



# INTERIM FINANCIAL REPORT 2019



# INTERIM FINANCIAL REPORT AT JUNE 30, 2019

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## DECLARATION BY RESPONSIBLE PERSONS

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I certify that, to my knowledge, the condensed consolidated financial statements for the past six months were drawn up in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position, and profits and losses of the Company and of all companies included in the scope of consolidation and that the interim business report provides a true picture of the significant events that occurred during the first six months of the financial year, their impact on the interim financial statements, and the main related-party transactions, together with a description of the main risks and uncertainties for the remaining six months of the year.

Lannion, September 24, 2019

Didier Brédy, Chief Executive Officer of Ekinops

## INTERIM BUSINESS REPORT

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### 1. Activity during the first six months

Over the first half of 2019, Ekinops generated consolidated revenue of €45.0 million, up 7% from €42.1 million a year earlier.

International business represented 68% of revenue in the first half of 2019 compared with 58% in the 2018 financial year overall.

All the international regions saw double-digit growth in the first half of 2019. Sales in North America increased +16% over the past six months. This region now represents 15% of total business compared with 12% for the 2018 financial year overall.

EMEA (Europe (excluding France), Middle East, and Africa) and APAC (Asia/Pacific) were up +31% and +22% respectively. Sales in France declined -20% in the first half of 2019, following a +37% increase over the full 2018 financial year.

Of the group's top 10 clients in the first half of the year, seven posted double-digit business growth. Average growth on these large operators and service providers averaged +37%, totaling 57% of the group's business in the first half of 2019.

The first half of the year was marked by growing interest from major customers in Network Functions Virtualization (NFV) solutions, some great all-IP migration projects (voice routers) in Europe, the success of new customer deployments based on OneOS6, and strong growth in 200 GB/s optical transport products.

The gross margin for the first half of €24.9 million represents 55.3% of consolidated revenue.

EBITDA for the first half of 2019 amounted to €8.1 million (€7.1 million excluding IFRS 16 effects) compared with €4.0 million in the first half of 2018.

Current operating income was €2.6 million compared with -€0.2 million in the first half of 2018.

Other operating income and expenses (€2.4 million) consist solely of expenses related to external growth operations.

Net income for the first half of 2019 was -€0.3 million compared with -€1.1 million a year earlier.

On May 29, 2019, the Group announced the signing of final agreements, subject to conditions precedent, to acquire the OTN-Switch platform (Optical Transport Network) developed by PADTEC, a Brazil-based manufacturer of optical network equipment.

In order to finance this acquisition, the Group increased its capital by €7.3 million net of fees by issuing 2,152,916 new shares.

### 2. Earnings analysis

The EBITDA margin (after IFRS 16 effects) set a new record of 17.9% (vs. 9.5% in the first half of 2018 and 12.4% for the 2018 financial year overall).

After accounting for net allowances for amortization, depreciation, and provisions (€4.4 million) and non-disbursable expenses related to share-based payments (€1.1 million), current operating income amounted to €2.6 million in the first half of 2019, compared with a loss of -€0.2 million a year earlier.

Other operating income and expenses amounted to -€2.4 million (vs. -€0.9 million in the first half of 2018), consisting exclusively of fees and expenses related to external growth operations. Operating income was €0.2 million (vs. -€1.1 million in the first half of 2018).

The group's share of net income for the six-month period was -€0.3 million after recognizing financial income and tax expenses.

### 3. Events after the end of the interim period

On July 19, 2019, the Group announced the finalization of the acquisition of the OTN-Switch platform (Optical Transport Network) developed by PADTEC, a Brazil-based manufacturer of optical network equipment.

No other significant events occurred after the end of the interim period.

### 4. Foreseeable business development until the end of the year

The results for the first half of 2019 are in line with the same virtuous trend of the 2018 financial year, illustrating the synergistic effect and the strong value creation since the acquisition of OneAccess.

The second half of 2019 is expected to be marked by continued dynamic business development, given a strong traction on the key themes for Ekinops: deployment of VNF (Virtual Network Functions), software developments for SD-WAN interfaces (Software-Defined Wide Area Network), and in the longer term 5G equipment or the market release of the first solutions derived from the OTN technology in early 2020.

## **5. Information on risks and uncertainties for the next six months**

There have been no changes in the risk factors presented in the registration document published by Ekinops and filed with the AMF on April 8, 2019, in terms of either their nature or their level.

## **6. Main related-party transactions**

During the interim period, there were no related-party transactions other than those in the ordinary course of business.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### I - CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of euros)	Notes	June 30, 2019	December 31, 2018
Goodwill	6.1	27 523	27 523
Intangible assets	6.2	28 282	30 363
Tangible assets	6.3	1 974	2 593
Non-current financial assets	6.5	1 282	1 177
Rights of use	6.6	6 723	-
Other non-current assets	6.5	9 038	7 519
Deferred tax assets		2 017	1 953
<b>Total non-current assets</b>		<b>76 839</b>	<b>71 128</b>
Inventories	6.7	9 188	11 232
Trade receivables and related accounts	6.8	22 036	20 687
Other current assets	6.9	5 675	5 912
Derivative instrument assets	6.9	-	-
Cash and cash equivalents	6.10	40 014	25 115
<b>Total current assets</b>		<b>76 913</b>	<b>62 946</b>
<b>TOTAL ASSETS</b>		<b>153 752</b>	<b>134 074</b>
Issued capital	6.11	11 846	10 765
Share premiums		109 340	103 163
Consolidated reserves – Group share		(39 264)	(37 812)
Translation reserves		334	317
Profit (loss) for the period – Group share		(280)	(2 078)
<b>Shareholders' equity (Group share)</b>		<b>81 976</b>	<b>74 355</b>
Non-controlling interests		-	-
<b>Total shareholders' equity</b>		<b>81 976</b>	<b>74 355</b>
Non-current financial debt	6.12	10 018	6 708
Non-current lease liabilities	6.6	5 400	-
Non-current provisions	6.15	1 140	1 224
Commitments to personnel	6.14	2 833	2 496
Debts on acquisition of non-current securities	6.16	-	-
Other non-current liabilities		40	112
Deferred tax liabilities	7.7	5 335	5 597
<b>Total non-current liabilities</b>		<b>24 766</b>	<b>16 137</b>
Current financial debt	6.12	12 301	9 059
Current lease liabilities	6.6	1 605	-
Current provisions	6.15	1 110	1 163
Debts on acquisition of current securities	6.16	6 234	6 234
Derivative instrument liabilities	6.17	8	26
Trade payables and related accounts	6.17	14 444	13 958
Current tax payable	6.17	786	797
Other current liabilities	6.17	10 522	12 344
<b>Total current liabilities</b>		<b>47 010</b>	<b>43 581</b>
<b>TOTAL LIABILITIES</b>		<b>153 752</b>	<b>134 074</b>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

## II - STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(In thousands of euros)	Notes	June 30, 2019	June 30, 2018
Revenue	7.1	45 017	42 096
Cost of sales		(20 120)	(18 626)
<b>Gross margin</b>		<b>24 897</b>	<b>23 470</b>
Research and development costs	7.2	(8 910)	(9 541)
Marketing and sales costs	7.2	(8 924)	(9 856)
General and administrative expenses	7.2	(4 499)	(4 244)
<b>Current operating profit (loss)</b>		<b>2 564</b>	<b>(171)</b>
Other operating income and expenses	7.5	(2 392)	(906)
<b>Operating profit (loss)</b>		<b>172</b>	<b>(1 077)</b>
Net borrowing cost	7.6	(79)	(121)
Other financial income and expenses	7.6	(226)	233
<b>Pre-tax profit (loss)</b>		<b>(134)</b>	<b>(965)</b>
Tax expense	7.7	(146)	(91)
<b>Net income for the period</b>		<b>(280)</b>	<b>(1 056)</b>
Portion attributable to Ekinops SA shareholders:	7.8	(280)	(1 063)
Portion attributable to non-controlling interests		-	7
<b>Basic earnings per share (€/share):</b>	7.8	<b>(0.01)</b>	<b>(0.05)</b>
<b>Diluted earnings per share (€/share):</b>		<b>(0.01)</b>	<b>(0.05)</b>
<b>EBITDA</b>	7.9	<b>8 058</b>	<b>4 030</b>

## OTHER COMPREHENSIVE INCOME

(In thousands of euros)	June 30, 2019	June 30, 2018
<b>Net income for the period</b>	<b>(280)</b>	<b>(1 056)</b>
<b>Other recyclable components of comprehensive income:</b>	<b>17</b>	<b>(96)</b>
Currency translation adjustments, net of taxes	17	(96)
Currency translation adjustments	17	(96)
Tax effect	-	-
<b>Other non-recyclable components of comprehensive income:</b>	<b>(156)</b>	<b>170</b>
Actuarial gains and losses, net of taxes	(174)	115
Actuarial gains (losses) on commitments to personnel	(174)	148
Tax effect		(33)
Financial instruments, net of taxes	18	55
Change in fair value of hedging financial instruments	18	77
Tax effect		(22)
<b>Total other comprehensive income</b>	<b>(139)</b>	<b>74</b>
<b>Comprehensive income</b>	<b>(419)</b>	<b>(982)</b>
Portion attributable to Ekinops SA shareholders:	(419)	(982)
Portion attributable to non-controlling interests	-	-

The accompanying notes are an integral part of the interim consolidated financial statements.

### III - CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of euros)	Number of shares	Capital	Share premium	Reserves and retained earnings	Translation reserves	Shareholders' equity, Group share	Non-controlling interests	Total shareholders' equity
<b>At January 1, 2018</b>	<b>21 242 747</b>	<b>10 621</b>	<b>103 936</b>	<b>(39 073)</b>	<b>338</b>	<b>75 822</b>	<b>471</b>	<b>76 293</b>
Net income for the period	-	-	-	(1 063)	-	(1 063)	7	(1 056)
Other comprehensive income	-	-	-	170	(96)	74	-	74
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(893)</b>	<b>(96)</b>	<b>(989)</b>	<b>7</b>	<b>(982)</b>
Treasury shares	-	-	-	(3)	-	(3)	-	(3)
Share-based payments	-	-	-	268	-	268	-	268
Capital increase	286 414	143	-	(143)	-	-	-	0
Other	-	-	(773)	753	-	-	-	-
<b>At June 30, 2018</b>	<b>21 529 161</b>	<b>10 765</b>	<b>103 163</b>	<b>(39 091)</b>	<b>241</b>	<b>75 078</b>	<b>478</b>	<b>75 556</b>
<b>At January 1, 2019</b>	<b>21 529 161</b>	<b>10 765</b>	<b>103 163</b>	<b>(39 890)</b>	<b>317</b>	<b>74 355</b>	<b>-</b>	<b>74 355</b>
Retrospective impacts of the purchase price allocation OneAccess <sup>1</sup>	-	-	-	(314)	-	(314)	(1)	(315)
<b>At January 1, 2019</b>	<b>21 529 161</b>	<b>10 765</b>	<b>103 163</b>	<b>(39 890)</b>	<b>317</b>	<b>74 355</b>	<b>-</b>	<b>74 355</b>
Net income for the period	-	-	-	(280)	-	(280)	-	(280)
Other comprehensive income	-	-	-	(156)	17	(139)	-	(139)
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(436)</b>	<b>17</b>	<b>(419)</b>	<b>-</b>	<b>(419)</b>
Impact of first-time adoption of IFRS 16 (Simplified retroactive approach)	-	-	-	(281)	-	(281)	-	(281)
Treasury shares	-	-	-	(5)	-	(5)	-	(5)
Share-based payments	-	-	-	1 068	-	1 068	-	1 068
Exercised stock options	10 075	5	22	-	-	27	-	27
Capital increase	2 152 916	1 076	6 155	-	-	7 231	-	7 231
Other	-	-	-	-	-	0	-	0
<b>At June 30, 2018</b>	<b>23 692 152</b>	<b>11 846</b>	<b>109 340</b>	<b>(39 544)</b>	<b>334</b>	<b>81 976</b>	<b>-</b>	<b>81 976</b>



#### IV - CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of euros)	Notes	June 30, 2019	June 30, 2018
<b>Net income for the period</b>		<b>(280)</b>	<b>(1 056)</b>
Elimination of amortization (excluding rights of use), depreciation, and provisions	7.4	3 546	4 015
Elimination of amortization of rights of use (IFRS 16)	6.6	880	-
Elimination of share-based payment expenses	6.11	1 068	268
Elimination of other items without cash flow impact		21	26
<b>Cash flow after taxes and net borrowing costs</b>		<b>5 235</b>	<b>3 253</b>
Elimination of other non-operating items	6.15		906
Elimination of tax expense (income)	7.7	146	91
Neutralization of financial interest related to rent liabilities	6.6	96	-
Neutralization of borrowing costs disbursed	7.6	79	95
<b>Cash flow before taxes and net borrowing costs</b>		<b>5 556</b>	<b>4 345</b>
Impact of change in working capital requirements	6.18	(2 042)	3 971
Taxes paid		(400)	(110)
<b>Cash flows from operating activities</b>		<b>3 114</b>	<b>8 206</b>
Acquisition of tangible and intangible assets	6.4	(1 393)	(1 169)
Acquisition of securities	6.16	-	(369)
Change in loans, advances, and security deposits	6.5	(89)	168
Disposal of tangible and intangible assets acquisitions		-	-
<b>Cash flows from investing activities</b>		<b>(1 482)</b>	<b>(1 370)</b>
Change in share capital and share premiums	6.6	7 258	(18)
Trading in treasury shares		(4)	(3)
Issue of new loans	6.12	8 357	71
Loan repayments	6.12	(1 238)	(7 878)
Financial interest paid	6.12	(79)	(85)
Repayment of rent liabilities	6.6	(892)	-
Financial interest related to rent liabilities	6.6	(96)	-
Change in other financial debt		(15)	4
<b>Cash flows from financing activities</b>		<b>13 291</b>	<b>(7 909)</b>
Impact of foreign exchange rate fluctuations	6.10	(5)	(157)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>14 918</b>	<b>(1 230)</b>
Opening cash and cash equivalents:		25 115	21 316
Closing cash and cash equivalents:		40 014	20 086

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1 – General information

Ekinops SA, with registered office at 3 Rue Blaise Pascal 22300 Lannion, France, is the consolidating entity of the Ekinops Group.

Ekinops is a leading supplier of open, interoperable telecommunications solutions for service providers (telecommunications operators and companies) around the world.

The highly programmable and scalable solutions offered by Ekinops enable the fast, flexible deployment of new services for high-capacity and high-speed optical transport as well as enterprise services, particularly through network virtualization. The portfolio of solutions consists of two sets of fully complementary products:

- the “Ekinops 360” platform to meet the needs of metropolitan, regional, and long-distance networks based on a simple, highly integrated architecture for network layer 1 (transport);
- access solutions to offer a wide range of physical and virtualized deployment options for layers 2 and 3 (link and network).

As service providers embrace SDN (Software Defined Networking) and NFV (Network Functions Virtualization) deployment models, the Ekinops solutions allow them to migrate transparently to open, virtualized architectures.

Thanks to its global organization, Ekinops operates on four continents.

Ekinops SA is listed for trading on compartment C of the Euronext Paris market (ISIN code: FR0011466069, symbol: EKI).

The condensed interim consolidated financial statements at June 30, 2019, were reviewed by the Board of Directors of Ekinops on September 24, 2019.

The condensed interim consolidated financial statements reflect the accounting position of Ekinops SA and its subsidiaries.

The group’s functional currency is the euro. Unless stated otherwise, the financial statements are presented in thousands of euros.

### NOTE 2 – Highlights of the first half of 2019

Over the first half of 2019, Ekinops generated consolidated revenue of €45.0 million, compared with €42.1 million over the first half of 2018.

On May 29, 2019, the Group announced the signing of final agreements, subject to conditions precedent, to acquire the OTN-Switch platform (Optical Transport Network) developed by PADTEC, a Brazil-based manufacturer of optical network equipment.

In order to finance this acquisition, the Group increased its capital by €7.3 million net of fees by issuing 2,152,916 new shares.

No other significant events occurred during the interim period.

### NOTE 3 – Accounting principles, rules, and methods

#### 3.1 – Accounting principles

The Group’s condensed consolidated financial statements for the six-month period ended June 30, 2019, were prepared in accordance with the provisions of IAS 34 on interim financial reporting and on the basis of IFRS and interpretations published by the International Accounting Standards Board (IASB) as adopted in the European Union and mandatory as of January 1, 2019.

In accordance with IAS 34, the purposes of the explanatory notes to these condensed financial statements are:

- to update the accounting and financial information contained in the latest consolidated financial statements published as of December 31, 2018; and
- to include new accounting and financial information about significant events and transactions that occurred during the period.

These notes therefore discuss significant events and transactions that occurred in the first six months and should be read in conjunction with the consolidated financial statements at December 31, 2018. They are inseparable from the information presented in the consolidated financial statements included in the Group's Financial Report published for the 2018 financial year.

This document is available on the websites of the Group ([www.ekinops.net](http://www.ekinops.net)) and the AMF ([www.amf-france.org](http://www.amf-france.org)) and can be obtained from the Group at the address indicated above.

The accounting principles used for the preparation of the condensed interim consolidated financial statements comply with the IFRS and interpretations as adopted by the European Union and applicable as of June 30, 2019, which are available on the website of the European Commission.

<https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/>

These accounting principles are the same as those used to prepare the 2018 annual consolidated financial statements, with the exception of the method change related to the adoption of IFRS 16, the nature and effects of which are detailed below.

**STANDARDS, AMENDMENTS, AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION AND MANDATORY FOR REPORTING PERIODS BEGINNING ON OR AFTER JANUARY 1, 2019**

- **IFRS 16 – Leases**

IFRS 16 – “Leases” became mandatory on January 1, 2019. This new standard replaces existing standards regarding leases, in particular IAS 17 – “Leases,” IFRIC 4 – “Determining Whether an Arrangement Contains a Lease,” SIC-15 – “Operating Leases – Incentives,” and SIC-27 – “Evaluating the Substance of Transactions in the Legal Form of a Lease.”

IFRS 16 requires lessees to recognize for all their leases an asset representing the right to use the underlying asset and a liability for the obligation to pay the associated rents.

The right of use is measured according to the cost model, including, as of the effective date of the lease, the initial amount of the liability, the initial direct costs incurred in entering into the lease, and an estimate of the costs of dismantling or restoring the leased asset according to the terms of the lease. The right-of-use asset is depreciated on a straight-line basis over the term of the lease or the useful life of the leased asset if there is reasonable assurance that ownership will be transferred.

The lease liability is measured at amortized cost using the effective interest rate (EIR) model and corresponds to the effective date of the lease at the present value of future payments over the term of the lease (fixed rents, variable rents based on a rate or index, residual value guarantees, call option strike price if reasonably certain, termination or non-renewal penalties). The lease term is defined lease by lease and corresponds to the firm period of the commitment taking into account the optional periods reasonably certain to be exercised. The discount rate used is the lessee's incremental borrowing rate.

Variable rents that are based on anything other than a rate or index, unless they are essentially fixed rents, are excluded from the measurement of the liability.

Furthermore, the Group applies the following exemptions provided for in the standard:

- Exclusion of leases with a duration of 12 months or less,
- Exclusion of leases for low-value underlying assets (less than EUR 5,000),

Rents related to these leases are then directly recognized as expenses.

### Transitional arrangements

The Group has opted for the simplified retrospective method, which consists of recognizing the cumulative impact of the first-time adoption of IFRS 16 as an adjustment to shareholders' equity as of January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated and is therefore presented, as before, according to the principles of IAS 17 and its interpretations.

In addition, as of the transition date, the Group opted to determine the value of the right of use for an amount equal to the value that the asset would have had if IFRS 16 had been adopted as of the effective date of the lease (but using the incremental borrowing rate applicable as of the transition date).

### Impacts on the interim financial statements

For the purposes of the transition to IFRS 16, the Group has recognized right-of-use assets and additional rent liabilities on the balance sheet and has recognized the difference in retained earnings. The effects of the transition are summarized below.

Amounts in thousands of euros	January 1, 2019
"Rights of use" assets	6 993
Deferred tax assets	36
Rent liabilities	7 309
<b>Impact in retained earnings</b>	<b>(280)</b>

To measure the rent liabilities of leases previously classified as operating leases, the Group discounted the rental payments using the incremental rate as of January 1, 2019. The weighted average rate is 2.3%.

<b>Operating lease obligations at December 31, 2018 (reported)</b>	<b>3 899</b>
Other identified real estate commitments - Ekinops Belgium	2 238
Other identified equipment commitments - Vehicles	929
Other identified commitments	835
Exemptions for leases ending in 1 year or less	(64)
Exemptions for leases on a leased asset with a low individual value	(19)
<b>Gross lease obligations at January 1, 2019</b>	<b>7 818</b>
Effect of discounting	(509)
<b>Rent liabilities at the transition date, January 1, 2019</b>	<b>7 309</b>
Finance lease debts under IAS17 at January 1, 2019	588
<b>Rent liabilities at the transition date, January 1, 2019</b>	<b>7 897</b>

The impacts of adopting this standard on the income statement are as follows.

(In thousands of euros)	June 30, 2019 excl. IFRS 16	Net impact IFRS 16	June 30, 2019 reported
Revenue	45 017	-	45 017
Cost of sales	(20 120)	-	(20 120)
<b>Gross margin</b>	<b>24 897</b>	<b>-</b>	<b>24 897</b>
Operating expenses	(22 347)	14	(22 333)
<b>Operating profit (loss)</b>	<b>2 551</b>	<b>14</b>	<b>2 564</b>
Other operating income and expenses	(2 392)	-	(2 392)
Financial result	(209)	(96)	(305)
Tax expense	(146)	-	(146)
<b>Operating profit (loss)</b>	<b>(197)</b>	<b>(83)</b>	<b>(279)</b>

### Residual charge

The residual rental charge is presented in the table below and corresponds to rental charges and non-material movable property leases.

(In thousands of euros)	Property rentals and rental charges	Equipment rentals and rental charges	Restatement of rents under IFRS 16	Residual balance
EKINOPS SA	(89)	(98)	140	(47)
EKINOPS Corporation	(23)		23	(0)
EKINOPS France SA	(323)	(23)	249	(97)
EKINOPS Belgium	(192)	(175)	372	5
EKINOPS Italy	(9)		6	(3)
EKINOPS India	(96)		86	(10)
One Access USA				0
EKINOPS Australia	(16)		18	2
<b>TOTAL</b>	<b>(748)</b>	<b>(296)</b>	<b>894</b>	<b>(150)</b>

- **Other mandatory standards, amendments, and interpretations as of January 1, 2019**

IFRS annual improvements 2015–2017 cycle.....	Miscellaneous provisions.
Amendments to IAS 19.....	Plan Amendment, Curtailment or Settlement.
Amendments to IAS 28.....	Long-term Interests in Associates and Joint Ventures.
Amendments to IFRS 9.....	Prepayment Features.
IFRIC Interpretation 23.....	Uncertainty over Income Tax Treatments.

These publications had no significant impact on the Group's consolidated financial statements.

### 3.2 – Use of judgments and estimates

In preparing these interim financial statements, management made judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgments related to lessee accounting under IFRS 16, as described above.

### 3.3 – Scope and methods of consolidation

The scope and methods of consolidation have not changed compared with December 31, 2018.

## NOTE 4 – Information on seasonality or cyclicity of business

Revenue is generally characterized by low seasonality between the two six-month periods of the calendar year.

## NOTE 5 – Financial risk management

The risk factors are the same as those identified in the 2018 Registration Document.

## NOTE 6 – Notes to the consolidated statement of financial position

### 6.1 – Goodwill

(In thousands of euros)	Net value at 12.31.2018	Change	Net value at 06.30.2019	Accumulated impairment losses at 06.30.2019
<b>Goodwill</b>	<b>27 523</b>	-	<b>27 523</b>	-

The goodwill resulted from the acquisition of the OneAccess Group on September 29, 2017.

As of the first-half close on June 30, 2019, the Group did not identify any evidence of impairment losses.

### 6.2 – Intangible assets

(In thousands of euros)	Developed technologies	Customer relations	Order book	Development costs	Ongoing development costs	Licenses and other intangible assets	Total intangible assets
<b>Gross value at December 31, 2018</b>	24 712	8 997	1 021	4 949	374	4 292	44 345
Capitalization of development costs	-	-	-	603	329	-	932
Acquisitions	-	-	-	-	-	27	27
Reclassification/commissioning	-	-	-	334	(334)	-	-
Effect of foreign exchange rate fluctuations	-	-	-	-	-	3	3
<b>Gross value at June 30, 2019</b>	24 712	8 997	1 021	5 886	369	4 322	45 307
<b>Accumulated depreciation at December 31, 2018</b>	(5 148)	(1 125)	(1 021)	(2 445)	-	(4 243)	(13 982)
Allowance for the period	(2 060)	(450)	-	(506)	-	(24)	(3 040)
Effect of foreign exchange rate fluctuations	-	-	-	(3)	-	-	(3)
<b>Accumulated depreciation at June 30, 2019</b>	(7 208)	(1 575)	(1 021)	(2 954)	0	(4 267)	(17 025)
<b>Net value at December 31, 2018</b>	19 564	7 872	0	2 504	374	49	30 363
<b>Net value at June 30, 2019</b>	17 504	7 422	0	2 932	369	55	28 282

### 6.3 – Tangible assets

(In thousands of euros)	Plant and machinery	Office furniture and equipment, computer hardware	Tangible assets in progress	Total tangible assets
<b>Gross value at December 31, 2018</b>	12 182	6 242	-	18 424
Reallocation to rights of use <sup>1</sup>	(1 084)	(223)	-	(1 307)
<b>Gross values at January 1, 2019</b>	11 099	6 019	-	17 117
Acquisition	263	168	-	432
Disposal	-	-	-	-
Impact of foreign exchange rate fluctuations	1	9	-	10
<b>Gross value at June 30, 2019</b>	11 362	6 196	-	17 558
<b>Accumulated depreciation at December 31, 2018</b>	(10 262)	(5 569)	-	(15 831)
Reallocation to rights of use <sup>1</sup>	505	193	-	698
<b>Accumulated depreciation at January 1, 2019</b>	(9 757)	(5 376)	-	(15 133)
Allowance for the period	(315)	(128)	-	(443)
Decrease	-	-	-	-
Disposal	-	-	-	-
Impact of foreign exchange rate fluctuations	-	(8)	-	(8)
<b>Accumulated depreciation at June 30, 2019</b>	(10 072)	(5 512)	-	(15 584)
<b>Net value at December 31, 2018</b>	1 920	673	-	2 593
<b>Net value at June 30, 2019</b>	1 290	684	-	1 974

<sup>1</sup>: The adoption of IFRS 16 results in the reclassification of contracts previously treated in accordance with IAS 17 to "Rights of Use"

## 6.4 – Reconciliation of investments with the statement of cash flows

(In thousands of euros)	June 30, 2019	June 30, 2018
Acquisition of intangible assets	(959)	(774)
Acquisition of tangible assets	(432)	(400)
Change in fixed asset supplier debts	(2)	5
<b>Total</b>	<b>(1 393)</b>	<b>(1 169)</b>

## 6.5 – Financial assets

(In thousands of euros)	Security deposit	Other	Non-current financial assets	Non-current share of CIR receivables	Other non- current assets
<b>Gross value at December 31, 2018</b>	798	379	1 177	7 519	7 519
Increase	150	21	171	1 519	1 519
Decrease	(7)	(61)	(68)	-	-
Currency fluctuations	1	-	1	-	-
<b>Gross value at June 30, 2019</b>	943	339	1 282	9 038	9 038
<b>Accumulated impairment losses at December 31, 2018</b>	-	-	-	-	-
Allowances for the period	-	-	-	-	-
<b>Accumulated impairment losses at June 30, 2019</b>	-	-	-	-	-
<b>Net value at December 31, 2018</b>	798	379	1 177	7 519	7 519
<b>Net value at June 30, 2019</b>	943	339	1 282	9 038	9 038

## 6.6 – Rights of use and lease liabilities

### 6.6.1 – Rights of use

(In thousands of euros)	December 31, 2018	Reclassification Contracts IAS 17	Impact transition IFRS 16 <sup>1</sup>	New contracts	Amortization/ Depreciation	Translation adjustments	June 30, 2019
Rights of use – Technical equipment	-	579	-	-	(97)	-	482
Rights of use – Computer & office equipment	-	31	-	-	(14)	-	17
Rights of use – Buildings	-	-	6 124	-	(596)	-	5 528
Rights of use – Vehicles	-	-	869	-	(172)	-	697
<b>Net value of rights of use</b>	-	610	6 993	-	(880)	-	6 723

### 6.6.2 – Lease liabilities

(In thousands of euros)	December 31, 2018	Reclassification Contracts IAS 17	Impact transition IFRS 16 <sup>1</sup>	Reclassification	Rent liability repayments	Translation adjustments	June 30, 2019
Lease liability – Technical equipment	-	353	-	(59)	-	-	294
Lease liability – Computer & office equipment	-	16	-	(4)	-	-	12
Lease liability – Buildings	-	-	5 259	(607)	-	-	4 652
Lease liability – Vehicles	-	-	573	(131)	-	-	442
<b>Total Non-current</b>	-	369	5 832	-	0	-	5 400
Lease liability – Technical equipment	-	206	-	59	(135)	-	130
Lease liability – Computer & office equipment	-	13	-	4	(6)	-	11
Lease liability – Buildings	-	-	1 172	607	(586)	-	1 193
Lease liability – Vehicles	-	-	305	131	(165)	-	271
<b>Total Current</b>	-	219	1 477	-	(892)	-	1 605
<b>Total</b>	-	588	7 309	-	(892)	-	7 005

## 6.7 – Inventories

(In thousands of euros)	December 31, 2018	Change	Allowance for inventory impairment provision	Writeback of inventory impairment provision	Impact of foreign exchange rate fluctuations	June 30, 2019
Inventories of components	5 086	(521)			-	4 565
Finished product inventories	6 594	(1 337)			1	5 258
<b>Gross values</b>	<b>11 680</b>	<b>(1 858)</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>9 823</b>
Impairment losses – Components	(350)		(273)	94	-	(529)
Impairment losses – Finished products	(98)		(8)	-	-	(106)
<b>Accumulated impairment losses</b>	<b>(448)</b>	<b>0</b>	<b>(281)</b>	<b>94</b>	<b>0</b>	<b>(635)</b>
<b>Net value of inventories</b>	<b>11 232</b>	<b>(1 858)</b>	<b>(281)</b>	<b>94</b>	<b>1</b>	<b>9 188</b>

## 6.8 – Trade receivables and related accounts

(In thousands of euros)	December 31, 2018	Change	Impact of foreign exchange rate fluctuations	June 30, 2019
Trade receivables and related accounts	21 810	1 339	-	23 149
Accumulated impairment losses	(1 123)	10	-	(1 113)
<b>Net value</b>	<b>20 687</b>	<b>1 349</b>	<b>-</b>	<b>22 036</b>

The amount of mobilized receivables not yet due corresponding to factoring contracts without any transfer of risk and therefore included in trade receivables and related accounts was €8,187 K at June 30, 2019.

## 6.9 – Other current assets

(In thousands of euros)	December 31, 2018	Change	Reclassifications and other changes	June 30, 2019
Forward exchange purchases	-	-	-	-
<b>Derivative instrument liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate tax, CVAE receivable	47	(94)	(1)	1
Tax credits (CIR, CII, CICE)	2 175	-	-	2 175
Other taxes and social security receivable	3 377	(348)	6	3 035
Prepaid expenses	441	133	(1)	573
Other	160	69	-	229
<b>Gross values</b>	<b>6 200</b>	<b>(241)</b>	<b>5</b>	<b>6 013</b>
Accumulated impairment losses	(288)	(50)	-	(338)
<b>Net values</b>	<b>5 912</b>	<b>(291)</b>	<b>5</b>	<b>5 675</b>

## 6.10 – Cash and cash equivalents

(In thousands of euros)	December 31, 2018	Change	Impact of foreign exchange rate fluctuations	June 30, 2019
Cash	25 115	14 904	(5)	40 014
Cash equivalents	-	-	-	-
<b>Cash and cash equivalents</b>	<b>25 115</b>	<b>14 904</b>	<b>(5)</b>	<b>40 014</b>
Bank overdraft facilities	-	-	-	-
<b>Total net cash position</b>	<b>25 115</b>	<b>14 904</b>	<b>(5)</b>	<b>40 014</b>



## 6.11 – Capital

### 6.11.1 - Issued capital

As of June 30, 2019, the capital consisted of 23,692,152 fully paid-up common shares with a nominal unit value of €0.50.

Date	Type of operation	Capital	Number of shares created	Nominal value
<b>At December 31, 2017</b>		<b>10 621 374 €</b>	<b>21 242 747</b>	<b>0.50 €</b>
May 18, 2018	Award of bonus shares	143 207 €	286 414	0.50 €
<b>At December 31, 2018</b>		<b>10 764 581 €</b>	<b>21 529 161</b>	<b>0.50 €</b>
June 11, 2019	Capital increase	1 076 458 €	2 152 916	0.50 €
1st half 2019	Exercise of stock options	5 038 €	10 075	0.50 €
<b>At June 30, 2019</b>		<b>11 846 077 €</b>	<b>23 692 152</b>	<b>0.50 €</b>

### 6.11.2 – Share subscription warrants and stock options

#### a) Stock options (OSA)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Became lapsed during the period	Ending new potential shares	The weighted average price	Adjusted strike price (in €)	Fair value of underlying assets at awarded date. (€)	Remaining contractual life	Expense recognized at 06.30.2019 (In €K)	Expense recognized at 06.30.2018 (In €K)
15/05/2008	0	-	-	-	0	0	7.50 €	6.25 €	7.50 €	-	-	-
12/03/2009	12 400	-	-	(12 400)	0	0	7.50 €	4.83 €	7.50 €	Expired	-	-
15/09/2011	1 550	-	-	-	0	1 550	5.90 €	3.80 €	5.90 €	2.2 ans	-	-
25/02/2013	3 100	-	-	-	0	3 100	6.69 €	4.31 €	6.69 €	3.7 ans	-	-
19/06/2014	211 885	-	-	-	0	211 885	7.86 €	5.07 €	8.00 €	5.0 ans	-	-
19/05/2016	116 489	-	(10 075)	-	0	106 424	4.12 €	2.65 €	4.04 €	6.9 ans	-	(51)
<b>Total stock options (OSA)</b>	<b>345 434</b>	<b>-</b>	<b>(10 075)</b>	<b>(12 400)</b>	<b>0</b>	<b>322 959</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>(51)</b>

#### b) Share subscription warrants (BSA)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Became lapsed during the period	Ending new potential shares	The weighted average price	Adjusted strike price (in €)	Fair value of underlying assets at awarded date. (€)	Remaining contractual life	Expense recognized at 06.30.2019 (In €K)	Expense recognized at 06.30.2018 (In €K)
28/09/2007	31 000	-	-	-	-	31 000	7.50 €	4.83 €	7.50 €	1.4 ans	-	-
25/02/2013	0	-	-	-	-	0	6.69 €	5.57 €	6.69 €	5.7 ans	-	-
19/06/2014	6 975	-	-	(6 975)	-	0	7.86 €	5.07 €	8.00 €	Expired	-	-
<b>Total Share Subscription Warrants (BSA)</b>	<b>37 975</b>	<b>-</b>	<b>-</b>	<b>(6 975)</b>	<b>0</b>	<b>31 000</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>

#### c) Startup warrants (BCE)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Became lapsed during the period	Ending new potential shares	The weighted average price	Adjusted strike price (in €)	Fair value of underlying assets at awarded date. (€)	Remaining contractual life	Expense recognized at 06.30.2019 (In €K)	Expense recognized at 06.30.2018 (In €K)
22/06/2010	742 479	-	-	-	0	742 479	5.90 €	3.80 €	5.90 €	1.0 ans	-	-
21/10/2010	36 062	-	-	-	0	36 062	5.90 €	3.80 €	5.90 €	1.3 ans	-	-
12/05/2011	59 474	-	-	-	0	59 474	5.90 €	3.80 €	5.90 €	1.9 ans	-	-
20/12/2012	63 206	-	-	-	0	63 206	5.90 €	3.80 €	5.90 €	1.9 ans	-	-
25/02/2013	333 250	-	-	-	0	333 250	6.69 €	4.31 €	6.69 €	3.7 ans	-	-
<b>Total startup warrants (BCE)</b>	<b>1 234 471</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 234 471</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>-</b>

#### d) Bonus shares awarded (AGA)

	Starting new potential shares	Awarded during the period	Vested during the period	Canceled or lapsed during the period	Became lapsed during the period	Ending new potential shares	Expense recognized at 06.30.2019 (In €K)	Expense recognized at 30.06.2018 (In €K)
19/05/2016	0	-	-	-	0	-	-	(198)
13/06/2018	1 005 000	-	-	-	0	1 005 000	(1 068)	(18)
<b>Total bonus shares awarded (AGA)</b>	<b>1 005 000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 005 000</b>	<b>(1 068)</b>	<b>(217)</b>

The Group believes that most of the performance conditions set out in the AGA plan regulations of June 13, 2018, should be met.

## e) Summary of movements and reconciliation of the share-based payment expense

	Starting new potential shares	Awarded during the period	Exercised or acquired during the period	Canceled or lapsed during the period	Became lapsed during the period	Ending new potential shares	Expense recognized at 06.30.2018 (In €K)	Expense recognized at 30.06.2017 (In €K)
OSA	345 434	-	(10 075)	(12 400)	-	322 959	-	(51)
BSA	37 975	-	-	(6 975)	-	31 000	-	-
BCE	1 234 471	-	-	-	-	1 234 471	-	-
AGA	1 005 000	-	-	-	-	1 005 000	(1 068)	(217)
<b>GRAND TOTAL</b>	<b>2 622 880</b>	<b>-</b>	<b>(10 075)</b>	<b>(19 375)</b>	<b>-</b>	<b>2 593 430</b>	<b>(1 068)</b>	<b>(268)</b>

## 6.12 – Financial debt

### a) Change in financial debt

(In thousands of euros)	December 31, 2018	Increases	Repayments	(Discounting) / Undiscounting	Reallocation to Rental Obligations <sup>1</sup>	Other changes	June 30, 2019
Bank loans	1 247	6 472	-	-	-	(2 150)	5 569
Bank loans/CIR financing	3 124	-	-	-	-	-	3 124
Finance lease debts	369	-	-	-	(369)	-	-
Conditional advances and interest-free loans	1 593	-	-	-	-	(309)	1 284
Discounting of advances and interest-free loans	(45)	-	-	-	-	15	(30)
Miscellaneous financial debt	420	-	-	-	-	(349)	71
<b>Total non-current financial debt</b>	<b>6 708</b>	<b>6 472</b>	<b>-</b>	<b>-</b>	<b>(369)</b>	<b>(2 794)</b>	<b>10 018</b>
Bank loans	1 082	-	(667)	-	-	2 151	2 566
Bank loans/CIR financing	1 708	-	-	-	-	-	1 708
Finance lease debts	219	-	-	-	(219)	-	-
Conditional advances and interest-free loans	618	-	(309)	-	-	309	618
Discounting of advances and interest-free loans	(39)	-	-	20	-	(15)	(34)
Factoring debt	4 955	20 693	(18 810)	-	-	-	6 838
Miscellaneous financial debt	516	-	(260)	-	-	349	605
Accrued interest	-	-	-	-	-	-	-
<b>Total current financial debt</b>	<b>9 059</b>	<b>20 693</b>	<b>(20 046)</b>	<b>20</b>	<b>(219)</b>	<b>2 794</b>	<b>12 301</b>
<b>Total financial debt</b>	<b>15 767</b>	<b>27 165</b>	<b>(20 046)</b>	<b>20</b>	<b>(588)</b>	<b>-</b>	<b>22 319</b>

### b) Breakdown of financial debt by rate

(In thousands of euros)	June 30, 2019	Fixed Rate	Variable Rate
Non-current financial debt	<b>10 018</b>	6 894	3 124
Current financial debt	<b>12 301</b>	3 755	8 546
<b>Total financial debt</b>	<b>22 319</b>	<b>10 649</b>	<b>11 670</b>

## 6.13 – Information on net debt

### a) Breakdown of net debt by currency

(In thousands of euros)	June 30, 2019	EUR	USD	AUD	Other currencies
Bank loans	<b>8 135</b>	8 135	-	-	-
Bank loans/CIR financing	<b>4 832</b>	4 832	-	-	-
Finance lease debts	-	-	-	-	-
Conditional advances and interest-free loans	<b>1 902</b>	1 902	-	-	-
Discounting of advances and interest-free loans	<b>(64)</b>	(64)	-	-	-
Factoring debt	<b>6 838</b>	6 838	-	-	-
Miscellaneous financial debt	<b>676</b>	676	-	-	-
<b>Financial debt</b>	<b>22 319</b>	<b>22 319</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents	<b>(40 014)</b>	(35 753)	(3 715)	(283)	(263)
<b>Net debt / (Cash and cash equivalents)</b>	<b>(17 695)</b>	<b>(13 434)</b>	<b>(3 715)</b>	<b>(283)</b>	<b>(263)</b>

## b) Breakdown of net debt by maturity

(In thousands of euros)	June 30, 2019	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
Bank loans	8 135	2 566	2 403	1 966	600	600	-
Bank loans/CIR financing *	4 832	1 708	1 651	1 473	-	-	-
Conditional advances and interest-free loans	1 902	618	618	506	160	-	-
Discounting of advances and interest-free loans	(64)	(34)	(20)	(9)	(1)	-	-
Factoring debt	6 838	6 838	-	-	-	-	-
Miscellaneous financial debt	676	605	71	-	-	-	-
<b>Financial debt</b>	<b>22 319</b>	<b>12 301</b>	<b>4 723</b>	<b>3 936</b>	<b>759</b>	<b>600</b>	<b>-</b>
Cash and cash equivalents	(40 014)	(40 014)	-	-	-	-	-
<b>Net debt / (Cash and cash equivalents)</b>	<b>(17 695)</b>	<b>(27 713)</b>	<b>4 723</b>	<b>3 936</b>	<b>759</b>	<b>600</b>	<b>-</b>

\* The repayment of bank loans intended to finance the CIR is concomitant with the repayment obtained from the tax authorities.

## 6.14 – Commitments to personnel

### a) Change in net commitment recognized on the balance sheet

(In thousands of euros)	June 30, 2019	December 31, 2018
<b>Starting actuarial debt</b>	<b>2 496</b>	<b>2 620</b>
Cost of services rendered	141	271
Use (retirement)		(227)
Financial cost	19	33
Actuarial losses (gains)	174	(196)
Effect of foreign exchange rate fluctuations	3	(5)
<b>Ending actuarial debt</b>	<b>2 833</b>	<b>2 496</b>

As the Group does not have hedging assets, the entire commitment set out above is recorded in the Group's liabilities.

All actuarial gains or losses are recognized in shareholders' equity. The cost of services rendered is recorded in operating expenses, and the financial cost is recorded in other financial income and expenses.

### b) Actuarial assumptions

The main actuarial assumptions used for the calculation of end-of-career obligations are as follows:

Actuarial assumptions	June 30, 2019	December 31, 2018
Retirement age	65 years	65 years
Discount rate	0.77%	1.57%
Employer contribution rates	47.0%	47.0%
Rate of salary increases	2.30%	2.30%
Employee turnover		
< 25 years	10% - 15%	10% - 15%
25 - 30 years	10% - 20%	10% - 20%
30 - 35 years	20% - 25%	20% - 25%
35 - 40 years	15.00%	15.00%
40 - 45 years	2.0% - 10%	2.0% - 10%
45 - 50 years	2.00%	2.00%
50 - 55 years	2.00%	2.00%
> 55 years	0.00%	0.00%
Mortality table	TGHF05	TGHF05

### 6.15 – Provisions

(In thousands of euros)	December 31, 2018	Allowances	Writeback used	Writeback not used	June 30, 2019
Provisions for disputes	824	-	(84)	-	740
Provisions for social and tax risks	400	-	-	-	400
<b>Provisions for liabilities and charges – Non-current</b>	<b>1 224</b>	<b>0</b>	<b>(84)</b>	<b>0</b>	<b>1 140</b>
Provision for warranty	753	146	(234)	-	665
Provision for disputes	100	-	-	-	100
Provision for tax and social risks	310	35	-	-	345
<b>Provisions for liabilities and charges – Current port</b>	<b>1 163</b>	<b>181</b>	<b>(234)</b>	<b>-</b>	<b>1 110</b>
<b>Total provisions for liabilities and charges</b>	<b>2 387</b>	<b>181</b>	<b>(318)</b>	<b>-</b>	<b>2 250</b>

### 6.16 – Debts on acquisition of securities

(In thousands of euros)	December 31, 2018	Change	June 30, 2019
Debt relating to earnouts	5 028	-	5 028
Debt relating to share buyback commitments	756	-	756
Debt relating to the purchase of remaining non-controlling interests	450	-	450
<b>Total debts on acquisition of securities</b>	<b>6 234</b>	<b>-</b>	<b>6 234</b>

### 6.17 – Other current liabilities

(In thousands of euros)	December 31, 2018	Change	Reclassifications and other changes	June 30, 2019
Forward exchange purchases	25	-	(18)	8
<b>Derivative instrument liabilities</b>	<b>25</b>	<b>-</b>	<b>(18)</b>	<b>8</b>
Trade payables	13 958	485	1	14 444
<b>Trade payables</b>	<b>13 958</b>	<b>485</b>	<b>1</b>	<b>14 444</b>
Corporate taxes payable	797	(18)	7	786
<b>Corporate taxes payable</b>	<b>797</b>	<b>(18)</b>	<b>7</b>	<b>786</b>
Debts on acquisitions of tangible and intangible assets.	8	(2)	-	6
Taxes and social security contributions payable	10 357	(2 294)	7	8 070
Deferred income	1 867	371	20	2 258
Customer advances and credit balances	70	63	-	133
Other	42	13	-	55
<b>Total other current liabilities</b>	<b>12 344</b>	<b>(1 849)</b>	<b>27</b>	<b>10 522</b>

### 6.18 – Change in working capital requirement

(In thousands of euros)	June 30, 2019	June 30, 2018
Net (Increase) / Decrease in inventories	2 045	(824)
Net (Increase) / Decrease in trade receivables	(1 349)	296
Increase (Decrease) in trade payables	486	2 271
Net (Increase) / Decrease in other elements of the working capital requirement relat	(3 224)	2 228
<b>(Increase) / Decrease in working capital requirement</b>	<b>(2 042)</b>	<b>3 971</b>

## NOTE 7 – Notes to the income statement

### 7.1 – Income from ordinary activities

#### a) By type

(In thousands of euros)	June 30, 2019	June 30, 2018
Sales of produced goods	42 911	39 642
Sales of produced services	2 105	2 454
<b>Total revenue</b>	<b>45 017</b>	<b>42 096</b>

#### b) By geographic region

(In thousands of euros)	June 30, 2019	June 30, 2018
North and South America	6 600	5 615
Europe / Middle East / Africa / Asia-Pacific	38 417	36 481
<b>Total revenue</b>	<b>45 017</b>	<b>42 096</b>

### 7.2 – Type of expenditure allocated by function

#### a) Type of research and development costs

(In thousands of euros)	June 30, 2019	June 30, 2018
Payroll expenses	(9 084)	(9 316)
Allowances for amortization/depreciation and provisions	(3 599)	(2 845)
Outside personnel	(705)	(1 315)
Equipment and property rentals and rental charges	(78)	(531)
Supplies, equipment, maintenance	(625)	(448)
Tax credit*	1 520	1 685
Subsidies	676	435
Capitalization of development costs	931	751
Allocation of manufacturing costs to costs of sales	2 456	2 435
Other	(402)	(392)
<b>Total research and development costs</b>	<b>(8 910)</b>	<b>(9 541)</b>

### b) Type of sales expenses

(In thousands of euros)	June 30, 2019	June 30, 2018
Payroll expenses	(6 297)	(6 441)
Outside personnel	(639)	(700)
Business travel and trips	(511)	(467)
Professional fees and consulting	(368)	(324)
Equipment and property rentals and rental charges	(41)	(303)
Supplies, equipment, maintenance	(188)	(250)
Shows	(285)	(217)
Allowances for amortization/depreciation and provisions	(489)	(977)
Other	(106)	(177)
<b>Total marketing and sales expenses</b>	<b>(8 924)</b>	<b>(9 856)</b>

### c) Type of general and administrative expenses

(In thousands of euros)	June 30, 2019	June 30, 2018
Payroll expenses	(1 862)	(1 984)
Payment in shares	(1 068)	(268)
Professional fees and consulting	(705)	(782)
Outside personnel	(34)	(180)
Supplies, equipment, maintenance	(232)	(301)
Insurance	(110)	(129)
Bank charges	(69)	(68)
Equipment and property rentals and rental charges	(11)	(192)
Allowances for amortization/depreciation and provisions	(178)	(68)
Other expenses and income	(231)	(272)
<b>Total general and administrative expenses</b>	<b>(4 499)</b>	<b>(4 244)</b>

## 7.3 – Breakdown of personnel costs and headcount

### a) Breakdown of personnel costs by function

(In thousands of euros)	June 30, 2019	June 30, 2018
Salaries and wages	(12 810)	(12 742)
Social security contributions and payroll taxes	(4 291)	(5 063)
Cost of services rendered	(142)	(18)
Payment in shares	(1 068)	(186)
<b>Total payroll expenses</b>	<b>(18 311)</b>	<b>(18 009)</b>

#### b) Breakdown of personnel expenses by type

(In thousands of euros)	June 30, 2019	June 30, 2018
Total research and development costs	(9 084)	(9 316)
Total marketing and sales expenses	(6 297)	(6 441)
Total general and administrative expenses	(2 930)	(2 252)
<b>Total payroll expenses</b>	<b>(18 311)</b>	<b>(18 009)</b>

#### c) Headcount

(In units)	June 30, 2019	June 30, 2018
Salaried personnel	384	370
Seconded personnel	32	42
<b>Total headcount</b>	<b>416</b>	<b>412</b>

#### 7.4 – Allowances for amortization/depreciation and provisions, net of writebacks

(In thousands of euros)	June 30, 2019	June 30, 2018
Allowances for amortization – Intangible assets	(3 040)	(3 391)
Allowances for depreciation – Tangible assets	(443)	(499)
Allowances for amortization – Rights of use	(880)	-
Net allowance for provisions for liabilities and charges of the “Current operating profit (loss)”	97	(91)
Cost of services rendered and effect of IAS 19 discounting	(160)	(34)
<b>Subtotal (EBITDA)</b>	<b>(4 426)</b>	<b>(4 015)</b>
Net allowance for provisions for liabilities and charges of “Other operating income and expenses”	-	-
<b>Subtotal (SCF)</b>	<b>(4 426)</b>	<b>(4 015)</b>
Net allowance for writebacks of provisions on inventories	(187)	(314)
Net allowance for writebacks of provisions on other current assets	-	-
<b>Total</b>	<b>(4 613)</b>	<b>(4 329)</b>

#### 7.5 – Other operating income and expenses

This item consists exclusively of professional fees relating to mergers and acquisitions.

**7.6 – Net borrowing cost and other financial income and expenses**
**a) Net borrowing cost**

(In thousands of euros)	June 30, 2019	June 30, 2018
Cash and cash equivalents		
Interest expenses	(58)	(95)
Effect of undiscounting	(21)	(26)
<b>Net borrowing cost</b>	<b>(79)</b>	<b>(121)</b>

**b) Other financial income and expenses**

(In thousands of euros)	June 30, 2019	June 30, 2018
Currency gains (losses)	(144)	238
Other financial income and expenses	(82)	(5)
<b>Other financial income and expenses</b>	<b>(226)</b>	<b>233</b>

**7.7 – Tax expense**

(In thousands of euros)	June 30, 2019	June 30, 2018
Current income taxes	(429)	(389)
Change in deferred taxes	283	298
<b>Tax expense</b>	<b>(146)</b>	<b>(91)</b>

**7.8 – Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss attributable to Ekinops SA shareholders by the weighted average number of common shares outstanding during the period.

In thousands of euros / In units	June 30, 2019	June 30, 2018
Net income attributable to Ekinops SA shareholders	(280)	(1 063)
Weighted average number of outstanding shares:	21 751 919	21 305 038
- <i>Weighted average number of common shares</i>	21 758 219	21 310 790
- <i>Weighted average number of treasury shares</i>	(6 300)	(5 752)
<b>Basic earnings per share (€/share)</b>	<b>(0.01)</b>	<b>(0.05)</b>



## 7.9 – EBITDA<sup>1</sup>

The Group has opted to report on this aggregate, given its significance in analyzing its financial performance.

The Group thus defines its EBITDA as current operating profit (loss) restated for (i) allowances for and writebacks of amortization/depreciation and provisions and (ii) calculated expenses and income related to payments in shares.

The change in method brought about by adopting IFRS 16 results in an improvement of this aggregate by €976 K.

In thousands of euros	1st half 2019	FY 2018	2nd half 2018	1st half 2018
<b>Current operating profit (loss)</b>	<b>2 564</b>	<b>1 285</b>	<b>1 456</b>	<b>(171)</b>
Amortization (excluding rights of use), depreciation, and provisions	3 546	8 907	4 892	4 015
Payment in shares	1 068	256	70	186
IFRS 16 financial expenses	(96)	-	-	-
<b>EBITDA – Proforma</b>	<b>7 082</b>	<b>10 448</b>	<b>6 418</b>	<b>4 030</b>
Amortization of rights of use (IFRS 16)	880			
IFRS 16 financial expenses	96			
<b>EBITDA – after adoption of IFRS 16</b>	<b>8 058</b>			

## NOTE 8 – Segment information

The Group is managed on the basis of a single sector and does not distinguish between autonomous operational segments. The segment result of reference is the current operating profit (loss).

However, the Group monitors revenue between its two main business regions:

- Europe/Middle East/Africa/Asia Pacific; and
- North and South America.

This information is presented in Note 7.1.

## NOTE 9 – Off-balance sheet commitments

### 9.1 – Other commitments

The Group subcontracts the production of its equipment to its industrial partners. Orders for manufacturing finished products are launched on the basis of firm customer orders. In addition, the Group orders components or semi-finished products from these same subcontractors in order to be able to demonstrate commercial responsiveness. The Group therefore has a commitment to take back these inventories up to a certain limit. The amount of this commitment is estimated at €8.6 million as of 06/30/2019.

### 9.2 – Financial guarantee

Type	Beneficiary	Amount	End date
Bank guarantee	Customer	AUD 150 K	June 2020

<sup>1</sup> Earnings Before Interest, Taxes, Depreciation and Amortization

## **NOTE 10 – Main related-party transactions**

During the interim period, there were no substantial changes to recorded related-party transactions, compared with those in the financial statements for the 2018 financial year, likely to interfere with the analysis of the 2019 interim financial statements.

## **NOTE 11 – Events after the end of the interim period**

On July 19, 2019, the Group announced the finalization of the acquisition of the OTN-Switch platform (Optical Transport Network) developed by PADTEC, a Brazil-based manufacturer of optical network equipment.

No other significant events occurred after the end of the interim period.

# REPORT BY THE STATUTORY AUDITORS ON THE INTERIM FINANCIAL INFORMATION

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<b>Altonéo Audit</b>	<b>Deloitte &amp; Associés</b>
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régionale d'Angers	régionale de Versailles

## EKINOPS

Société Anonyme (public limited company)  
3, rue Blaise Pascal  
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### Statutory Auditors' Report on the Interim Financial Information

Period from January 1, 2019, to June 30, 2019

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To the Shareholders,

Pursuant to the assignment entrusted to us by your general meeting and in application of Article L. 451-1-2 III of the French monetary and financial code, we carried out the following tasks:

- performed a limited review of the condensed interim consolidated financial statements of Ekinops for the period from January 1, 2019, to June 30, 2019, as appended to this report;
- checked the information provided in the interim business report.

These condensed interim consolidated financial statements were prepared under the responsibility of the board of directors. Our role is to express our conclusion on these financial statements based on our limited review.

#### I- Conclusion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France. A limited review mainly consists of meeting with members of the management team responsible for accounting and financial issues and implementing analytical procedures. This work is less extensive than what is required for an audit performed in accordance with the professional standards applicable in France. As a result, the assurance obtained through a limited review that the financial statements, taken as a whole, do not include any material misstatements is a moderate assurance, which is not as certain as the assurance obtained from an audit.

On the basis of our limited review, we did not discover any material misstatements likely call into question the compliance of the condensed interim consolidated financial statements with IAS 34, a standard within the IFRS as adopted in the European Union relating to interim financial reporting.

Without qualifying the conclusion expressed above, we draw your attention to Note 3.1. "Accounting principles, rules, and methods", which describes the impacts of adopting IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments".

#### II- Specific verification

We also verified the information provided in the interim business report commenting on the condensed interim consolidated financial statements that were the subject of our limited review. We have no comments to make on the fair presentation of that information or on its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine, September 26, 2019

The Statutory Auditors

**Altonéo Audit**

Julien Malcoste

**Deloitte & Associés**

Thierry Billac