the half-yearly management report.

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

## I – Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

## II – Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Paris - La Défense, September 29, 2023

The Statutory Auditors

French original signed by

KPMG SA

Mathilde Fimayer  
Partner

Deloitte & Associés

Hélène De Bie  
Partner



## Certificate of the person responsible for the 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*



**vusion**  
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