AURES

TOUCH THE DIFFERENCE

ANNUAL FINANCIAL REPORT 2018

AURES Technologies
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REPORT OF THE BOARD OF DIRECTORS FOR THE COMBINED GENERAL MEETING OF 25 JUNE 2019

To the Shareholders,

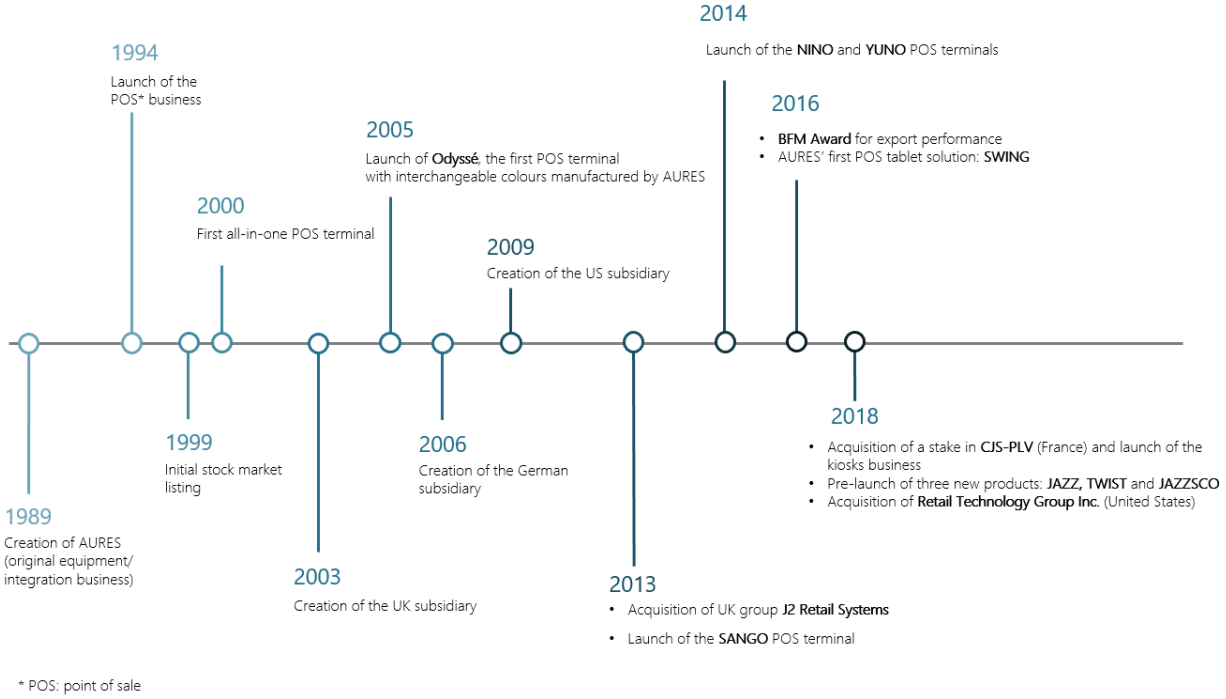
We have called you to this Combined General Meeting in accordance with French law and with the Company's articles of association, to present to you the Company's business operations during the year ended 31 December 2018, the results of these operations, the progress made and difficulties encountered, and our outlook for the future. We also submit for your approval the consolidated and parent company financial statements for this financial year (income statement, statement of financial position and accompanying notes) along with the appropriation of profit as determined in the financial statements.

THE GROUP

AURES is an IT manufacturer providing a complete range of hardware solutions for the POS market (point of sale and services, retail, hospitality, etc.) and the kiosk sector (interactive kiosks and integration).

The AURES Group has a global presence with its headquarters in France, subsidiaries in the UK, Germany, Australia and the United States, and a network of partners, distributors and resellers in over 60 other countries.

1. History of the Group



AURES, which means "ears" in Latin, was founded by Patrick Cathala, the current Chairman and Chief Executive Officer, in 1989.

From the outset, the Company's philosophy has been based on knowing how to listen to the market, to trends in demand and to customers.

Initially, the Company marketed and sold integration products (original equipment).

In 1994, it launched its point-of-sale (POS) business, with the marketing and sale of peripherals such as printers and scanners.

In 1999, a decade after its creation, the AURES Group was listed on the Paris stock market and since this time has been listed on Euronext.

The Company began to expand internationally in the 2000s, creating subsidiaries in the United Kingdom (2003), Germany (2006) and the United States (2009).

During this decade, AURES also launched "Odyssé", its first own-brand POS terminal, and was the first developer of POS hardware at the time to offer a full palette of unique, interchangeable colours.

In 2013, growth picked up pace when AURES carried out its first acquisition in the form of the UK's J2 Retail Systems, a POS market player, giving the Group a foothold in Australia and enabling it to make further inroads in the UK and US markets.

The AURES Group then took on a new dimension, with consolidated revenue increasing from €32.4 million in 2012 to €52.4 million in 2013.

2018 marked a new stage in the Group's growth strategy, with the launch of the kiosks (digital terminals) business, encompassing engineering, industrialisation, production, and the marketing and sale of digital and interactive terminals.

To further develop its kiosks business, on 4 January 2018 the Group acquired a 15% stake in the share capital of France's CJS-PLV, specialised in the industrial design and production of POS equipment and fittings.

AURES pursued its growth strategy in the United States with its acquisition of US-based Retail Technology Group (RTG) on 16 October 2018. RTG is not only a leading POS services, maintenance and support provider in the United States (mainly in the restaurant and catering markets) but also the only company to offer a full range of services, from installation to round-the-clock hotline solutions for hardware and software.

The acquisition of RTG allows the AURES Group to round out its hardware solutions offer with an array of complementary services to meet the legitimate demands of major retailers in the United States. It also confirms the Group's aim of accelerating its growth in the country and ultimately becoming, as in Europe, one of the leading firms on the US market.

Single Point of Contact

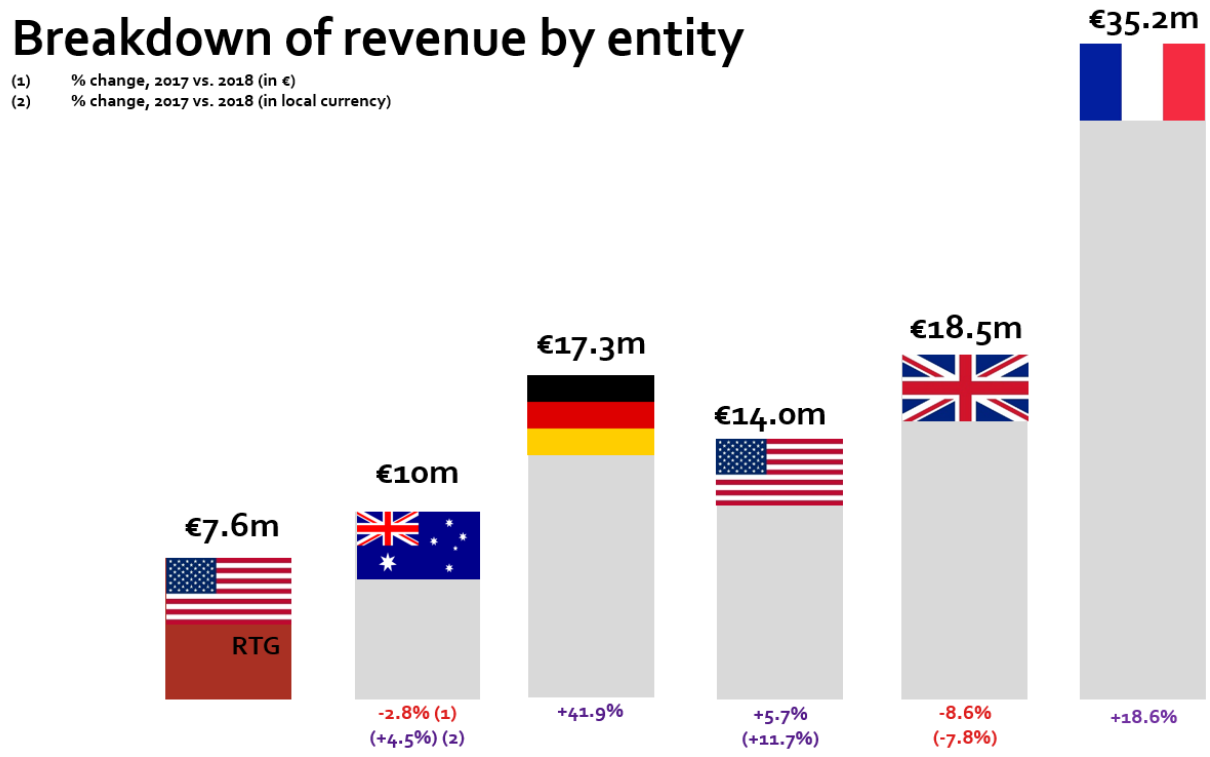
2. Performance indicators and key figures

The Group monitors the following alternative performance indicators (APIs):

- changes in revenue based on constant exchange rates, which are calculated using the exchange rates for the period prior to the published period;
- gross margin, which is determined by deducting cost of goods sold from revenue;
- percent gross margin, which corresponds to gross margin divided by revenue;
- operating margin, corresponding to operating profit divided by revenue;
- net margin, corresponding to net profit divided by revenue;
- net debt (or net cash), which represents the difference between gross debt (non-current borrowings and debt) and cash as reported in the statement of cash flows, comprising cash and cash equivalents less bank overdrafts.

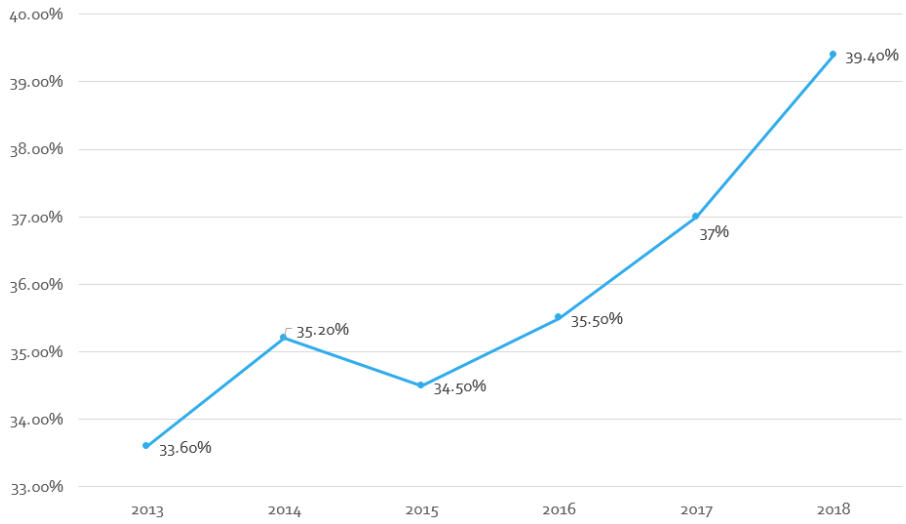
Key figures and the main alternative performance indicators (APIs) monitored by the Group are presented below:

- Breakdown of revenue by entity



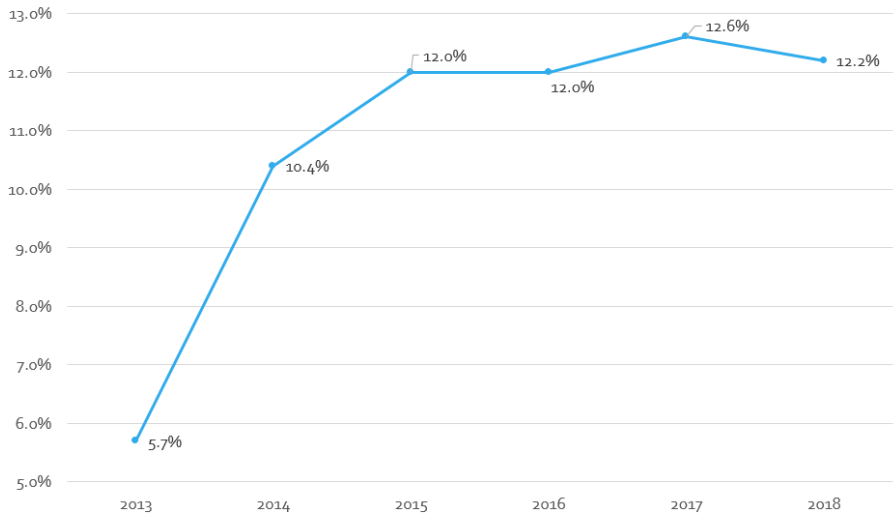
- Gross margin (%)

Gross margin



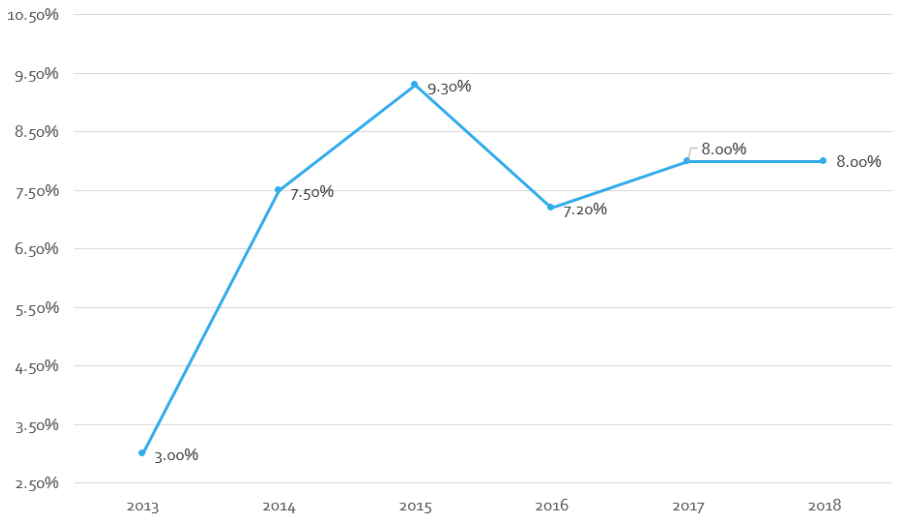
- Operating margin (%)

Operating margin



- Net margin (%)

Net margin



- Net debt

Net debt

Gross debt at 31 December 2017	**1,334**
Repayments during the period	(705)
New borrowings	9,393
Gross debt at 31 December 2018	**10,021**
Bank overdrafts	(2,325)
Cash and cash equivalents	9,726
Net debt at 31 December 2018	**2,620**

3. Business and strategy

A strategy focused on design and technology to create unique POS terminals:

Since 2005 and the launch of Odyssé, its first-ever own-brand terminal, design has been the lynchpin of the strategy pursued by AURES, which develops, markets and sells leading-edge POS hardware with a contemporary look.

AURES was the first manufacturer of POS hardware at that time to provide a full palette of unique, interchangeable colours.

AURES seeks an optimum combination between contemporary design and advanced technology.

All AURES hardware incorporates the very latest POS and mobile POS technologies: AURES integrates motherboards and powerful, new-generation processors and offers USB-C technology.

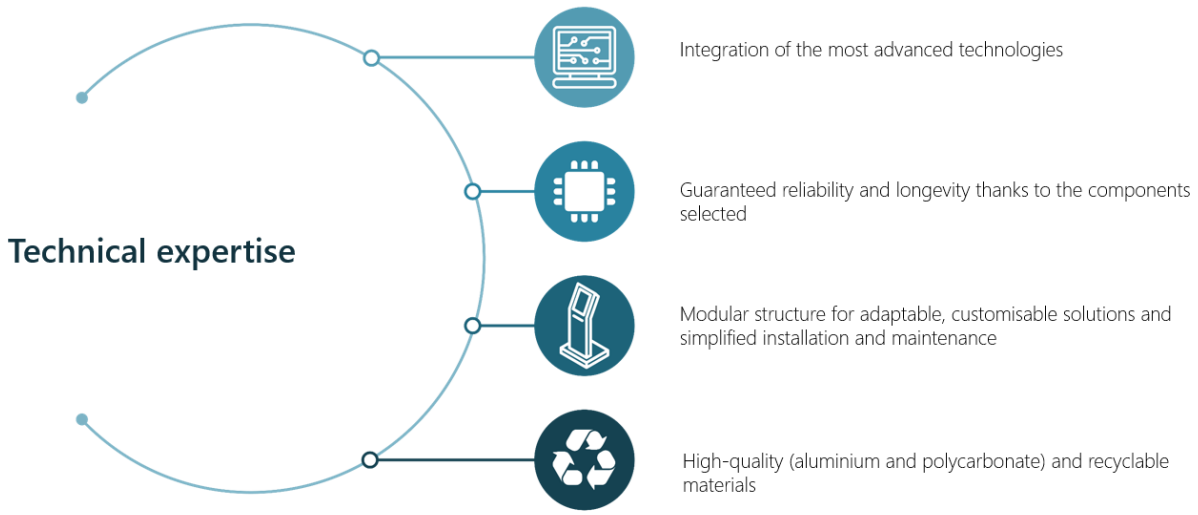
Security and reliability are the basis for all product drawings and designs for AURES POS hardware.

AURES' fanless hardware solutions provide superior durability and performance, while guaranteeing greater energy efficiency in step with ever stricter environmental regulations.

Since 2018, the Group has been developing its offering of interactive, multi-function kiosks with an exclusive design.

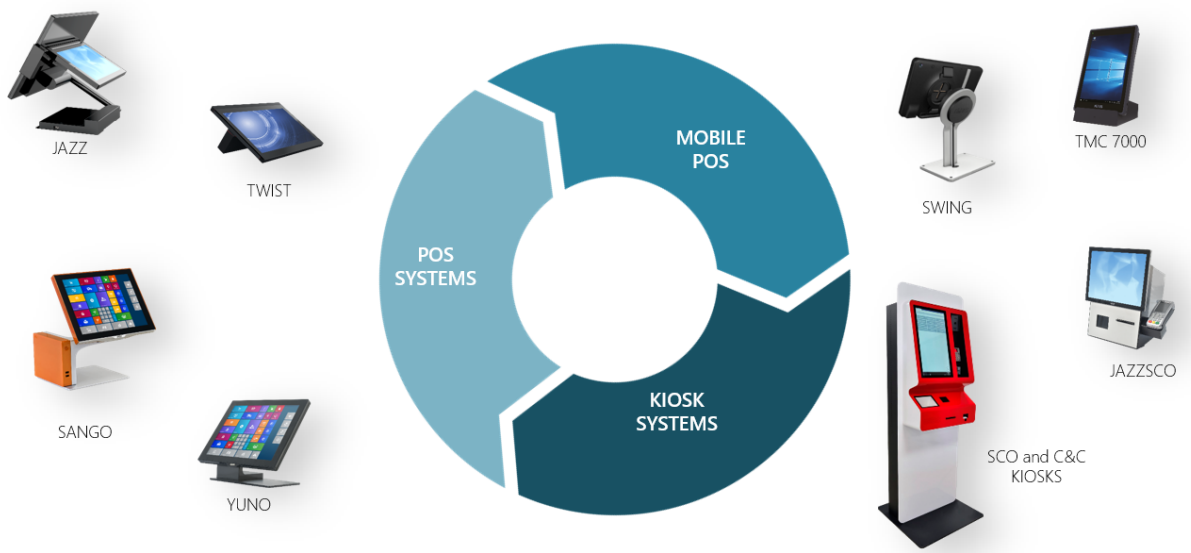
Designed, assembled and developed by the Group, kiosk solutions are suited to many different business sectors thanks to multiple management applications, including booking and order taking, Click & Collect, purchase and sale assistance, queue management, subscriptions and customer loyalty initiatives, and naturally all transactions including till and payment operations (contact and contactless).

The exclusive AURES design draws on an array of meticulously integrated high-quality and high-performance sub-systems.



Today, the AURES Group offers complementary hardware solutions that combine AURES designs with proven technical and economic performance.

AURES PRODUCTS OPTIMISE THE CUSTOMER EXPERIENCE



Complementary ranges of hardware solutions that combine AURES designs with proven technical and economic performance.

AURES sells its products to an exclusively professional clientele through its French, German, UK, US and Australian subsidiaries, and has a global network of distributors and resellers.

The acquisition of Retail Technology Group (RTG) in October 2018 has allowed AURES to round out its hardware solutions offer in the United States with an array of complementary services to meet the legitimate demands of major companies on the market. RTG is not only a leading POS services, maintenance and support provider in the United States (mainly in the restaurant and catering markets) but also the only company to offer a full range of services, from installation to round-the-clock hotline solutions for hardware and software.

4. 2018 highlights

Key events concerning the Group's business include:

- Acquisition on 4 January 2018 of a 15% stake in the share capital of France's CJS-PLV, specialised in the industrial design and production of POS equipment and fittings. The aim of this acquisition was to develop the Group's kiosks business.

The value of the interest acquired is €951K.

- Signature of a major contract to supply kiosks for the Iliad group, which was announced on 30 June 2018 and will help further develop the kiosks business.

- Finalisation on 16 October 2018 of the acquisition by AURES of the entire share capital of US-based company Retail Technology Group Inc. (RTG), whose business is described on page 3 of this annual report.

The maximum amount of the acquisition is a payment of USD 13 million, financed partly by equity and partly by fixed-rate bank loans, breaking down as:

- a cash payment on closing the acquisition;
- a cash payment deferred for a period of one year;
- an earn-out payable over a period of three years; and
- debt repayment.

More details on these components can be found in the notes to the consolidated financial statements in this report.

- Revenue topping the symbolic €100 million mark: consolidated revenue amounted to €102.65 million in 2018.

The Group therefore met the objectives announced at the beginning of 2018, namely double-digit growth and revenue in excess of €100 million.

- Fluctuations in the currency market

In 2018, the euro once again strengthened against the US dollar (decrease of 4.62% in the average USD/EUR exchange rate compared to 2017).

However, the euro made bigger gains in the first half of 2018, with the average EUR/USD exchange rate standing at 1.2109 compared to 1.1815 for full-year 2018.

Key events concerning the Group's development are:

Launch of a discretionary incentive scheme in France

On 18 June 2018, AURES Technologies SA set up a discretionary incentive scheme for all employees with the exception of the Chairman and Chief Executive Officer.

This three-year scheme is effective as from the reporting period beginning 1 January 2018.

Free share awards

The 3,500 free shares that were awarded by the Board of Directors on 31 October 2017 to 31 employees subject to their continuing employment within the Group (service condition) but no performance conditions vested on 31 October 2018 for 30 of the 31 employees concerned. A total number of 3,357 instruments vested in the form of existing ordinary shares. These remain subject to a one-year holding period expiring on 31 October 2019.

Pursuant to the authorisation granted by the shareholders at the Combined General Meeting on 16 June 2018, the Board of Directors decided on 23 July 2018 to award up to 3,467 free shares to 47 employees. The shares are not subject to any performance conditions.

These shares will vest on 23 July 2019, provided that the beneficiaries continue to be employed by the Group at that date (service condition).

The free shares awarded to the beneficiaries will be existing ordinary shares.

After vesting, they will be subject to a one-year holding period expiring on 22 July 2020.

New product launches

In late 2018, the Group announced the launch of three new products: JAZZ, TWIST and JAZZSCO.

JAZZ and TWIST are POS terminals, while JAZZSCO is a self check-out kiosk.

They should be on the market from the second quarter of 2019.

5. 2019 Outlook

Following the publication of first-quarter 2019 revenue on 26 April 2019, which shows a sharp downturn in the Group's business based on a constant scope of consolidation (down 27% on the same period in 2018) and a 3.4% rise based on the actual reporting scope, the Group notes that economic and social uncertainty, particularly in France and the UK, make the outlook for the rest of 2019 difficult to predict at the present time.

AURES considers that 2019 will be a transitional year in which it will integrate RTG and continue developing its kiosks business.

However, the Group is still targeting growth in 2019.

6. Subsequent events

On 10 January 2019, the Group's French entity received an audit notice from the French social security authorities (URSSAF) regarding financial years 2016 and 2017. This audit was still in progress at the date of this report.

On 29 January 2019, the Group was informed of a potential data breach at one of the customers of its US subsidiary RTG via its helpdesk service.

As the investigation currently stands, the liability for the breach and any financial consequences cannot yet be determined. The customer has not made a claim for damages but has sent a notice letter.

No other significant events took place after 31 December 2018.

7. Risks

The Group has reviewed the risks that could have a material adverse impact on its business, financial position and results of operations, and considers that no material risks exist other than those presented below:

Currency risk

The AURES Group is exposed to two types of currency risk that could impact its profit and equity:

- currency risk resulting from the translation of the consolidated financial statements of its foreign subsidiaries (United Kingdom, Australia and United States) into euros;
- currency risk arising on cash flows from commercial and financial transactions carried out in currencies other than the euro, which is the Group's functional currency.

The Group has a policy aimed at minimising and managing these currency risks:

- cash flows exchanged in connection with purchases of goods for resale are generally pooled by AURES Technologies SA.

Following the acquisition of J2 Retail Systems Technology Limited in 2013, the Company has a natural hedge on a portion of its inventory purchases.

Hedges are in place to protect against the currency risk arising on transactions. These hedges consist of forward purchases ranging from six months to one year and protect the Group's earnings from adverse changes in exchange rates against the euro.

However, the hedges are flexible and are set up gradually, so as to maximise the benefit from any favourable exchange rate fluctuations.

At 31 December 2018, an amount of USD 6,730K was outstanding under forward currency contracts.

- The Group's policy is not to hedge risks arising on the translation into euros of the financial statements of consolidated subsidiaries with a functional currency other than the euro.

The main exchange rates used to prepare the financial statements are presented in Note 3 to the consolidated financial statements.

The Group did not and is unable to analyse sensitivity to currency risk. However, it presents:

- the impact of exchange rate fluctuations on its revenue on page 20 of this report (including changes in revenue based on constant exchange rates);
- the impact of exchange rate fluctuations on its gross margin on page 22 of this report; and
- the impact of exchange rate fluctuations on equity on page 68 of this report.

Liquidity risk

As part of its operating activities, the AURES Group may use bank overdraft facilities in France and short-term credit lines in the United States, the amount of which is calculated by reference to trade receivables eligible for financing and inventory levels.

AURES may look to increase its borrowings and debt in order to finance its acquisitions.

Borrowings contracted by the Company for this purpose are subject to bank covenants that give creditors the possibility of exercising their early repayment rights in the event the covenants are breached.

Interest rate risk

The consolidated income statement may be impacted by interest rate risk in the event that adverse fluctuations in interest rates have a negative impact on borrowing costs.

However, as part of its financing policy, the Group looks to limit interest rate risk by using only fixed-rate non-current borrowings.

Credit risk

The AURES Group closely monitors the recovery of receivables.

Each Group company has its own recovery department, which sends out reminders and is responsible for the recovery of past due amounts.

Insurance mechanisms (credit insurance, letters of credit) are set up when a risk arises in respect of a given customer, country or region.

Provisions for doubtful receivables amounted to €260K at 31 December 2018, or 1.55% of the total amount of trade receivables (end-2017: €61K, or 0.5% of total trade receivables).

Write-offs of bad debt represented €31K in 2018 and €140K in 2017. A provision had been set aside for the large majority of these losses.

The AURES Group did not identify any major default in 2018.

Procurement risk

In addition to its policy of diversifying its purchases, the Group assesses the ability of its suppliers and partners to meet the long-term needs of AURES in terms of capacity and compliance with logistical, economic and qualitative requirements.

"Key executive" risk

In light of the Group's shareholding structure and the presence of the founder and Chief Executive Officer, AURES takes into account "key executive" risk and, following the acquisition of J2 Retail Systems, set up a management committee whose members are responsible for managing the Company's day-to-day operations.

Security risk

Cybersecurity

With RTG now a member of the consolidated group, AURES is required to consider cybersecurity risks, mainly due to the Group's new software helpdesk business.

Hackers are relentless and constantly test information system security. Any failures in cybersecurity could have an adverse impact on the Group's reputation through its subsidiary RTG.

Human error may also occur, and employees may not respect the Group's rules and regulations.

Risks relating to cybercrime may lead to the loss or unlawful disclosure of data, to the termination of contracts by our customers, or to additional costs.

In 2019, the Group will be extremely vigilant in analysing and redefining (where appropriate) the security policy, primarily within RTG, and in enforcing compliance with that policy.

Regulatory risks

Data protection

The Group is subject to various local and international data protection regulations. Regulatory pressure in this area has increased, due in part to the introduction of the EU General Data Protection Regulation in May 2018.

The Group may be held liable in the event of failure to comply with applicable data protection rules, or an intentional or unintentional disclosure of personal data belonging to third parties.

Financial penalties may be handed down by data protection authorities, thereby exposing the Group to a financial and reputational risk.

Procedures exist within each entity to ensure compliance with applicable data protection regulations.

Failure to comply with laws and regulations

The Group does business in various countries and is therefore subject to many different laws and regulations, which are constantly changing.

The broad scope of applicable local laws and regulations, and frequent regulatory developments, expose the Group to a compliance risk.

Besides its strict operational oversight, the Group also calls on independent advisers so that it can better protect its businesses.

Claims and litigation

In 2018, there were no developments in the first dispute mentioned in the 2017 annual report. The Group's position therefore remains unchanged.

Regarding this case, the €34K provision relating to employment court proceedings involving the Company and a former senior executive recognised in the 2016 reporting period was written back in 2017 following payment of the sums due further to the ruling handed down by the Paris Court of Appeal on 17 January 2017.

On 21 March 2017, the Company learnt that the former senior executive had referred the case to the French Supreme Court (*Cour de cassation*). No additional provision was recognised in this respect.

Regarding the second proceedings to which the Company was party at 31 December 2017, namely appeal proceedings for which no provision had been set aside following the decision handed down by the Evry Employment Court (*Conseil de prud'hommes*) on 12 April 2016 dismissing all of the claimant's claims, in October 2018 the Company was ordered to pay €50K further to a ruling from the Paris Court of Appeal.

8. Internal control and risk management procedures

a. Internal control objectives

Internal control denotes all procedures approved by management to:

- ensure that management actions, operations and employee behaviour all comply with the policies and objectives defined by the governing bodies, applicable laws and regulations, and internal rules and procedures;

- prevent and manage risks resulting from the Company's business, along with the risks of error or fraud;

- verify that accounting, financial and management information gives a true, fair and prudent view of the Company's business and position;

- ensure that assets are duly protected.

Like any system of control, internal control can only provide reasonable assurance that these objectives will be met.

b. Overview of internal control procedures

The Company has a simple structure owing to its size.

Responsibility for internal control lies partly with executive management and partly with the finance division.

Strategic decisions of the Board of Directors are implemented by executive management, which coordinates the different businesses thanks to a management team representing four operating departments:

- Sales
- Marketing and communication
- Technical
- Finance

The management team meets as necessary and draws up specific action plans. Progress made is monitored at subsequent meetings.

The Company's business is a trade and services business and does not involve the transformation of raw materials.

Company assets mainly comprise goods held for resale in inventory as well as IT and office equipment.

Since 1 January 2009, AURES has used Microsoft Dynamics (Navision) as its ERP, thereby enabling its inventories to be managed on an ongoing basis. A physical inventory is also taken each year.

Accounting records are kept internally on the standard Microsoft Dynamics ERP, which has been specifically adapted to the Company.

The segregation of duties principle is applied in a manner consistent with the Company's size.

In this respect, Microsoft Dynamics users only have ERP user rights in their specific field, except for two key users, the Group's Chief Technology Officer and Group Finance Director.

RTG uses NetSuite, a cloud version of the Oracle ERP.

An upgrade is scheduled for 2019 and is expected to be in use as from January 2020 in order to meet the Group's management and internal control requirements.

The information system is regularly updated.

IT risk management is primarily based on daily back-ups of data and on login and password procedures governing access to the IT network.

All IT memoranda are pooled and form the basis of procedures.

The Company also maintains and regularly updates documentation on regulatory developments affecting its business sector and subscribes to a number of specialist journals.

Subsidiaries' accounting records are reviewed by the Group's finance department. In Germany, the accounting books are reviewed by a local independent accountant and the Group's finance department.

In order to prepare local tax returns, Group subsidiaries call on tax advisors.

The financial statements of the Group's UK subsidiary are certified by a local auditor.

The financial statements of the historical US subsidiary, the Australian subsidiary and RTG are subject to audit or limited review procedures for the purposes of the consolidated financial statement audit.

c. Other internal control procedures

The following key controls exist at the level of the Group's operating processes:

- the sales departments produce monthly performance reports for each Group entity in order to monitor and track the sales performance, orders taken and percent margins, and to compare actual figures for each business with the previous year;

- the marketing and communication department oversees the progress of communication and marketing initiatives in terms of performance and cost compared to the objectives set;

- the technical department monitors and oversees the progress and volume of business in terms of after-sales support, technical assistance, product tests and listing, and troubleshooting;

- the finance department, which includes accounting, treasury, finance and management control functions, produces a cash report, monitors debt recovery, manages inventories, tracks currency hedges and reports on personnel costs regarding sales staff.

Controls in place when preparing and processing financial and accounting information:

- These controls fall under the responsibility of the finance department and are based on the Microsoft Dynamics ERP, which makes it easier to monitor the completeness and accurate measurement of transactions and to prepare accounting and financial information in accordance with the accounting rules and procedures applied by the Company in preparing both its parent company and consolidated financial statements.

  Since 2010, the consolidated financial statements have been produced using the EtatFi Conso software application.

Executive management verifies the substance of the accounting and financial information produced by the finance department. This information is audited by the Statutory Auditors, who carry out the audit procedures defined by applicable laws and regulations.

Accounting and financial information is reported on a regular basis through several types of media (press releases, Company website, Actusnews website, legal publications), in accordance with the Company's Euronext Paris listing requirements.

9. Condensed consolidated income statement

In € thousands	***2018***	***2017***
Revenue	102,657	85,614
Net operating profit	12,535	10,785
Net financial loss	(143)	(820)
Recurring profit before tax	12,392	9,966
Income tax expense	(4,095)	(3,109)
Consolidated net profit	8,297	6,857
Net profit attributable to owners of the parent	8,144	6,758

10. Condensed consolidated statement of financial position

In € thousands	***31 Dec. 2018***	***31 Dec. 2017***
Non-current assets	21,728	6,014
Current assets	51,260	45,105
TOTAL ASSETS	**72,988**	**51,119**
Shareholders' equity	30,558	25,726
Non-controlling interests	133	97
Total equity	*30,691*	*25,823*
Non-current liabilities	9,558	2,561
Current liabilities	32,739	22,735
TOTAL EQUITY AND LIABILITIES	**72,988**	**51,119**

11. Group business review for the year ended 31 December 2018

AURES Group posted revenue of €102.65 million for 2018, a rise of 20% at actual exchange rates for the reporting scope including RTG.

At a constant reporting scope, consolidated revenue was up 11.1%.

Based on this same scope and at constant exchange rates (as defined in the note on indicators and key figures on page 7 of this report), revenue climbed 13.1%.

The Group's revenue topped the symbolic €100 million mark for the first time in its history.

The strong revenue growth was primarily driven by the Group's German subsidiary, which had a record year (up 41.9%) driven by the roll-out of the five-year contract signed in 2017 with the German hypermarket chain Kaufland (over 1,000 stores in Europe).

The new NF 525 anti-fraud measure in France continued to boost the French subsidiary, which reported 18.6% revenue growth.

The Group's historical US entity continued to develop, with revenue rising 11.7% in local currency terms.

Revenue for the Australian subsidiary was up 4.5% in local currency terms, while the UK business retreated 7.8%, also in local currency terms, owing to Brexit-related uncertainty.

Lastly, RTG, consolidated with effect from 16 October 2018, contributed €7.6 million to consolidated revenue.

The criterion used below to allocate revenue is the destination of sales. This is different from that used in earnings press releases prepared by the Group, in which revenue is presented by legal entity.

Revenue breaks down by destination follows:

In € thousands	***2018***	***2017***
France	24,277	23,533
United Kingdom	16,146	18,125
Germany	12,278	9,039
Other EU countries	15,206	8,168
United States	21,513	13,040
Australia	8,865	10,313
Other non-EU countries	4,372	3,396
TOTAL	**102,657**	**85,614**

Consolidated operating profit was €12,535K versus €10,785K in 2017, representing 12.2% of revenue.

Consolidated operating profit includes RTG's contribution of €516K.

Based on the Group's historical reporting scope, operating profit totalled €12,019K, representing 12.6% of revenue, as in 2017.

Factors impacting trends in the operating margin are:

- the increase in revenue;

- the rise in the percent gross margin from 37% in 2017 to 39.4% in 2018 including RTG;

- the €689K increase in external expenses for the historical reporting scope;

The rise in external expenses chiefly concerns outsourcing costs, professional fees and transport costs included in sales.

Outsourcing costs concern the assembly of kiosks for the purposes of the Group's new business launch.

Professional fees include around €400K in one-off expenses related to the planned acquisition (due diligence, legal fees, etc.).

The €115K increase in transport costs included in sales is consistent with the growth in revenue;

- the €1,307K rise in personnel costs for the historical reporting scope;

Personnel costs totalled €12,264K in 2018 and €10,958K in 2017, chiefly reflecting the rise in headcount (see Note 6.2 to the consolidated interim financial statements) and the recognition of a €189K expense relating to the incentive scheme launched in France.

Based on the consolidated income statement, gross margin is calculated as follows:

	2018	***2017***
Revenue	102,657	85,614
Cost of goods sold	(62,227)	(53,908)
Gross margin	**40,430**	**31,706**
as a % of revenue	**39.4%**	**37.0%**

Based on the historical reporting scope, the gross margin represents €34,720K, or 36.5%.

Gross margin was lifted by gains in the euro against the US dollar (decrease of 4.62% in the average USD/EUR exchange rate compared to 2017) but was affected by the first-time application of IFRS 15 in an amount of €381K.

Restated for this impact, gross margin came out at 36.9%.

The Group reported a net financial loss of €143K versus a loss of €820K at 31 December 2017.

The decrease in net financial loss is attributable to fluctuations in the currency market, and particularly in the value of the euro against the pound sterling and against the US and Australian dollars.

The income tax rate was 33% compared to 31.2% in 2017, when it had been affected by the reduction in the US federal tax rate and the application for a refund of the dividend tax paid by the French entity in an amount of €60K.

Consolidated net profit for the year totalled €8,297K (€8,144K attributable to owners of the parent) versus €6,857K (€6,758K attributable to owners of the parent) in 2017, representing a net margin of 8.1% (8% attributable to owners of the parent) compared to 7.2% in 2017.

RTG contributed €354K to consolidated net profit.

Segment information

The Group reports on three geographical segments: France, Europe, the United States and Australia.

This information reflects the key indicators monitored and used internally by the Group's chief operating decision-makers.

Following the addition of RTG to its consolidated group, AURES now also presents the total of each indicator for each business sector, in order to track overall trends in those sectors:

- marketing and sale of POS and kiosk products;

- POS services;

	2018						***2017***					
In €K	**Marketing and sales**				**Services**		**Marketing and sales**				**Services**	
	France (1)	Europe (2)	US/Australia (3)	**Sub-total (1)+(2)+(3)**	US	**Total**	France (1)	Europe (2)	US/Australia (3)	**Sub-total (1)+(2)+(3)**	US	**Total**
Revenue	35,067	35,851	24,124	**95,042**	**7,615**	**102,657**	29,648	32,497	23,469	**85,614**	**0**	**85,614**
Operating profit	7,006	3,496	1,517	**12,019**	**516**	**12,535**	6,295	2,678	1,812	**10,785**	**0**	**10,785**
Consolidated net profit	4,560	2,505	878	**7,943**	**354**	**8,297**	3,582	2,196	1079	**6,857**	**0**	**6,857**

12. Subsidiary business review

The Group's subsidiaries carry out their business within and outside their home countries, with the exception of RTG, which only does business in the United States.

The German subsidiary contributed €17,334K to consolidated revenue in 2018 versus €12,220K in 2017.

Operating profit reported by the German subsidiary totalled €2,155K, or 12.4% of revenue (2017: €1,381K, or 11.3% of revenue).

The increase in operating profit and operating margin chiefly reflects business growth.

Personnel costs rose 33%, directly reflecting the increase in average headcount and the variable portion of remuneration based on revenue.

The provision for warranties was down €195K after the company took into account recommendations made during the tax audit.

The German subsidiary's contribution to consolidated net profit was €1,534K (€1,380K attributable to owners of the parent) versus €992K in 2017.

The UK subsidiary contributed €18,516K to consolidated revenue versus €20,277K in 2017.

Operating profit reported by the UK subsidiary totalled €1,341K, or 7.2% of revenue.

The subsidiary's operating profit remained stable year-on-year thanks to an improvement in its gross margin.

Its contribution to consolidated net profit was €972K, compared to €1,206K in 2017.

The historical US subsidiary contributed €14,057K to consolidated revenue compared to €13,136K in 2017.

Operating profit reported by the US subsidiary totalled €544K, or 3.9% of revenue (2017: €482K, or 3.7% of revenue).

Personnel costs rose 15%, directly reflecting the increase in average headcount and the variable portion of remuneration based on revenue.

The provision for impairment of inventories virtually doubled, from €153K to €312K, reflecting the increasing age of certain items held in inventory.

The US subsidiary's contribution to consolidated net profit was €335K, compared to €182K in 2017.

The Australian subsidiary contributed €10,067K to consolidated revenue compared to €10,333K in 2017.

Operating profit reported by the Australian subsidiary totalled €1,013K, or 10.1% of revenue (2017: €1,329K, or 12.8% of revenue).

The provision for impairment of inventories virtually doubled, from €81K to €154K, reflecting the increasing age of certain items held in inventory.

The Australian subsidiary's contribution to consolidated net profit was €580K, compared to €895K in 2017.

RTG, which was consolidated with effect from 16 October 2018, contributed €7,615K to consolidated revenue. It reported operating profit of €516K, or 6.8% of revenue, and contributed €354K to consolidated net profit in 2018.

The Group's headcount broken down by company is as follows:

	31 Dec. 2018			***31 Dec. 2017***		
	TOTAL	Managerial-grade employees (*cadres*)	Other employees	TOTAL	Managerial-grade employees (*cadres*)	Other employees
FR	49.2	23.8	25.4	48.2	22.5	25.8
DE	18.1	1.0	17.1	15.1	1.0	14.1
UK	30.3	4.8	25.5	30.4	3.0	27.4
US	10.6	1.0	9.6	9.2	1.0	8.2
AUS	15.9	1.0	14.9	12.3	1.0	11.3
RTG	280.6	10.0	270.6			
	404.7	**41.6**	**363.1**	**115.3**	**28.5**	**86.8**

13. Research and development expenses

AURES did not incur any research and development expenses in 2018.

- AURES TECHNOLOGIES SA ON THE STOCK MARKET

1. Share capital

At 31 December 2018, the Company's share capital is made up of 4,000,000 shares each with a par value of €0.25, representing 5,394,840 theoretical voting rights and 5,354,196 exercisable voting rights.

The difference between the number of shares and the number of theoretical voting rights reflects the existence of double voting rights, while the difference between the number of theoretical and exercisable voting rights is due to treasury shares.

To the best of the Company's knowledge, its shareholding structure was as follows at 31 December 2018:

Shareholder	Shares	% capital	Theoretical voting rights	% theoretical voting rights	Actual voting rights	% actual voting rights
Free float	2,055,086	51.38	2,072,910	38.43	2,072,910	38.72
Patrick Cathala	1,444,720	36.12	2,821,736	52.30	2,821,736	52.70
Alpenstock Mont Blanc	251,376	6.28	251,376	4.66	251,376	4.70
Alto Invest	198,284	4.96	198,284	3.68	198,284	3.70
Employees	9,890	0.24	9,890	0.18	9,890	0.18
Treasury shares	40,644	1.02	40,644	0.75	-	0
TOTAL	**4,000,000**	**100%**	**5,394,840**	**100%**	**5,354,196**	**100%**

Pursuant to Article L. 233-13 of the French Commercial Code, to the best of the Company's knowledge, at 31 December 2018 the different percentages of share capital and voting rights as referred to in Article L. 233-7 were as follows:

Shareholder	Number of shares	%	Number of voting rights	%
Holding more than 5%				
Alpenstock Mont Blanc	251,376	6.28	251,376	4.70
Holding more than 10%				
Holding more than 15%				
Holding more than 20%				
Holding more than 25%				
Holding more than 30%				
Holding more than 33 1/3%				
Patrick Cathala	1,444,720	36.12		
Holding more than 50%				
Patrick Cathala			2,821,736	52.70
Holding more than 66 2/3%				
Holding more than 90%				
Holding more than 95%				

Pursuant to Article 9 of the articles of association, all registered shares that can be proven to have been registered in the name of the same shareholder for at least four year carry double voting rights.

Free share awards

At the General Meeting held on 16 June 2016, the shareholders authorised the Board of Directors to award free new or existing shares over a period of 38 months, within the scope of Article L. 225-197-1 of the French Commercial Code (7th resolution).

The number of free shares that may be awarded by the Board of Directors pursuant to this authorisation may not represent more than 10% of the share capital at the date of the above-mentioned General Meeting.

Pursuant to this authorisation, on 21 October 2016 the Board of Directors decided to award up to 8,000 free shares to two employees, subject to performance conditions and to their continuing employment by the Group (service condition). Since the performance conditions were not met, the shares did not vest.

Pursuant to the authorisation granted at the Combined General Meeting on 16 June 2016, the Board of Directors also decided to award up to 6,533 free shares to a further 31 employees. These shares were not subject to any performance conditions but to a service condition that was met by all of the employees concerned.

The shares vested on 21 October 2017. The free shares awarded to the beneficiaries were existing ordinary shares and were subject to a one-year holding period, which expired on 20 October 2018.

Pursuant to the above-mentioned authorisation, on October 31, 2017 the Board of Directors decided to award up to 3,500 free shares to 31 employees. These shares were not subject to any performance conditions but to a service condition, which was met by 30 of the 31 employees, representing 3,357 shares.

The shares vested on 31 October 2018. The free shares awarded to the beneficiaries are existing ordinary shares and are subject to a one-year holding period expiring on 31 October 2019.

Lastly, pursuant to the above-mentioned authorisation, on 23 July 2018 the Board of Directors decided to award up to 3,467 free shares to 47 employees. The shares are not subject to any performance conditions. These shares will vest on 23 July 2019, provided that the beneficiaries continue to be employed by the Group at that date. The free shares awarded to the beneficiaries will be existing ordinary shares. After vesting, they will be subject to a one-year holding period expiring at midnight on 22 July 2020.

The authorisation granted at the General Meeting on 16 June 2016 was therefore used to award 21,500 shares, leaving a residual 378,500 shares.

Since no executive corporate officers were beneficiaries of any free share awards, the Board of Directors did not need to determine the specific shareholding terms and conditions for any such award.

A table summarising outstanding free share plans is provided in Note 6.8 to the consolidated financial statements included in this annual financial report.

2. Treasury shares and cross-shareholdings

None.

3. Disposal of cross-shareholdings

None.

4. Significant interest acquired in a French entity during the year

On 4 January 2018, the Company acquired a 15% stake in the share capital of CJS-PLV, specialised in the industrial design and production of POS equipment and fittings. The aim of the acquisition was to develop the Group's kiosks business.

The value of the interest acquired is €951K.

5. Share buybacks by the Company

At the General Meeting held on 20 June 2018, the shareholders, acting within the scope of Articles L. 225-209 *et seq.* of the French Commercial Code, authorised the Company to purchase its own shares on the stock market up to a limit of 10% of the share capital, i.e., a maximum of 400,000 shares under the share buyback programme. This programme is designed to:

- stimulate trading in the secondary market and the liquidity of the AURES Technologies share, through an investment services provider acting under a liquidity agreement that complies with the code of ethics of the *Association française des marchés financiers* (AMAFI), the representative body for professionals working in the securities industry and financial markets in France, authorised by the applicable regulations, it being specified in this respect that the number of shares taken into account to calculate the above-mentioned limit corresponds to the number of shares purchased, less the number of shares sold;
- ensure that the shares purchased continue to be held and are subsequently remitted for exchange or as payment with respect to any acquisitions that may be carried out;
- cover stock option and/or free share or similar plans for Group employees and/or corporate officers, as well as any allocation of shares under a Company or Group savings or similar plan, in connection with employee profit-sharing and/or any other type of share allocation to Group employees and/or corporate officers;
- cover marketable securities entitling holders to shares of the Company within the scope of applicable regulations.

This authorisation was granted for a period of 18 months, i.e., until 19 December 2019. The maximum purchase price was set at €80 per share, representing a maximum amount of €32,000,000 for the operation.

The shares held within the scope of the share buyback programme undertaken by the Company are as follows:

	31 Dec. 2018			***31 Dec. 2017***		
Account	Number of shares	Price per share €	Total price €k	Number of shares	Price per share €	Total price €k
Market-making	2,851	29.123	83	2,317	33.188	77
Treasury shares	37,793	15.423	583	25,483	4.99	127
TOTAL	**40,644**		**666**	**27,800**		**204**

Within the scope of this share buyback programme, the Company carried out the following transactions in connection with its liquidity agreement in 2018:

	Number of shares	Average price	% capital
Number of shares purchased	88,060	€41.72	2.20%
Number of shares sold	87,526	€ 41.52	2.19%
Number of shares cancelled	N/A		
Market-making account at 31 Dec. 2018	2,851	€ 29.12	0.07%
Number of treasury shares held at 31 Dec. 2018 other than under the liquidity agreement	37,793	€ 15.42	0.94%

The Company has purchased its own shares within the scope of the share buyback programme.

On 27 November 2018, the Company signed a mandate with an independent financial services provider to buy back its own shares, up to a maximum of 10% of its share capital over a period of one year after the date of signing. The buyback price under the mandate may not exceed €80 for shares bought back to cover existing or future employee share ownership plans.

Other than under the liquidity agreement, the Company held 37,793 of its own shares on 31 December 2018 further to the transactions listed below:

- purchase of 15,667 shares, or 0.39% of the share capital at 31 December 2018, at an average price of €30.29;
- transfer of 3,357 shares to employees as part of free share plans.

Trading fees on share purchases and sales during the year came to €1K.

The Company did not reallocate any shares during the year.

The carrying amount of the portfolio at 31 December 2018 was €665,920.12, for a market value of €1,208,833.85 and a total nominal amount of €10,161.00.

6. Share transactions carried out during the year by corporate officers, senior executives and their relatives

In 2018, the Company received a declaration of share transactions as required by Article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*):

Name	Position held within the issuer	Transaction date	Disposal of shares	
Patrick Cathala	Chairman and Chief Executive Officer	2 Feb. 2018	Per-share price: Total amount:	€44.10 €1,102,500.00

7. Employee share ownership

In accordance with Article L. 225-102 of the French Commercial Code, we inform you that employees held 0.25% of the share capital at 31 December 2018.

AURES TECHNOLOGIES SA

8. Company business review

In € thousands	***2018***	***2017***
Operating income	74,020	70,325
Operating expenses	66,223	63,555
Net operating profit	7,797	6,770
Net financial profit	1,798	1,026
Net recurring profit	9,595	7,796
Net non-recurring profit	265	47
Income tax expense	(2,756)	(2,142)
Net profit for the year	7,104	5,701

8.1. Net operating profit

Net operating profit rose 15.2% to €7,797K from €6,770K in 2017, reflecting:

- a 5.7% rise in revenue, with the non-Group/Group sales mix rising from 44%/56% to 50%/50% in 2018.
  Business was driven by the NF 525 anti-fraud measure in France, the roll-out of certain contracts with key customers and the launch of the kiosks activity;

- a total gross margin of 24.1% versus 22.3% in 2017, lifted by the change in the sales mix and fluctuations in the EUR/USD exchange rate;

- external expenses, which represented 6.1% of revenue compared to 4.9% of revenue in 2017. The main changes in these expenses result from temporary staff and professional fees, which include one-off fees of €400K incurred in connection with an acquisition;

- total payroll expensed in the year, amounting to €5,801K versus €5,305K in 2017 as a result of the rise in variable remuneration based on sales performance and the recognition of a €189K expense relating to an incentive scheme.

A €212K accrual (2017: €230K) to the provision for customer warranties is shown within additions to provisions for contingencies and expenses.

Since 2017, the Company has applied standard no. 2015-05 of the French accounting standards-setter (*Autorité des normes comptables* – ANC) on forward financial instruments and hedging transactions, and reported net foreign exchange gains of €184K on trade receivables and payables, included within operating profit (2017: €215K).

8.2. Net financial profit

Net financial profit amounted to €1,798K in 2018 and €1,026K in 2017.

It includes dividends paid by the UK subsidiary for €1,125K (2017: €293K) and by the German subsidiary for €945K (2017: €927K).

The remaining components of net financial profit are interest receivable on current accounts with subsidiaries and amounts receivable from equity investments (€94K), interest on bank overdrafts and borrowings (€49K), and net foreign exchange losses on hedging transactions (€317K).

8.3. Net non-recurring profit

Net non-recurring profit came in at €265K and primarily relates to a €335K indemnity paid by a supplier.

8.4. Net profit

Net profit for 2018 was €7,104K, up 24.7% from €5,701K in 2017.

9. Statement of financial position

The following table presents the condensed statement of financial position of AURES TECHNOLOGIES:

In € thousands	***31 Dec. 2018***	***31 Dec. 2017***
Non-current assets	18,028	9,714
Inventories	6,789	9,254
Advances and downpayments	47	64
Trade receivables	15,327	15,801
Other receivables	2,504	2,042
Marketable securities	583	127
Cash and cash equivalents	5,618	3,135
Prepaid expenses	92	198
Unrealised translation losses	18	224
TOTAL ASSETS	**49,005**	**40,559**
Equity	29,683	24,168
Provisions for contingencies and expenses	247	435
Debt	18,789	15,848
Unrealised translation gains	286	108
TOTAL EQUITY AND LIABILITIES	**49,005**	**40,559**

The statement of financial position, income statement and notes to the financial statements are presented using the same format and valuation methods as those used in 2017.

10. Proposed appropriation of profit

The profit appropriation we are proposing is in line with French law and with the articles of association.

We recommend appropriating profit for the year totalling €7,103,583 as follows:

Source

- Profit for the year	€7,103,583
- Retained earnings	€19,799,164

Appropriation

- Dividends	€4,000,000
- Retained earnings	€22,902,747

The overall gross dividend per share would be €1.

The dividend is eligible for the 40% relief referred to in Article 158(3)(2°) of the French Tax Code (*Code général des impôts*) when it is paid to private individuals resident in France for tax purposes whose income is taxed on a progressive scale. Where such conditions are not met, the dividend is subject to the flat tax (*prélèvement forfaitaire unique* – PFU) introduced by the 2018 French Finance Law and is no longer eligible for the 40% relief.

The ex-coupon date is 10 July 2019 and the dividend will be paid on 12 July 2019.

In the event of a change in the number of shares carrying dividend rights compared to the 4,000,000 shares making up the share capital at 26 April 2019, the aggregate dividend would be adjusted accordingly, and the amount allocated to the retained earnings account would be determined based on the dividend actually paid.

In accordance with Article 243 *bis* of the French Tax Code, shareholders are advised that the Company's dividend history over the past three years is as follows:

Year	***Amount eligible for tax relief***		***Amount not eligible for tax relief***
	Dividend	***Other amounts paid out***	
2015	€2,000,000* i.e., €2 per share (pre-stock split)	-	-
2016	€1,920,000* i.e., €0.48 per share (post-stock split)	-	-
2017	€1,600,000* i.e., €0.40 per share (post-stock split)		

* Including dividends not paid on treasury shares and allocated to retained earnings.

11. Subsidiaries and equity investments

Subsidiaries (more than 50%-owned) *Corporate name, country*	*AGH* *US*	*AURES Technologies Ltd* *UK*	*AURES Technologies GmbH* *Germany*
Share capital	USD 1,000	GBP 5,000	€25,000
Other equity	USD 2,876,299	GBP 4,867,782	€1,625,089
% interest	100%	100%	90%
Gross value of shares	€2,469,411	€291,899	€22,500
Net value of shares	€2,469,411	€291,899	€22,500
Loans and advances	USD 4,873,545	€0	€2,012,350
Revenue	USD 0	GBP 16,460,693	€17,364,147
Profit/(loss)	USD (44,014)	GBP 881,940	€1,567,115
Dividends received during the year	€0	€1,125,207	€945,000

Subsidiaries (more than 50%-owned) *Corporate name, country*	*J2 Systems Technology Ltd* *UK*	*AURES Technologies Pty* *Australia*	*AURES Technologies Inc.* *US*
Share capital	GBP 42,229	AUD 10	USD 10,000
Other equity	GBP (36,228)	AUD 5,270,089	USD 1,420,623
% interest	100%	100%	100%
Gross value of shares	€7,607,036	€0	€0
Net value of shares	€7,607,036	€0	€0
Loans and advances	€0	€0	€0
Revenue	GBP 0	AUD 15,903,773	USD 17,034,470
Profit/(loss)	GBP 0	AUD 969,975	USD 472,737
Dividends received during the year	€0	€0	€0

12. Intercompany loans

None.

13. Existing branches

None.

14. Presentation of the resolutions submitted at the Combined General Meeting of 25 June 2019 for approval

In addition to the resolutions that you will be asked to approve at the Ordinary General Meeting regarding the consolidated and parent company financial statements and proposed appropriation of profit, we also invite you to approve the resolutions set out below.

Resolutions for the Ordinary General Meeting

- **Related-party agreements** *(fourth resolution)*

We remind shareholders that they are only asked to vote on the related-party agreements entered into during 2018 and at the beginning of 2019.

No new related-party agreements falling within the scope of Article L. 225-38 of the French Commercial Code were entered into during 2018 or at the beginning of 2019. Accordingly, having reviewed the Statutory Auditors' special report on related-party agreements, shareholders will simply be asked to place this fact on record.

The following agreement was entered into and approved in previous years and remained in force during the year:

- Commercial lease for Le Cristal Un SCI

  Related party: Patrick Cathala, Legal Manager (*Gérant*) of Le Cristal Un SCI and Chairman of the AURES Technologies SA Board of Directors.

  Nature and purpose: Le Cristal Un SCI agreed to rent offices and business and storage facilities located at ZAC des Folies – 24 bis, rue Léonard de Vinci, 91090 Lisses, France, to AURES Technologies under a commercial lease.

  Terms and conditions: On 20 September 2016, the Board of Directors authorised the signature of a commercial lease for these premises, which have been used by the Company since 1 January 2017, in return for an annual rent plus the reimbursement of certain charges.

The Board of Directors analysed this agreement, its financial terms and conditions and its benefits for the Company and concluded that the agreement continues to meet the criteria with respect to which it was originally approved.

- **Approval of the remuneration and benefits in kind paid or awarded to Patrick Cathala, Chairman and Chief Executive Officer, in respect of 2018** *(fifth resolution)*

We invite you to vote on the fixed, variable and exceptional components comprising the total remuneration and benefits in kind paid or awarded to Patrick Cathala, Chairman and Chief Executive Officer, in respect of the office held in 2018, as presented in section 1.2 of the corporate governance report included in the 2018 annual financial report.

- **Approval of the principles and criteria used to calculate, allocate and award the fixed, variable and exceptional components comprising the total remuneration and benefits in kind payable to the Chairman and Chief Executive Officer** *(sixth resolution)*

Pursuant to Article L. 225-37-2 of the French Commercial Code, we invite you to approve the principles and criteria used to calculate, allocate and award the fixed, variable and exceptional components comprising the total remuneration and benefits in kind payable to the Chairman and Chief Executive Officer in respect of his office, as presented in section 1.4 of the corporate governance report included in the 2018 annual financial report.

- **Proposal to renew the authorisation concerning the implementation of the share buyback programme** *(seventh resolution)* **and to grant a new authorisation to cancel shares bought back by the Company** *(eighth resolution)*

In the seventh resolution, we invite you to grant the Board of Directors, for a period of 18 months, the powers necessary to purchase, on one or several occasions, at the times it deems fit, shares of the Company representing up to 10% of the number of shares comprising the share capital, adjusted where appropriate to reflect any capital increases or decreases that may be carried out during the period of validity of the programme.

This authorisation would terminate the authorisation given to the Board of Directors by the shareholders at the Ordinary General Meeting of 20 June 2018 (eighth resolution).

Shares may be purchased under this authorisation in order to:

- stimulate trading in the secondary market and the liquidity of the AURES Technologies share, through an investment services provider acting under a liquidity agreement that complies with practices authorised by applicable regulations, it being specified in this respect that the number of shares taken into account to calculate the above-mentioned limit corresponds to the number of shares purchased, less the number of shares sold;

- hold the shares purchased and subsequently remit them for exchange or as payment with respect to any acquisitions that may be carried out;

- cover stock option and/or free share plans (or similar) for Group employees and/or corporate officers, as well as any allocation of shares under a Company or Group savings plan (or similar), in connection with employee profit-sharing and/or any other type of share allocation to Group employees and/or corporate officers;

- cover marketable securities entitling holders to shares of the Company within the scope of applicable regulations;

- where appropriate, cancel the shares bought back, subject to the adoption of the eighth resolution by this Extraordinary General Meeting.

Shares may be bought back by any means, including by purchasing a block of shares, at the times deemed fit by the Board of Directors.

The Company would reserve the right to use options or derivative instruments within the scope of applicable regulations.

We propose that you set the maximum purchase price at €80 per share and therefore the maximum amount concerned by the buyback programme at €32,000,000.

In view of the objective to cancel shares, in the eighth resolution we ask that you authorise the Board of Directors, for a period of 24 months, to cancel, at its sole discretion, on one or several occasions, in an amount representing up to 10% of the share capital as calculated on the date of the cancellation decision, less any shares that may have been cancelled in the previous 24 months, the shares held or that may be held by the Company following the share purchases made within the scope of its buyback programme and to reduce the share capital accordingly, in accordance with applicable laws and regulations.

The Board of Directors would therefore have the powers to take all necessary steps for such purposes.

Resolutions for the Extraordinary General Meeting

Financial delegations of authority

The Board of Directors wishes to be delegated the authority it needs to carry out, if it deems fit, any issues that may be necessary in order to develop the Company's business, and to be granted all authorisations necessary to have the resources it needs to implement an attractive employee share ownership policy and cement the Company's growth.

We therefore invite you to renew the financial delegations of authority due to expire, as well as the authorisation to award free shares. A table showing the present status of the delegations of authority and authorisations previously granted to the Board of Directors by the shareholders, as well as the extent of their use, is provided in the corporate governance report included in the annual financial report.

In addition, in light of the authorisations that may subsequently result in a cash capital increase, we invite you to vote on a delegation of authority to increase the share capital in favour of members of a Company savings plan, in accordance with applicable regulations.

- **Delegation of authority to the Board of Directors to increase the share capital by capitalising reserves, profits and/or additional paid-in capital** *(ninth resolution)*

The outstanding delegation of authority previously granted for this purpose expires this year and has not been used.

We invite you to grant the Board of Directors, for a further period of 26 months, the authority to increase the share capital by capitalising reserves, profits, additional paid-in capital or other amounts able to be capitalised, by issuing and awarding free shares, or by increasing the par value of existing ordinary shares, or by a combination of both.

The nominal amount of the capital increase resulting from this delegation may not exceed €200,000, representing around 20% of the existing share capital as of the date of the General Meeting. This amount would not include the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital. This ceiling would be independent of all of the ceilings provided for by the other resolutions of this General Meeting.

This delegation would cancel the unused portion of any previous delegation granted for the same purpose.

Delegations of authority to issue ordinary shares and/or securities, with and without pre-emptive subscription rights for existing shareholders

The delegations of authority previously granted for this purpose expire this year and have not been used.

We invite you to renew the delegations of authority to carry out cash capital increases, with and without pre-emptive subscription rights for existing shareholders.

These delegations are intended to grant the Board of Directors full powers to issue, at the times it deems fit, for a period of 26 months (with the exception of the financial delegation of authority in favour of a certain category of beneficiaries):

- ordinary shares;
- and/or ordinary shares carrying rights to other ordinary shares or debt securities;
- and/or securities giving access to ordinary shares to be issued.

In accordance with Article L. 228-93 of the French Commercial Code, the securities to be issued may give access to the ordinary shares to be issued by any company that holds, directly or indirectly, more than half of the Company's share capital, or by any company of which the Company holds, directly or indirectly, more than half of its share capital.

- **Delegation of authority to issue ordinary shares giving access, where applicable, to ordinary shares or carrying rights to debt securities and/or securities giving access to ordinary shares, with pre-emptive subscription rights for existing shareholders** *(tenth resolution)*

Under this delegation, the issues would be carried out with pre-emptive subscription rights for existing shareholders.

We invite you to set the maximum aggregate nominal amount of the ordinary shares that may be issued pursuant to this delegation at €500,000, representing around 50% of the share capital as of the date of this General Meeting. Where applicable, the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital would be added to this ceiling.

The amount of the issues carried out pursuant to this resolution would be independent of all of the ceilings provided for by the other resolutions of this General Meeting.

If the subscriptions for new shares and, where applicable, excess shares do not absorb the entire issue, the Board of Directors may:

- limit the issue to the amount of subscriptions received, where applicable within the limits provided for by applicable regulations;
- freely allocate some or all of the securities that have not been subscribed; or
- offer all or some of the securities that have not been subscribed to the public.

Company share warrants may be issued by way of a subscription offer, but also free of charge to the owners of existing shares, it being specified that the Board of Directors would have the right to decide that allocation rights on fractional shares will not be tradeable and that the corresponding securities will be sold.

This delegation would cancel the unused portion of any previous delegation granted for the same purpose.

Delegations of authority without pre-emptive subscription rights for existing shareholders

- **Delegation of authority to issue ordinary shares giving access, where applicable, to ordinary shares or carrying rights to debt securities and/or securities giving access to ordinary shares, without pre-emptive subscription rights for existing shareholders, by way of an offer to the public and/or as consideration for securities tendered to a public exchange offer** *(eleventh resolution)*

Under this delegation, the issues would be carried out by way of an offer to the public and/or as consideration for securities tendered to a public exchange offer.

Shareholders' pre-emptive subscription rights to ordinary shares and/or securities giving access to the share capital would be cancelled, with the Board of Directors having the option to grant shareholders a priority subscription right.

The aggregate nominal amount of the ordinary shares that may be issued pursuant to this delegation may not exceed €200,000, representing around 20% of the share capital as of the date of this General Meeting.

Where applicable, the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital would be added to this ceiling.

The amount of the issues carried out pursuant to this resolution would count towards the ceiling specified in the twelfth resolution of this General Meeting.

The amount paid or to be paid to the Company for each of the ordinary shares issued would be determined in accordance with applicable laws and regulations after taking into account the subscription price of any share warrants issued and would therefore be at least equal to the minimum required by Article R. 225-119 of the French Commercial Code at the time the Board of Directors implements the delegation (weighted average price over the three last trading days before the price is set, less a discount of up to 5% where applicable).

In the event of an issue of securities as consideration for securities tendered to a public exchange offer, the Board of Directors would have the appropriate authority, within the limits specified above, to determine the list of securities tendered to the exchange, to set the terms and conditions of issue, the exchange ratio and, where applicable, the amount of the balancing cash adjustment payable, and to define the precise terms of the issue.

If the subscriptions do not absorb the entire issue, the Board of Directors may:

- limit the amount of the issue to the amount of subscriptions received, where applicable within the limits provided for by applicable regulations; or
- freely allocate some or all of the securities that have not been subscribed.

This delegation would, where applicable, cancel the unused portion of any previous delegation granted for the same purpose.

- **Delegation of authority to issue ordinary shares giving access, where applicable, to ordinary shares or carrying rights to debt securities and/or securities giving access to ordinary shares, without pre-emptive subscription rights for existing shareholders, by means of a private placement** *(twelfth resolution)*

Under this delegation, the issues would be carried out by means of an offer as defined in Article L. 411-2(II) of the French Monetary and Financial Code.

Shareholders' pre-emptive subscription rights to ordinary shares and/or securities giving access to the share capital would be cancelled.

The aggregate nominal amount of the ordinary shares that may be issued may not exceed €200,000, representing around 20% of the share capital as of the date of this General Meeting, it being specified that the issues would also be limited to 20% of the share capital per annum.

Where applicable, the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital would be added to this ceiling.

The amount of the issues carried out pursuant to this resolution would count towards the ceiling specified in the eleventh resolution of this General Meeting.

The amount paid or to be paid to the Company for each of the ordinary shares issued would be determined in accordance with applicable laws and regulations after taking into account the subscription price of any share warrants issued and would therefore be at least equal to the minimum required by Article R. 225-119 of the French Commercial Code at the time the Board of Directors implements the delegation (weighted average price over the last three trading days before the price is set, less a discount of up to 5% where applicable).

If the subscriptions do not absorb the entire issue, the Board of Directors may:

- limit the amount of the issue to the amount of subscriptions received, where applicable within the limits provided for by applicable regulations; or
- freely allocate some or all of the securities that have not been subscribed.

This delegation would, where applicable, cancel the unused portion of any previous delegation granted for the same purpose.

- **Authorisation to set the issue price, in the event of an issue without pre-emptive subscription rights for existing shareholders, within the limit of 10% of the share capital per annum, under the conditions determined by the shareholders** *(thirteenth resolution)*

Pursuant to Article L. 225-136-1° paragraph 2 of the French Commercial Code and in the event the Board of Directors decides to issue ordinary shares or securities giving access to the share capital without pre-emptive subscription rights for existing shareholders, by way of a public offer and/or private placement (eleventh and twelfth resolutions), we invite you to authorise the Board to depart from the conditions for setting the price in the manner envisaged and to set the issue price for the equity securities to be issued as follows, within the limit of 10% of the share capital per annum:

The issue price for the equity securities to be issued immediately or in the future may not, at the Board of Directors' discretion, be less than any one of the following amounts:

- either the weighted average price of the Company's share on the day before the issue price is set, less a discount of up to 15% where appropriate;
- or the average of the listed share price over five consecutive days chosen from among the 30 trading days preceding the date on which the issue price is set, less a discount of up to 10% where appropriate.

This exceptional price-setting rule may give the Board of Directors a certain degree of flexibility in determining the amount of the discount when setting the issue price depending on the transaction and the market situation concerned, as well as the average of the benchmark share prices.

- **Delegation of authority to issue ordinary shares giving access, where applicable, to ordinary shares or carrying rights to debt securities (of the Company or of a Group company) and/or securities giving access to ordinary shares (of the Company or of a Group company), without pre-emptive subscription rights for existing shareholders, in favour of a specific category of beneficiaries** *(fourteenth resolution)*

Under this delegation, the issues would be carried out for a specific category of beneficiaries, in accordance with Articles L. 225-129-2, L. 225-138 and L. 228-92 of the French Commercial Code in particular.

This delegation would be valid for a period of 18 months as from the date of this General Meeting.

The aggregate nominal amount of the capital increases that may be carried out pursuant to this delegation may not exceed €50,000, representing around 5% of the share capital as of the date of this General Meeting.

Where applicable, the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital would be added to this ceiling.

This ceiling would be independent of all of the ceilings provided for by other resolutions of this General Meeting.

In accordance with Article L. 225-138 of the French Commercial Code, the issue price for the ordinary shares that may be issued pursuant to this delegation of authority would be set by the Board of Directors and in

any event must be at least equal to the weighted average of the share price over the last 20 trading days preceding the date on which the issue price is set.

Shareholders' pre-emptive subscription rights to ordinary shares and other securities giving access to the share capital to be issued pursuant to Article L. 228-91 of the French Commercial Code would be cancelled in favour of the following category of beneficiaries:

- Any French or foreign private individuals or legal entities controlling, within the meaning of Article L. 233-3(I) or (II) of the French Commercial Code, a company engaged in a POS hardware business, all or part of which is being acquired by the Company.

If the subscriptions do not absorb the entire issue, the Board of Directors may:

- limit the amount of the issue to the amount of subscriptions received, where applicable within the limits provided for by applicable regulations; or
- freely allocate some or all of the securities that have not been subscribed among the category of beneficiaries specified above.

The Board of Directors would thus have full powers to implement this delegation and at the following Ordinary General Meeting would report, in accordance with applicable laws and regulations, on the use of the delegation granted under this resolution.

This delegation would, as from the date of this General Meeting and where applicable, cancel the unused portion of any previous delegation granted for the same purpose.

- **Authorisation to increase the issue amount** *(fifteenth resolution)*

Within the scope of the foregoing delegations with and without pre-emptive subscription rights for existing shareholders *(tenth to twelfth and fourteenth resolutions)*, we invite you to grant the Board of Directors the power to increase the number of securities specified in the initial issue, under the conditions set in by Articles L. 225-135-1 and R. 225-118 of the French Commercial Code and within the limit of the ceilings set by the shareholders.

Accordingly, it would be possible for the number of securities to be increased within 30 days of the end of the subscription period, up to 15% of the initial issue and at the same price as the initial issue, within the limit of the ceilings set by the shareholders.

- **Delegation of authority to increase the share capital as consideration for contributions in kind consisting of shares or securities** *(sixteenth resolution)*

To facilitate acquisitions, we invite you to renew the delegation of authority to increase the share capital by issuing ordinary shares or securities giving access to the share capital as consideration for any contributions in kind granted to the Company and consisting of shares or securities giving access to the share capital.

This delegation would be granted for a period of 26 months.

The aggregate nominal amount of the ordinary shares that may be issued pursuant to this delegation may not exceed 10% of the share capital, not including the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital.

This ceiling would be independent of all of the ceilings provided for by other resolutions of this General Meeting.

This delegation would, where applicable, cancel the unused portion of any previous delegation granted for the same purpose.

- **Delegation of authority to increase the share capital in favour of members of a Company savings plan (*Plan d'épargne d'entreprise* – PEE)** *(seventeenth resolution)*

We invite you to vote on this resolution in order to comply with Article L. 225-129-6 of the French Commercial Code, according to which the shareholders sitting in an Extraordinary General Meeting must vote on a resolution to carry out a capital increase under the conditions provided for by Articles L. 3332-18 *et seq.* of the French Employment Code (*Code du travail*), when they delegate their authority to carry out a cash capital increase. As the shareholders are asked to vote on the delegations likely to result in cash capital increases, they must also vote on a delegation in favour of the members of a Company savings plan, it being noted that the inclusion on the agenda of this delegation in favour of members of a Company savings plan also enables the Company to satisfy the three-yearly obligation provided for by the above-mentioned Articles.

Within the scope of this delegation, we invite you to authorise the Board of Directors to increase the share capital, on one or several occasions, by issuing ordinary shares or securities giving access to the Company's share capital in favour of members of one or more Company or Group savings plans set up by the Company and/or by the French or foreign subsidiaries that are related to it under the conditions set out in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Employment Code.

In accordance with the law, the pre-emptive subscription rights of existing shareholders would be cancelled.

This delegation would be granted for a period of 26 months.

The maximum nominal amount of the capital increases that may be carried out pursuant to this delegation would be 1% of the amount of the share capital at the time the Board of Directors decides to carry out this increase, this amount being independent of any other ceilings provided for under delegations of authority to increase the share capital.

Where applicable, the nominal amount of the capital increase needed to protect, in accordance with the law and, where applicable, with any contractual provisions to this effect, the rights of holders of rights or securities giving access to the Company's share capital, would be added to this amount.

It is specified that, pursuant to Article L. 3332-19 of the French Employment Code, the price of the shares to be issued must not be more than 20% below – or more than 30% below when the lock-up period provided for by the plan pursuant to Articles L. 3332-25 and L. 3332-26 of the French Employment Code is ten years or more (or any other maximum percentage provided for by the laws and regulations in force when the price is set) – the average of the opening listed prices of the share during the 20 trading days preceding the date on which the decision setting the start of the subscription period is taken, or higher than this average.

Pursuant to Article L. 3332-21 of the French Employment Code, the Board of Directors may allocate free of charge to the beneficiaries newly issued shares or shares already issued, or other securities giving access to the Company's share capital to be issued or already issued, as (i) the Company contribution that may be paid pursuant to the rules and regulations of Company or Group savings plans and/or (ii), where applicable, the discount.

The Board of Directors would have the powers necessary, within the limits set out above, to set the terms and conditions of the issue or issues; record any resulting capital increases; amend the articles of association accordingly; charge, on its own initiative, the capital increase expenses to the amount of the corresponding additional paid-in capital and deduct from this amount the sums necessary for the legal reserve to equal one-tenth of the revised share capital following each capital increase; and more generally to take all necessary steps for such purposes.

However, insofar as the Board of Directors considers this delegation to be neither timely nor relevant, you are invited to reject it.

- **Authorisation to award, free of charge, existing and/or new shares to employees on the payroll and/or to certain corporate officers of the Company or of related companies or economic interest groups, entailing the waiver by shareholders of their pre-emptive subscription rights; duration of the authorisation; ceiling; vesting periods, particularly in the event of disability; and, where applicable, the holding period** *(eighteenth resolution)*

We invite you to renew the authorisation to award free shares to employees on the payroll of the Company or of related companies and/or to certain corporate officers.

We invite you to authorise the Board of Directors, for a period of 38 months, within the scope of Article L. 225-197-1 of the French Commercial Code, to award, free of charge, new shares resulting from a capital increase by capitalising reserves, additional paid-in capital or profits, or existing shares.

The beneficiaries of these awards may be:

- employees of the Company or of companies or economic interest groups directly or indirectly related to it within the meaning of Article L. 225-197-2 of the French Commercial Code;

- corporate officers meeting the conditions set out in Article L. 225-197-1 of the French Commercial Code.

The total number of free shares that may be awarded may not exceed 10% of the share capital as of the date of this General Meeting. Where applicable, the nominal amount of the capital increase needed to

protect the rights of beneficiaries of free share awards in the event of transactions in the Company's capital during the vesting period would be added to this ceiling. This ceiling would be independent of all of the ceilings provided for by other resolutions of this General Meeting.

The free shares awarded to the beneficiaries would vest after a vesting period to be set by the Board of Directors, which cannot be less than one year.

Where applicable, the beneficiaries must hold their shares during a specified period set by the Board of Directors that must be at least equal to the period needed for the vesting period plus any applicable holding period to be two years or more.

Exceptionally, the free shares could vest before the end of the vesting period in the event that the beneficiary becomes disabled (second or third categories defined in Article L. 341-4 of the French Social Security Code (*Code de la sécurité sociale*)).

This authorisation automatically entails the disapplication of shareholders' pre-emption right to subscribe for new shares issued by capitalising reserves, additional paid-in capital and profits.

The Board of Directors would have, within the limits specified above, full powers to set the terms and conditions and, where applicable, the criteria applicable to the award of shares; to determine the beneficiaries of the free share awards from among those meeting the criteria specified above, along with the number of shares allocated to each; where applicable, to ensure that existing reserves are sufficient and to transfer to a blocked reserve account upon each allocation the amount required to pay for the new shares to be awarded; to decide the capital increase or increases to be carried out by capitalising reserves, additional paid-in capital or profits at the same time as the free share issue; to purchase the shares needed within the scope of the share buyback programme and allocate them to the free share plan; to determine the impact on the rights of beneficiaries of transactions that are carried out during the vesting period and that modify the share capital or are likely to influence the value of the shares to be awarded; to take all necessary measures to ensure that any holding period applicable to the beneficiaries is respected; and generally to take all necessary steps pursuant to this resolution within the scope of applicable laws and regulations.

This authorisation would, where applicable, cancel the unused portion of any previous authorisation granted for the same purpose.

- **Increase in the maximum age of the Chief Executive Officer and corresponding amendment of Article 14 of the articles of association** *(nineteenth resolution)*

We invite you to raise to 75 years the maximum age of the Chief Executive Officer, currently set by law at 65 years in the absence of any relevant provision in the articles of association, and to amend Article 14 of the articles of association accordingly.

The Board of Directors invites you to approve the resolutions put to your vote, with the exception of the seventeenth resolution, which it invites you to reject.

15. Legal disclosures

15.1. Non-deductible expenses

Pursuant to Article 223 *quater* of the French Tax Code, please note that the Company's non-deductible expenses and charges amount to €86,939.04 and are to be added back to taxable income as required by Article 39-4 of said Code.

15.2. Information on payment terms

Pursuant to Articles L. 441-6-1 and D.441-4 of the French Commercial Code, the following table shows details of supplier and customer payment terms at 31 December 2018:

In € thousands	Invoices received and due but not settled at the reporting date					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)
A. Days late						
Number of invoices	25	50	6	3	33	117
Total amount of invoices (incl. VAT)	22	160	3	1	351	537
As a % of total purchases for the period (excl. VAT)	0.04%	0.28%	0.00%	0.00%	0.60%	0.92%
As a % of revenue for the period (excl. VAT)						
B. Invoices excluded from (A) relating to disputed or unrecognised receivables and payables	None					
Number of invoices excluded						
Total amount of invoices excluded						
C. Reference contractual payment terms used						
Payment terms used to calculate late payments	Contractual terms granted by suppliers					

In € thousands	Invoices issued and due but not settled at the reporting date					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)
A. Days late						
Number of invoices	115	252	66	29	214	676
Total amount of invoices (incl. VAT)	1,148	832	1,196	1,041	3,810	8,027
As a % of total purchases for the period (excl. VAT)						
As a % of revenue for the period (excl. VAT)	1.61%	1.17%	1.68%	1.46%	5.36%	11.28%
B. Invoices excluded from (A) relating to disputed or unrecognised receivables and payables	None					
Number of invoices excluded						
Total amount of invoices excluded						
C. Reference contractual payment terms used						
Payment terms used to calculate late payments	30 days net					

For information purposes, the following table shows details of supplier and customer payment terms at 31 December 2017:

In € thousands	Invoices received and due but not settled at the reporting date					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)
A. Days late						
Number of invoices	32	61	7	8	22	98
Total amount of invoices (incl. VAT)	86	190	35	5	43	273
As a % of total purchases for the period (excl. VAT)	0.15%	0.34%	0.06%	0.01%	0.08%	0.49%
As a % of revenue for the period (excl. VAT)						
B. Invoices excluded from (A) relating to disputed or unrecognised receivables and payables	None					
Number of invoices excluded						
Total amount of invoices excluded						
C. Reference contractual payment terms used						
Payment terms used to calculate late payments	Contractual terms granted by suppliers					

In € thousands	Invoices issued and due but not settled at the reporting date					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)
A. Days late						
Number of invoices	131	202	50	44	92	398
Total amount of invoices (incl. VAT)	1,164	393	1,444	677	2,273	4,787
As a % of total purchases for the period (excl. VAT)						
As a % of revenue for the period (excl. VAT)	1.73%	0.58%	2.14%	1.01%	3.38%	7.11%
B. Invoices excluded from (A) relating to disputed or unrecognised receivables and payables	None					
Number of invoices excluded						
Total amount of invoices excluded						
C. Reference contractual payment terms used						
Payment terms used to calculate late payments	30 days net					

16. Information on the social and environmental impact of the Company's business

In accordance with Article L. 225–102-1 and Articles R 225-105 *et seq.* of the French Commercial Code, the Company is not required to prepare a non-financial information statement since it does not meet the thresholds prescribed by French law triggering the disclosure of this information.

Certain information from the "Corporate social responsibility" (CSR) section of the 2017 annual financial report regarding the impact of the Company's business and of the use of the goods and services its produces on climate change, as well as its commitments to promote sustainable development, the circular economy and the prevention of food waste is set out below.

The Group's business is:

- in France, a commercial business, a product development business (design and creation), and an after-sales services business;
- in its foreign subsidiaries, a commercial business and an after-sales services business.

AURES has no industrial production activities. Accordingly, it does not use significant amounts of raw materials intended for production and subsequent sale, and it does not emit significant quantities of waste or greenhouse gases into the environment.

16.1.1. Measures to prevent, reduce and/or remedy air, water and soil emissions with a significant harmful impact on the environment

The risk of environmentally harmful air, water and soil emissions from AURES' business activities is not considered significant.

16.1.2. Noise pollution

AURES' business activities do not cause significant noise pollution.

16.1.3. Other forms of pollution specific to a business activity

AURES' business activities do not cause other significant forms of pollution.

16.1.4. Adaptation to the consequences of climate change

AURES' business activities are not significantly exposed to climate change.

16.1.5. Waste prevention, recycling and elimination measures

Since the Group has no direct production activities, it produces a limited amount of waste. The Group works with a specialist service provider to manage and recycle waste electrical and electronic equipment (WEEE).

The Group pays particular attention to the management of its products at the end of their lifecycle. AURES' customers can contact with the Group when they wish to dispose of their end-of-life products, in which case AURES will take back the products and assume responsibility for their management and recycling (see AURES website for further information).

16.1.6. Measures taken to improve efficiency in the use of raw materials

AURES works with its contractors in Taiwan and South Korea to develop prototypes that take into account criteria such as energy performance and the use of certain materials (aluminium and polycarbonate) to ensure that the materials it uses can be fully recycled and are compliant with regulations.

16.1.7. Measures taken to ensure consumer health and safety and partnership initiatives

All technological solutions marketed by the AURES Group comply with applicable standards on the target markets.

16.1.8. Initiatives to prevent food waste

AURES' business activities do not generate significant quantities of food waste.

17. Appendices required by law

The appendices to this report include the table referred to in Article R. 225-102 of the French Commercial Code showing the results of the Company over the last five years, the appendices required by law and providing details on subsidiaries and equity investments, and an overview of the remuneration awarded to the Company's five highest paid employees.

It is recalled that shareholders:

- have a right to request documents for a specified time before the General Meeting;
- were able to ask the Company to provide them with certain documents before the General Meeting;
- have, at any time during the year, an ongoing right to request documents pertaining to the General Meetings held over the last three years.

We thank you for your attendance at this General Meeting and ask you to approve the various resolutions that will be put to your vote, with the exception of the 17th resolution (delegation of authority with regard to the Company savings plan).

The Board of Directors

CORPORATE GOVERNANCE REPORT

(Article L. 225-37 of the French Commercial Code)

This report was prepared by the Board of Directors in accordance with Articles L. 225-37 *et seq.* of the French Commercial Code.

1. Company corporate officers

At 31 December 2018, the Board of Directors had six members, as follows:

Name	*Position*	*Age*	*Nationality*	*Date appointed/reappointed*	*Expiry of term of office*
Patrick Cathala	Director, Chairman and Chief Executive Officer	62	French	GM 21/05/2008 GM 11/06/2014	GM 2020
Daniel Cathala	Director	65	French	GM 21/05/2008 GM 11/06/2014	GM 2020
Régis Cathala	Director	59	French	GM 30/06/2011 GM 20/06/2017	GM 2023
Alfredo Freire	Director	51	French	GM 30/06/2011 GM 20/06/2017	GM 2023
Isabelle Baptiste	Director	55	French	GM 20/06/2018	GM 2024
Sabine De Vuyst	Director	45	French	GM 20/06/2017	GM 2023

The terms of office of Patrick and Daniel Cathala were renewed for a period of six years at the General Meeting of 11 June 2014, i.e., until the end of the General Meeting to be held in 2020 to approve the 2019 financial statements.

The terms of office of Régis Cathala and Alfredo Freire were renewed for a period of six years at the General Meeting of 20 June 2017, i.e., until the end of the General Meeting to be held in 2023 to approve the 2022 financial statements.

Sabine De Vuyst was appointed as a director for a period of six years at the General Meeting of 20 June 2017, i.e., until the end of the General Meeting to be held in 2023 to approve the 2022 financial statements.

The term of office of Isabelle Baptiste was renewed for a period of six years at the General Meeting of 20 June 2018, i.e., until the end of the General Meeting to be held in 2024 to approve the 2023 financial statements.

At 31 December 2018, the Board of Directors comprised two women and four men, in compliance with statutory rules on equal representation.

Pursuant to Article L. 225-37-4 of the French Commercial Code, it is herein specified that the Company does not apply a diversity policy as regards its Board of Directors, insofar as it is controlled by the Chairman and Chief Executive Officer and this factor has influenced its governance philosophy since the Company was founded.

However, in light of its size and current composition, the Board respects a certain diversity in terms of gender balance and its aim is to maintain a similar gender balance over the longer term.

Details of other positions and offices held by Company directors are provided in section 1.4 of this report.

1.1 Method of management

At the Board of Directors' meeting of 21 May 2008, the directors decided to combine the offices of Chairman of the Board and Chief Executive Officer, further to which Patrick Cathala took on the duties of Chief Executive Officer.

This decision was renewed at the Board of Directors' meeting of 11 June 2014 for a period of six years, i.e., until the expiry of his term of office as a director at the end of the General Meeting to be held in 2020 to approve the 2019 financial statements.

1.2 Components of remuneration and any benefits in kind paid or awarded to Patrick Cathala, Chief Executive Officer, in respect of his duties in 2018 (ex-post "say on pay")

In accordance with Article L. 225-100(II) of the French Commercial Code, in the fifth resolution shareholders are invited to vote on the fixed, variable and exceptional components comprising the total remuneration and benefits in kind paid or awarded to Patrick Cathala in respect of his duties as Chairman and Chief Executive Officer in 2018, determined pursuant to the remuneration principles and criteria approved at the Ordinary General Meeting of 20 June 2018 in its seventh resolution.

Components of remuneration paid or awarded in respect of 2018	Amount or accounting estimate submitted for shareholder approval	Description
Fixed remuneration	€503,208 (amount paid)	Annual fixed remuneration calculated by reference to the level and degree of difficulty of the position, the experience brought to the position, seniority within the Company, and practices observed in comparable companies
Annual variable remuneration	€200,000 (amount to be paid once approved by the shareholders)	Annual variable remuneration is based on the net margin,* it being specified that, for confidentiality reasons, the expected level of this margin is not disclosed.
Exceptional remuneration	€100,000 (amount to be paid once approved by the shareholders)	Exceptional remuneration is calculated based on plans to develop the Group.
Benefits in kind	€11,657 (accounting estimate)	Company car

* The net margin is defined as the percentage resulting from the following ratio based on consolidated financial statement inputs: net profit attributable to owners of the parent divided by revenue.

1.3 Executive remuneration and benefits in kind

The Chairman and Chief Executive Officers receives gross annual fixed remuneration of €503,208, calculated by reference to the level and degree of difficulty of his position, the experience brought to the position, his seniority within the Company, and practices observed in comparable companies

Pursuant to Article L. 225-37-3 of the French Commercial Code, please note that an aggregate gross amount of €814,865 was paid or awarded (subject to approval by the shareholders) to the Chairman and Chief Executive Officer in 2018, calculated by reference to the remuneration principles and criteria approved at the Ordinary General Meeting of 20 June 2018 in the seventh resolution, breaking down as follows:

€	*Fixed remuneration*	*Variable remuneration (1)*	*Exceptional remuneration (2)*	*Benefits in kind (3)*	*Directors' fees*
Patrick Cathala	503,208	200,000*	100,000*	11,657	None

*(Amount to be paid once approved by the shareholders).

(1) Annual variable remuneration is determined by reference to the net margin, it being specified that the Board of Directors has calculated the expected level of this margin but, for confidentiality reasons, it is not disclosed.

The net margin is defined as the percentage resulting from the following ratio based on consolidated financial statement inputs: net profit attributable to owners of the parent divided by revenue.

The amount payable in 2018 represents the variable remuneration for 2017.

(2) Exceptional remuneration is calculated based on plans to develop the Company.

(3) Benefits in kind relate to the use of a company car.

Patrick Cathala did not receive any free shares.

At the General Meeting held on 20 June 2017, the shareholders set the total amount of directors' fees to be allocated to members of the Board of Directors at €7,500.

In 2018, directors' fees were paid as follows:

- €2,000 to Daniel Cathala
- €1,000 to Alfredo Freire
- €1,500 to Sabine De Vuyst

The allocation of directors' fees among the directors is based on their actual attendance at Board meetings.

The directors do not receive any remuneration for the duties they perform within the Group's subsidiaries.

No specific agreements have been entered into with the corporate officers in respect of pensions or similar benefits, and no financial advances have been granted to them.

Remuneration payable to other corporate officers is not disclosed for confidentiality reasons, given the Company's scale and operating methods.

1.4 Principles and criteria used to calculate, allocate and award the fixed, variable and exceptional components comprising the total remuneration and benefits in kind payable to the Chairman and Chief Executive Officer

This section has been prepared in application of Articles L. 225-37-2 and R.225-29-1 of the French Commercial Code.

In calculating the total remuneration payable to the Chairman and Chief Executive Officer, the Board of Directors considers the level and degree of difficulty of the position, the experience brought to the position, his seniority within the Company, and practices observed in comparable companies.

The following principles and criteria are used to calculate, allocate and award the fixed, variable and exceptional components comprising the total remuneration and benefits in kind payable to the Chairman and Chief Executive Officer:

- *Fixed remuneration*

The Chairman and Chief Executive Officer receives fixed remuneration paid on a monthly basis.

- *Annual variable remuneration*

The Chairman receives annual variable remuneration representing up to 45% of his annual fixed remuneration.

Annual variable remuneration is determined by reference to the net margin, it being specified that the Board of Directors has estimated the expected level of this margin but it has not been disclosed for confidentiality reasons.

- *Exceptional remuneration*

The Board of Directors may decide to award the Chairman and Chief Executive Officer exceptional remuneration in special circumstances.

The payment of exceptional remuneration must be justified by events such as major transactions carried out on behalf of the Company.

- *Benefits in kind*

The Chairman and Chief Executive Officer has the use of a company car.

The payment of variable remuneration and, where applicable, exceptional remuneration in respect of 2019 is subject to the approval by the shareholders, sitting in an Ordinary General Meeting, of the components of remuneration paid or awarded to the Chairman and Chief Executive Officer in respect of that year (ex-post vote).

In the sixth resolution, we invite you to approve the principles and criteria outlined above.

1.5 Details of offices and positions held

Pursuant to Article L.225-37-4(1°) of the French Commercial Code, details of the offices and positions held by each corporate officer during the year in all Group companies are provided below:

Patrick Cathala

- Chairman and Chief Executive Officer of AURES Technologies SA (FR)
- Managing director (*Geschäftsführer*) of AURES GmbH (DE)*
- Director of AURES Technologies Ltd (UK)*
- Director of J2 Retail Systems Ltd (UK)*
- President of AURES Technologies Inc. (US)*
- Director of AURES Technology Pty Ltd (AU)*
- Chairman and President of AGH US Holding Company (US)*
- Chairman and President of Retail Technology Group Inc. (US)*

- Chairman of Cafi SAS (FR)
- Legal Manager (*Gérant*) of Cabou SCI (FR)
- Legal Manager of Le Tessalit SCI (FR)
- Legal Manager of Desca SCI (FR)
- Legal Manager of Laurest SCI (FR)
- Legal Manager of Pagae SARL (FR)
- Legal Manager of Le Cristal Un SCI (FR)
- Permanent representative of AURES Technologies SA, director of CJS

* *AURES Group companies*

Daniel Cathala

- Director of AURES Technologies SA

Régis Cathala

- Director of AURES Technologies SA

Alfredo Freire

- Director of AURES Technologies SA

Isabelle Baptiste

- Director of AURES Technologies SA

Sabine De Vuyst

- Director of AURES Technologies Ltd (UK)*
- Director of J2 Retail Systems Ltd (UK)*
- Company Secretary of AURES Technologies Inc. (US)*
- Director of AURES Technologies SA
- Secretary and Chief Financial Officer of AGH US Holding Company (US)*
- Secretary and Senior Vice President Finance of Retail Technology Group Inc. (US)*

** AURES Group companies*

None of the companies in which these offices and positions are held are listed, with the exception of AURES Technologies SA.

1.6 Agreements between a director or shareholder holding more than 10% of the voting rights, and a subsidiary.

No agreements were entered into between any corporate officer or shareholder holding more than 10% of the voting rights and a direct or indirect subsidiary.

2. Conditions for preparing and organising the Board's work

2.1. Frequency of meetings, attendance rate and review of work carried out

The Board of Directors met four times in 2018, with an average attendance rate of 63.3%.

Article 12 of the articles of association states that the Board of Directors will meet as often as necessary in the interests of the Company and that meetings are called by the Chairman of the Board.

The agenda of each Board meeting was as follows:

26 April 2018

- Approval of the parent company and consolidated financial statements for the year ended 31 December 2017
- Proposed appropriation of profit
- Related-party agreements
- Preparation and notice of the Combined General Meeting
- Report on the Chairman and Chief Executive Officer's remuneration
- Preparation of interim management planning documents
- Miscellaneous issues

20 June 2018

- Implementation of the authorisation granted at the Combined General Meeting of 20 June 2018 to trade in the Company's own shares pursuant to Article L. 225-209 of the French Commercial Code
- Allocation of directors' fees

23 July 2018

- Planned free share awards

20 September 2018

- Business and outlook
- Approval of the interim consolidated financial statements at 30 June 2018
- Preparation of the revised interim management planning documents
- Update on the acquisition

5 November 2018

- Review of the extent to which the conditions of the 2017-1 free share plan had been met

2.2. Notice of meeting

Pursuant to Article 12 of the articles of association, the directors were called to meetings of the Board by all means, including verbally.

Pursuant to Article L. 225-238 of the French Commercial Code, the Statutory Auditors were invited to attend the Board meetings reviewing and approving the interim and annual financial statements, and participated in those meetings.

2.3. Information provided to directors

All documents, technical files and information needed for directors to perform their duties were provided to them eight days before any Board meeting.

2.4. Location of Board meetings

Board of Directors' meetings are held at the registered office or at any other location indicated in the notice of meeting.

2.5. Board committees

The Board of Directors has not set up any special committees.

In accordance with Article L. 823-20 of the French Commercial Code, the Board has decided to fulfil the duties of the Audit Committee.

When the Board meets in its capacity as the Audit Committee, the Chairman and Chief Executive Officer does not chair the meeting.

The Board met in its capacity as the Audit Committee on two occasions in 2018.

The agenda of each Audit Committee meeting was:

14 February 2018

- Approval of the Statutory Auditors' engagements as services referred to in Article L. 822-11-2 of the French Commercial Code

26 April 2018

- Statutory Auditors' independence
- Receipt of the draft reports by the Statutory Auditors

2.6. Minutes of meetings

The minutes of Board of Directors' meetings are drawn up at the end of each meeting and promptly communicated to all of the directors.

3. Powers of the Chairman and Chief Executive Officer

There are no limits on the powers of the Chairman and Chief Executive Officer.

4. Corporate Governance Code to which the Company refers

In terms of corporate governance, the Company has familiarised itself with the Corporate Governance Codes published by Middlenext in September 2016 and by AFEP-MEDEF in June 2018, and has considered them in light of its own principles.

In accordance with Article L. 225-37-4(8°) of the French Commercial Code, the Company hereby states that it does not refer to any of the Corporate Governance Codes mentioned above as the basis for its corporate governance policy.

This policy is in fact based on the facts and principles specific to the Company, including the wish to maintain a stable shareholding structure that reflects its status as a family business.

5. Participation of shareholders in the General Meeting

The means by which shareholders can participate in General Meetings are set out in Article 16 of the Company's articles of association.

All shareholders are entitled to participate in General Meetings, to be represented or vote by proxy, regardless of the number of shares held, provided that these shares have been paid up in full and registered in their name by midnight (CET) on the second business day preceding the day of the Meeting either in the registered securities account held by the Company or in the bearer shareholder account held by the authorised intermediary.

6. List of outstanding delegations and authorisations to increase the share capital

Type of delegation or authorisation	Date of General Meeting	Expiry date	Amount authorised	Use in previous years	Use in 2018	Residual amount at 31 Dec. 2018
Delegation to increase the share capital by capitalising reserves, profits or additional paid-in capital[1]	20/06/2017	19/08/2019	€200,000	-	-	€200,000
Delegation to issue ordinary shares and securities with pre-emptive subscription rights for existing shareholders	20/06/2017	19/08/2019	€500,000 (ordinary shares)	-	-	€500,000 (ordinary shares)
Delegation to issue ordinary shares and securities without pre-emptive subscription rights for existing shareholders by way of a public offer	20/06/2017	19/08/2019	€200,000* (ordinary shares)	-	-	€200,000 (ordinary shares)
Delegation to issue ordinary shares and securities without pre-emptive subscription rights for existing shareholders by way of a private placement	20/06/2017	19/08/2019	€200,000 and 20% of the share capital p.a.* (ordinary shares)	-	-	€200,000 and 20% of the share capital p.a. (ordinary shares)
Delegation to issue ordinary shares and securities without pre-emptive subscription rights for existing shareholders in favour of a specific category of beneficiaries	20/06/2018	19/12/2019	€50,000 (ordinary shares)	-	-	€50,000 (ordinary shares)
Delegation to increase the share capital as consideration for shares or securities tendered	20/06/2017	19/08/2019	10% of the share capital at the date of the General Meeting	-	-	10% of the share capital at the date of the General Meeting
Authorisation to issue stock options	20/06/2017	19/08/2020	10% of the share capital at the date of the General Meeting	-	-	10% of the share capital at the date of the General Meeting
Authorisation to award free shares	16/06/2016	15/08/2019	10% of the share capital at the date of the General Meeting (i.e., 400,000 shares)	18,033 shares	3,467 shares	378,500 shares
Delegation to increase the share capital in favour of members of a Company savings plan	20/06/2017	19/08/2019	1% of the share capital as of the date of the General Meeting	-	-	1% of the share capital as of the date of the General Meeting

7. Factors likely to influence a public offer

Pursuant to Article L. 225-37-5 of the French Commercial Code, we set out below factors that are likely to influence a public offer:

- Details of the capital structure and direct and indirect shareholdings of which the Company is aware, along with all relevant information in this respect, are provided in section 1 – Share capital and section 11 – Subsidiaries and equity interests of the "AURES Technologies on the stock market" chapter of this report.
  The articles of association do not place any restrictions on the exercise of voting rights or on share transfers, it being specified that, at the General Meeting held on 20 June 2017, the shareholders amended the articles of association, introducing a notification obligation for shareholders when their holdings reach, cross or fall below 2.5% of the share capital or voting rights. Failure to comply will cause any shares exceeding the undeclared fraction to be stripped of voting rights at the request of one or more shareholders holding at least 5% of the share capital.
- No securities carry special ownership rights. Nevertheless, all fully paid-up shares that can be proven to have been registered in the name of the same shareholder for at least four years carry double voting rights (Article 9 of the articles of association).
- No control mechanisms exist in the event of a system of employee share ownership with ownership rights that are not exercised by the employee shareholders.
- To the best of the Company's knowledge, no shareholder agreements or other commitments have been signed between shareholders that could restrict share transfers or the exercise of shareholders' voting rights.
- Appointments and reappointments to the Board of Directors are made in accordance with legal rules and the articles of association.
- The Company's articles of association are amended in accordance with applicable laws and regulations.
- Regarding powers of the Board of Directors, outstanding delegations and authorisations to increase the share capital are set out in section 6 of this report. An authorisation is also outstanding to award free shares, as detailed at the end of section 1 – Share capital of the "AURES Technologies on the stock market" chapter of this annual report.
- The powers of the Board of Directors to buy back shares are described in section 5 – Share buybacks.
- The Company has not entered into any agreements that are to be amended or that terminate in the event of a change of control of the Company.
- There are no other agreements provided for severance benefits for directors or employees if they resign or are dismissed without just cause or if their employment is terminated on account of a public offer.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousands)

Notes	ASSETS	31 Dec. 2018	31 Dec. 2017
	NON-CURRENT ASSETS		
5.1	Goodwill	13,088	334
5.2	Intangible assets	2,566	3,260
5.3	Property, plant and equipment	1,917	1,303
5.4	Other financial assets	1,535	343
5.20	Deferred tax assets	2,622	774
	TOTAL NON-CURRENT ASSETS	**21,728**	**6,014**
	CURRENT ASSETS		
5.5	Inventories and work-in-progress	21,425	22,854
5.6	Trade receivables	16,529	12,835
5.7	Other current assets	3,545	3,367
	Financial assets at fair value	35	0
5.8	Cash and cash equivalents	9,726	6,049
	TOTAL CURRENT ASSETS	**51,260**	**45,105**
	TOTAL ASSETS	**72,988**	**51,119**

Notes	EQUITY AND LIABILITIES	31 Dec. 2018	31 Dec. 2017
	EQUITY		
	Share capital	1,000	1,000
	Reserves	21,414	17,968
	Profit for the year	8,144	6,758
	Shareholders' equity	*30,558*	*25,726*
	Non-controlling interests	133	97
5.9	**TOTAL EQUITY**	**30,691**	**25,823**
	NON-CURRENT LIABILITIES		
5.11	Non-current borrowings and debt	7,621	715
5.20	Deferred tax liabilities	511	549
5.10	Provisions for contingencies and expenses	1,426	1,297
	TOTAL NON-CURRENT LIABILITIES	**9,558**	**2,561**
	CURRENT LIABILITIES		
5.12	Trade payables	10,407	13,758
5.11	Current borrowings and debt	4,726	1,619
	Derivative instruments	0	227
	Current tax	971	834
5.13	Contract liabilities	6,360	1,681
5.14	Other liabilities	10,275	4,616
	TOTAL CURRENT LIABILITIES	**32,739**	**22,735**
	TOTAL EQUITY AND LIABILITIES	**72,988**	**51,119**

Notes		*2018*	*2017*
5.15	Revenue	102,657	85,614
	Cost of goods sold	(62,227)	(53,908)
	Personnel costs	(14,781)	(10,958)
	External expenses	(11,400)	(8,237)
	Taxes other than on income	(547)	(442)
5.2/5.3	Depreciation and amortisation expense	(1,098)	(940)
5.5/5.6/5.10	(Additions to)/Reversals of provisions	(206)	(33)
5.16	Other operating income and expenses	(159)	(354)
	Net recurring operating profit	**12,239**	**10,742**
5.17	Other income from operations	347	86
5.17	Other expenses from operations	(51)	(43)
	Net operating profit	**12,535**	**10,785**
	Cost of gross debt	(122)	(94)
5.18	**Cost of net debt**	**(122)**	**(94)**
5.18	Other financial income	1,830	1,642
5.18	Other financial expenses	(1,851)	(2,368)
5.19	Income tax expense	(4,095)	(3,109)
	Net profit for the year	**8,297**	**6,857**
	Attributable to owners of the parent	8,144	6,758
	Attributable to non-controlling interests	153	99
5.21	**Basic earnings per share (€)**	**2.06**	**1.70**
5.21	**Diluted earnings per share (€)**	**2.05**	**1.70**

Consolidated statement of comprehensive income

	2018	*2017*
Net consolidated profit attributable to owners of the parent	**8,144**	**6,758**
Other comprehensive income/(loss) to be reclassified to the income statement	**(187)**	**(184)**
Translation gains and losses	(187)	(184)
Other comprehensive income/(loss) not to be reclassified to the income statement	**(16)**	**(48)**
Actuarial gains and losses on defined benefit plans	(16)	(48)
Total other items of comprehensive income/(loss)	**(203)**	**(232)**
Net profit attributable to non-controlling interests		
Attributable to owners of the parent	**7,941**	**6,526**
Attributable to non-controlling interests	**153**	**99**
Total comprehensive income	**8,094**	**6,625**

Notes		2018	2017
	Consolidated net profit (1)	8,297	6,857
	+/- Net depreciation, amortisation and provision expense (2)	932	1,034
5.18	-/+ Unrealised gains and losses on changes in fair value	(237)	221
	-/+ Income and expenses related to stock options and other	159	120
	-/+ Capital gains and losses on disposals	(52)	5
5.18	+ Cost of net debt	122	94
5.19	+/- Income tax expense (including deferred taxes)	4,095	3,109
	= CASH FLOW FROM OPERATIONS BEFORE COST OF NET DEBT AND INCOME TAX EXPENSE (A)	**13,316**	**11,440**
	- Income tax paid **(B)**	(3,700)	(2,690)
	+/- Change in working capital relating to operations (3) **(C)**	(5,602)	(5,143)
	= NET CASH FROM OPERATING ACTIVITIES (D) = (A)+(B)+(C)	4,014	3,607
	- Outflows relating to purchases of property, plant and equipment and intangible assets	(642)	(527)
	+ Inflows relating to disposals of property, plant and equipment and intangible assets		0
5.4	- Outflows relating to purchases of long-term financial assets (non-consolidated equity investments)	(951)	
5.1	+/- Impact of changes in scope of consolidation (5)	(6,108)	
	+/- Change in loans and advances granted	(248)	1
	= NET CASH FROM INVESTING ACTIVITIES (E)	(7,949)	(526)
6.7	-/+ Buybacks and sales of treasury shares	(455)	0
	- Dividends paid during the year:		
	- Dividends paid to owners of the parent	(1,589)	(1,904)
	- Dividends paid to non-controlling shareholders of consolidated companies	(105)	(103)
5.11	+ Inflows relating to new borrowings	9,393	161
5.11	- Repayments of borrowings (including payments under finance leases)	(705)	(1,386)
5.18	- Net interest (including under finance leases)	(122)	(94)
	= NET CASH FROM/(USED IN) FINANCING ACTIVITIES (F)	6,417	(3,326)
	+/- Impact of exchange rate fluctuations (G)	(131)	(14)
5.8 5.11	**= NET CHANGE IN CASH AND CASH EQUIVALENTS (4) H = (D)+(E)+(F)+(G)**	2,351	(257)
	NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (I)	5,049	5,306
	NET CASH AND CASH EQUIVALENTS AT END OF YEAR (J)	7,400	5,049

(1) Including non-controlling interests.

(2) Excluding additions relating to current asset items.

(3) Including changes relating to employee benefit obligations.

(4) Including cash and cash equivalents and bank overdrafts (see Notes 5.8 and 5.11).

(5) See Note 5.1, Goodwill.

The change in working capital (c) can be analysed as follows:

	2018	2017
Change relating to trade receivables and contract assets net of contract liabilities	(840)	(423)
Change relating to trade payables	(5,789)	(1,914)
Change relating to other receivables and payables	(2,274)	185
Change relating to inventories	3,301	(3,993)
= Change in working capital relating to operations	**5,602**	**5,143**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (€ thousands)

	SHARE CAPITAL	CONSOLIDATED RESERVES	TRANSLATION RESERVES	SHAREHOLDERS' EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Total equity at 1 January 2017	**1,000**	**21,107**	**(1,134)**	**20,973**	**100**	**21,073**
Comprehensive income		6,710	(184)	6,526	99	6,625
Dividends paid		(1,904)		(1,904)	(103)	(2,007)
Treasury share transactions		10		10		10
Free share awards		121		121		121
Other						
Equity at 31 December 2017	***1,000***	***26,044***	***(1,318)***	***25,726***	***97***	***25,823***
Net profit for the year		8,144		8,144	153	8,297
Translation gains and losses			(187)	(187)		(187)
Actuarial gains and losses on defined benefit plans		(16)		(16)		(16)
Comprehensive income		***8,128***	***(187)***	***7,941***	***153***	***8,094***
Impact of applying IFRS 15 (1)		(1,116)		(1,116)	(12)	(1,128)
Dividends paid		(1,589)		(1,589)	(105)	(1,694)
Treasury share transactions		(514)		(514)		(514)
Free share awards		159		159		159
Other		(49)		(49)		(49)
Equity at 31 December 2018	**1,000**	**31,063**	**(1,505)**	**30,558**	**133**	**30,691**

(1) See Note 4.1.

1. Accounting policies and methods

1.1. General accounting principles and accounting standards

Pursuant to European Commission regulation no. 1606/2002, the AURES Group has prepared its consolidated financial statements for the year ended 31 December 2018 in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and mandatorily effective at that date.

The standards can be consulted on the European Commission website at:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 26 April 2019.

The new standards, amendments and interpretations mandatorily applicable in 2018 are:

- IFRS 15, including the "Clarifications to IFRS 15 – Revenue from Contracts with Customers" amendment
- IFRS 9 – Financial Instruments, and the amendment to IFRS 9
- Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (expected to be adopted in early 2018)
- Annual improvements to IFRSs 2014-2016 cycle (expected to be adopted in early 2018)

With the exception of IFRS 15, which affects accounting policies and methods, applying the other standards, amendments and interpretations had no impact on the consolidated financial statements for the year ended 31 December 2018.

The impacts of the first-time application of IFRS 9 and IFRS 15 are described in Note 4, Change in accounting methods.

The Group did not opt for the early adoption of standards, amendments and interpretations applicable for reporting periods beginning on or after 1 January 2019.

In particular, the Group did not early adopt the following standards in its 2018 consolidated financial statements:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatments

IFRS 16 – Leases was approved by the IASB in 2016 and adopted by the European Union in November 2017. The new standard replaces IAS 17 and its related interpretations, and is applicable for the first time for reporting periods beginning on or after 1 January 2019.

The most important change introduced by IFRS 16 concerns the elimination of the operating lease/finance lease distinction for lessees. Under the new standard, all leases are treated as finance leases. Leases with a term of less than one year at 1 January 2019, along with leases of low-value assets, are not concerned by IFRS 16 and will therefore be accounted for as operating leases (and a rental expense recognised in the income statement).

The main estimated impacts of IFRS 16 on the consolidated financial statements are outlined below, for cases where the Group is lessee and currently accounts for the leases as operating leases:

- an increase in the "right-of-use asset" (which includes the initial measurement of the "lease liability") and the "lease liability" (representing the present value of lease payments outstanding) in the statement of financial position;
- the elimination of rental expenses and their replacement by (i) depreciation (of the "right-of-use asset") and (ii) interest expense (on the "lease liability").

AURES chose not to early adopt IFRS 16 in 2018 and has opted for the simplified retrospective transition method (application of IFRS 16 at 1 January 2019, with no restatement of 2018 comparative information).

The Group is currently analysing the impact of its first-time application of IFRS 16.

The new standard will notably impact the Group's property leases.

Since the analyses are still to be finalised, the amount of the Group's lease commitments (see the amount at 31 December 2018 in Note 6.1 to the consolidated financial statements) is a good indication of the amount of the lease liability that will be recognised in accordance with IFRS 16. Leases primarily concern office buildings. A smaller number concern cars.

The Group chooses not to apply standards and interpretations whose application is optional in a given period.

The consolidated financial statements have been prepared using the historical cost convention except for certain categories of assets and liabilities which are accounted for in accordance with the rules prescribed by IFRS. The categories concerned are mentioned in the notes below.

1.2. Basis of consolidation

1.2.1. Consolidation methods

The consolidated financial statements include the financial statements of AURES Technologies SA and the financial statements of subsidiaries it controls, which are fully consolidated.

AURES Technologies SA does not jointly control or exercise significant influence over any other entities.

1.2.2. Goodwill

Upon acquiring exclusive control of an entity, the assets, liabilities and any contingent liabilities of that entity are measured at fair value.

Goodwill represents the difference between the cost of acquiring the subsidiary and the fair value of the Group's share in the subsidiary's net identifiable assets at the acquisition date.

In accordance with IAS 36, goodwill is allocated to cash-generating units (CGUs) for impairment testing purposes. It is tested for impairment at least annually, and more frequently whenever there is an indication that it may be impaired, and is recorded at cost less cumulative impairment losses. Impairment losses recognised against goodwill cannot be reversed.

1.2.3. Estimates

Because it is difficult to accurately measure certain items included in the consolidated financial statements, Group management has to make certain estimates. Management revises these estimates in the event of a change in the underlying circumstances or in the light of new information or more experience. Consequently, the estimates used for the year ended 31 December 2018 may be significantly revised and actual future results may differ considerably from these estimates due to different assumptions or conditions.

Estimates primarily concern:

- Provisions: see Note 1.3.9.
- Intangible assets: see Note 1.3.1.
- Employee benefit obligations: since these benefits are settled many years after the employees concerned have provided the related services, employee benefit obligations are calculated using actuarial methods based on financial and demographic assumptions such as the discount rate, inflation rate, rate of future salary increases and mortality rate. Since employee benefit plans are long-term plans, changes in actuarial assumptions may result in actuarial gains and losses that can lead to significant changes in the obligation recognised (see Note 1.3.10).
- Deferred tax assets: deferred tax assets are recognised to the extent that it is probable that the Group will generate sufficient taxable income against which unused tax savings can be utilised (see Note 1.3.15).

1.2.4. Foreign currency transactions

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, which is the Group's presentation currency.

Foreign currency transactions, assets and liabilities

Foreign currency transactions within the Group's companies are translated into the functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date.

In order to manage the risk arising from fluctuations in exchange rates, forward contracts are generally taken out for purchases in foreign currencies.

Forwards are put in place to hedge commercial transactions recognised in the statement of financial position and cash flows expected to arise on highly probable future commercial transactions.

Non-monetary items carried at historical cost are translated at the historical exchange rate at the transaction date, while non-monetary items carried at fair value are translated using the exchange rate prevailing at the date fair value was determined.

Any resulting foreign exchange differences are recognised in the income statement with the exception of:

- differences arising on a gain or loss recognised directly in equity, which are also recognised in equity; and

- differences arising on the translation of a net investment in a foreign operation, which are recognised in equity and taken to the income statement when the investment is sold.

Translation of the financial statements of Group companies

The financial statements of Group companies whose functional currency is different from the presentation currency and which do not operate in a hyperinflationary economy are translated into the presentation currency as follows:

- assets and liabilities are translated at the exchange rate prevailing at the date of each statement of financial position;
- income statement items are translated at the average exchange rate for the year or at the exchange rate in force at the transaction date for material transactions;
- all resulting translation differences are recognised as a separate component of equity.

When a foreign operation is sold, or when control of any such operation is relinquished, the translation differences initially recognised in equity are taken to the income statement in gains and losses on disposals.

1.2.5. Reporting date

All entities included in the consolidated group have a 31 December year-end (reporting date).

1.2.6. Non-controlling interests

All profit/(loss) from fully consolidated subsidiaries is allocated between the Group and any non-controlling interests, even if this leads to the recognition of non-controlling interests for a negative amount within equity.

1.3. Principal accounting methods

The principal accounting methods used are described below.

1.3.1. Intangible assets

This caption does not include research and development expenses, which are included in operating expenses for the period according to their nature.

Software is amortised on a straight-line basis over a period of one to eight years depending on the type of software concerned.

Customer relationships are amortised on a straight-line basis over a period of ten years.

Non-compete clauses are amortised on a straight-line basis over a period of two years.

Goodwill is not amortised but tested for impairment at least annually or whenever there is an indication that it may be impaired (see Note 5.1).

For impairment testing purposes, goodwill and intangible assets are allocated to cash-generating units (CGUs). CGUs represent the smallest level at which assets are monitored internally and relate to each operating segment as defined in Note 5.15 to the consolidated financial statements.

1.3.2. Property, plant and equipment

In accordance with IAS 16 – Property, Plant and Equipment, the gross value of property, plant and equipment represents their acquisition cost. Property, plant and equipment are not remeasured.

Property, plant and equipment acquired under finance leases such as defined in IAS 17 – Leases are included within assets at the present value of future lease payments or at market value, whichever is lower. The corresponding liability is included within financial liabilities.

Property, plant and equipment is depreciated on a straight-line or declining balance basis over the following estimated useful lives:

- Technical installations, equipment and tooling	1 to 5 years
- General installations, fixtures and fittings	2 to 10 years
- Vehicles	4 to 5 years
- Office and IT equipment	1 to 8 years
- Office furniture and equipment	4 to 10 years

The useful lives applied by Group companies for each asset category are consistent.

1.3.3. Long-term financial assets

This caption mainly comprises deposits and guarantees.

The Company had no non-consolidated equity investments or receivables from non-consolidated equity investments at the reporting date.

Non-consolidated equity investments are measured at fair value at the reporting date, with any changes recognised within other comprehensive income.

1.3.4. Inventories

Inventories are measured at the lower of cost, determined based on the weighted average cost formula, and realisable value.

The gross value of supplies includes their purchase price and any ancillary expenses, such as shipping, customs duties and insurance.

Inventories are written down whenever their net realisable value falls below their weighted average cost, i.e., mainly as a result of obsolescence owing to changes in technology or product range.

1.3.5. Receivables and payables

Receivables and payables are carried at nominal value.

If there is a risk of non-recovery, an appropriate impairment provision is recorded on a case-by-case basis or based on an aged analysis.

Obligations relating to an earn-out clause linked to financial performance (revenue, operating margin) granted in a business combination are recognised at fair value at the acquisition date. Any changes (excluding the impact of discounting) resulting from facts and circumstances existing at the acquisition date that occur within 12 months of that date (measurement period) are recognised against goodwill. Otherwise, they are included in financial income and expenses.

1.3.6. Cash and cash equivalents

Cash and cash equivalents include cheques and bills for collection, petty cash and demand deposits. Cash equivalents are short-term investments that are highly liquid, readily convertible into a known amount of cash, and subject to an insignificant risk of changes in value.

1.3.7. Treasury shares

In accordance with IAS 32, treasury shares are recognised at their acquisition cost as a deduction from consolidated equity. If they are sold, the cost of the batch of shares sold is determined using the first-in-first-out method (FIFO), while the gains or losses on disposal are taken directly to equity.

1.3.8. Share-based payment

The Group has operated long-term equity-settled plans in the form of free share awards since 2016. The plans are accounted for in accordance with IFRS 2 – Share-based Payment. The fair value of the services provided by employees in exchange for free shares is expensed against equity. The total amount expensed over the vesting period of the free shares is calculated based on the fair value of the options awarded at the award date.

1.3.9. Provisions for contingencies and expenses

In accordance with IAS 37, a provision is set aside for present obligations to third parties at the reporting date that are likely to result in an outflow of resources, when these obligations can be estimated reliably.

1.3.10. Provisions for employee benefit obligations

Obligations to all employees of all ages under defined benefit plans are measured using the projected unit credit method based on the collective bargaining agreements in force within each company. The present value of the employer's future obligation changes in line with future salary increases, employee turnover and the discount rate used.

Actuarial gains and losses arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income.

1.3.11. Revenue

The Group applies IFRS 15 – Revenue from Contracts with Customers to recognise revenue.

IFRS 15 introduces a new five-step revenue recognition approach:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognise revenue when (or as) the performance obligations are satisfied

The accounting principles adjusted in the light of IFRS 15 are described below:

Consolidated revenue primarily results from sales of point of sale (POS) hardware and, to a lesser extent, from sales of services including extended warranties (warranties extended beyond the statutory warranty period – usually on-site warranties instead of workshop returns), hardware repairs of equipment no longer under warranty, and billed shipping costs.

Revenue generated by the kiosk business also relates to sales of hardware.

For sales of POS hardware and kiosks, revenue is recognised when control of these products is transferred to the customer.

In certain cases, the extended warranty service is not billed separately but is included in the selling price of the POS hardware.

Warranties included in the contract can be treated as an additional free service. These warranties are measured based on their stand-alone selling price, i.e., the catalogue price, and are recognised in revenue on a straight-line basis over the warranty period.

Revenue earned on other services is recognised in the period in which the services are provided, with the customer benefiting from these services as and when the Group provides them.

The Group has also altered its presentation of certain amounts in the consolidated statement of financial position in order to reflect the terminology used in IFRS 15:

- Liabilities relating to contracts and customer downpayments, previously shown in “Accrued payables and other” in the consolidated statement of financial position, are now shown within “Contract liabilities”.

1.3.12. CVAE tax on value added

The Group presents CVAE tax within “Taxes other than on income”.

1.3.13. CICE employment incentive tax credit

The Group presents the CICE tax credit within operating profit as a deduction from personnel costs, in accordance with IAS 19.

The CICE tax credit is calculated and reported each calendar year.

1.3.14. Recurring operating profit and operating profit

Recurring operating profit represents the difference between revenue and operating expenses. These include selling expenses as well as general and administrative expenses.

Operating profit also includes other income and expenses from operations, corresponding to gains and losses on disposals of property, plant and equipment and intangible assets, and other identified material non-recurring income and expenses (mainly provisions for claims and disputes).

The classification of these items is consistent with recommendation no. 2013-03 issued by the French accounting standards-setter (*Autorité des normes comptables* – ANC).

1.3.15. Income tax

Income tax expense corresponds to the income tax due by each consolidated entity, adjusted for any deferred tax.

Deferred taxes may be recognised for any temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax base as resulting from the applicable tax rules.

Deferred tax is calculated based on the tax rates known or anticipated at the reporting date. The impact of changes in tax rates is recognised in the period in which the decision to change the tax rate is made.

Deferred tax assets arising on tax loss carryforwards which are not expected to be recovered are not recognised.

Deferred tax assets and liabilities are not discounted.

1.3.16. Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share takes account of the impact of any potentially dilutive shares on profit for the period and on the weighted average number of shares outstanding.

1.3.17. Financial instruments

Forwards are put in place by the Group to hedge commercial transactions recognised in the statement of financial position and cash flows expected to arise on highly probable future commercial transactions.

Derivatives are initially recognised at fair value: attributable transaction costs are taken to the income statement as they are incurred. Derivatives are measured at fair value at the reporting date, with changes in fair value taken to the income statement for the period in light of the lack of any formal documentation demonstrating hedge effectiveness.

2. Scope of consolidation

The ultimate parent company is AURES Technologies SA.

The following entities are included in the scope of consolidation:

	31 Dec. 2018			*31 Dec. 2017*		
	% ownership	*% control*	*Consolidation method*	*% ownership*	*% control*	*Consolidation method*
AURES Technologies Limited	100%	100%	FC	100%	100%	FC
AURES Technologies GmbH	90%	90%	FC	90%	90%	FC
AURES Technologies Inc.	100%	100%	FC	100%	100%	FC
AURES Technologies Pty	100%	100%	FC	100%	100%	FC
J2 Systems Technology Limited	100%	100%	FC	100%	100%	FC
CJS PLV	15%	15%	NC			
AGH US Holding Company Inc.	100%	100%	FC			
Retail Technology Group Inc.	100%	100%	FC			

FC Full consolidation

On 16 October 2018, the Group acquired the entire share capital of US company Retail Technology Group Inc. (RTG) through its entity AGH US Holding Company Inc.

This acquisition was accounted for as a business combination as defined by the revised IFRS 3, and generated provisional goodwill of €12.8 million (USD 14.5 million) at 31 December 2018.

RTG's contribution to the Group's consolidated revenue in 2018 was €7.6 million. Its contribution to consolidated operating profit was €0.5 million.

The total acquisition price amounted to €6.6 million (USD 7.5 million) and includes an earn-out of €1.5 million (USD 1.7 million) as estimated at 31 December 2018 and a deferred payment of €2.5 million (USD 2.9 million).

3. Foreign currency translation

The table below shows the exchange rates used to translate entities' foreign currency financial statements into euros:

	Average rate 2018	*Average rate 2017*	*Closing rate 31 Dec. 2018*	*Closing rate 31 Dec. 2017*
US dollar	1.1815	1.12930	1.1450	1.1993
Australian dollar	1.5798	1.47290	1.6220	1.5346
Pound sterling	0.88470	0.87620	0.89453	0.88723

The exchange rates used to translate the financial statements of RTG (consolidated with effect from 16 October 2018) into euros are as follows:

	Average rate 2018	*Opening rate 16 Oct. 2018*	*Closing rate 31 Dec. 2018*
US dollar	1.1397	1.1587	1.1450

Translation gains and losses recognised in other comprehensive income primarily result from fluctuations in the US dollar, Australian dollar and pound sterling between 2017 and 2018.

4. Change in accounting methods

4.1. Impacts of the first-time application of IFRS 15

The Group has applied IFRS 15 – Revenue from Contracts with Customers since 1 January 2018, opting for the simplified retrospective transition method.

The main change for the Group resulting from IFRS 15 is the accounting treatment of extended warranties granted.

As from 1 January 2018, revenue has been recognised by separating the sale of the machine from the warranty service, with revenue earned on the warranty recognised over the warranty period.

At 1 January 2018, the impact of the new accounting for extended warranties granted after 1 January 2015 was a reduction of €1,128K in equity net of tax, as shown in the table below.

It corresponds to the amount of extended warranty services not billed separately and recognised over the remaining warranty period in future years.

In €K	*IFRS 15*
Revenue	(1,683)
Income tax expense	555
Opening equity	**(1,128)**

The impact on key consolidated income statement items resulting from the new revenue recognition method in 2018 is as follows:

	2018	*IFRS 15*	*2018 Published*
Revenue	103,038	(381)	102,657
Income tax expense	4,218	123	(4,095)
Net profit for the year	8,555	(258)	8,297

4.2. Impacts of the first-time application of IFRS 9 – Financial Instruments

The Group applied IFRS 9 for the first time at 1 January 2018 using a retrospective approach, with no restatement of comparative figures. Applying the new standard had no impact on opening equity at 1 January 2018.

IFRS 9 amended IAS 39. The main changes concern:

- classification and measurement of financial instruments;
- financial asset impairment;
- hedge accounting.

Applying IFRS 9 had no impact on the Group's accounting policies and methods:

- Classification and measurement: the Group's financial assets and liabilities were analysed in light of IFRS 9. The accounting treatment of non-consolidated equity investments was clarified. In view of the Group's strategy, changes in the fair value of non-consolidated equity investments are included in other comprehensive income. Financial loans and receivables continue to be recorded at amortised cost as they are held within a business model of which the objective is to collect contractual cash flows that are solely payments of principal and interest.

  Other financial assets mainly comprise deposits and guarantees.

- Impairment: IFRS 9 introduces a new impairment model based on the premise of providing for expected credit losses as soon as the receivables are recognised (prospective approach). Previously, the Group recognised impairment against any trade receivables on which it identified a risk of non-recovery.

The risk of non-recovery was assessed in light of information on the customer's solvency, any unusual late payments and whether or not any hedges were in place. Based on the Group's analyses (identification of expenses incurred on bad debts over the last three reporting periods in order to separate bad debts resulting from known credit risks and those resulting from ongoing trade disputes, and comparison of the impairment of these receivables at 31 December 2018), no further significant credit risks were identified.

It follows that the Group did not identify any material impact of applying the new impairment model. In 2018, applying IFRS 9 had no impact on the impairment recognised against trade receivables.

- Applying IFRS 9 has no impact on the hedging transactions and derivatives managed by the Group.

5. Notes to the financial statements for the year ended 31 December 2018

Amounts are expressed in thousands of euros.

5.1. Goodwill

Movements in goodwill can be analysed as follows:

In € thousands	*31 Dec. 2017*	*Acquisitions*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Goodwill (J2)	334		(3)	331
Provisional goodwill (RTG)	0	12,363	394	12,757
TOTAL	**334**	**12,363**	**391**	**13,088**

5.1.1. Acquisition of RTG

On 16 October 2018, the Group acquired the entire share capital of US company Retail Technology Group Inc. (RTG) through its entity AGH US Holding Company Inc.

RTG, which has 280 employees, is not only a leading POS services, maintenance and support provider in the United States (mainly in the restaurant and catering markets) but also the only company to offer a full range of services on the US market, from installation to round-the-clock hotline solutions for hardware and software.

The acquisition of RTG allows the Group to round out its hardware solutions offer with an array of complementary services to meet the legitimate demands of major companies in the United States. It also confirms the Group's aim of accelerating its local presence and growth in the country and becoming, as in Europe, one of the leading firms on the US market.

The total acquisition price amounted to €6.6 million (USD 7.5 million) and includes an earn-out of €1.5 million (USD 1.7 million) as estimated at 31 December 2018 (based on future earnings) and a deferred payment of €2.5 million (USD 2.9 million).

Since the cash liabilities acquired represented €3.7 million, the net impact on consolidated cash and cash equivalents is a negative €6.3 million.

The maximum amount of the acquisition is a payment of USD 13 million, which includes the repayment of debt for USD 5.5 million in addition to the acquisition price:

- a cash payment on closing the acquisition;
- a cash payment deferred for a period of one year;
- an earn-out payable over a period of three years;
- debt repayment.

The provisional goodwill calculated by the Group in connection with the acquisition amounted to €12.4 million (USD 14.6 million), corresponding to the acquisition price plus the net liabilities of the company at the acquisition date (i.e., 16 October 2018).

The measurement of the assets acquired and liabilities assumed together with the estimate and calculation of goodwill in accordance with IFRS 3 will be finalised within 12 months of the acquisition date.

The table below shows the fair value of the assets acquired and liabilities assumed at the acquisition date of 16 October 2018:

In USD thousands	***RTG***
Total non-current assets	2,210
Total current assets	6,284
Total cash and cash equivalents	700
Total assets	**9,194**
Total non-current liabilities	(321)
Total current liabilities	(15,961)
Total liabilities	**(16,282)**
Net liabilities at the acquisition date	(7,087)
Acquisition price	7,519
Provisional goodwill	**14,606**

RTG's contribution to the Group's consolidated revenue in 2018 was €7.6 million. Its contribution to consolidated operating profit was €0.5 million.

If RTG had been acquired on 1 January 2018, RTG's annual revenue in 2018 would have amounted to around USD 39.4 million. Prior to the acquisition, the entity's tax year ran from 1 March to 28 February. For information, the company reported a net loss of USD 1.2 million for the period from 1 March 2018 to 15 October 2018.

RTG's business is included in the services segment (see Note 5.15).

5.1.2. Impairment test

The impairment test carried out in 2018 on goodwill (J2) allocated to cash-generating units did not result in the recognition of impairment, since the recoverable amount of the asset tested was higher than its carrying amount.

The main assumptions used to determine the recoverable amount are listed below:

Basis used for the recoverable amount: value in use

Source used: four-year business plan plus a normative year discounted to perpetuity

Pre-tax discount rate: 13.7%

Long-term growth rate: 2.5%

The sensitivity tests performed on the discount rate (± 100 bps) and organic growth rate (± 100 bps) confirm the Group's analysis.

5.2. Intangible assets

Movements in intangible assets can be analysed as follows:

Gross value In € thousands	*31 Dec. 2017*	*Acquisitions*	*Disposals*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Customer relationships	5,701					(46)	5,654
Non-compete clause	93						93
Concessions, patents and other rights	1,579	82	(31)		180	2	1,813
TOTAL	**7,372**	**82**	**(31)**		**180**	**(44)**	**7,559**

Amortisation In € thousands	*31 Dec. 2017*	*Additions*	*Reversals*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Customer relationships	2,850	572				(30)	3,392
Non-compete clause	93					(1)	92
Concessions, patents and other rights	1,169	188	(31)		179	4	1,509
TOTAL	**4,112**	**760**	**(31)**		**179**	**(27)**	**4,994**

In 2018, no indications of impairment of intangible assets were identified.

On a net basis, movements in total intangible assets were as follows:

Net amount In € thousands	*31 Dec. 2017*	*Acquisitions/ additions*	*Disposals/ reversals*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
TOTAL	**3,260**	**(678)**	**0**	**0**	**1**	**(17)**	**2,566**

5.3. Property, plant and equipment

Movements in property, plant and equipment can be analysed as follows:

Gross value In € thousands	*31 Dec. 2017*	*Acquisitions*	*Disposals*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Buildings, fixtures and fittings	481	136		576	631	4	1,827
Technical installations, equipment and tooling	225	6			286	2	520
Other property, plant and equipment	775	124	(40)		481	1	1,341
Property, plant and equipment in progress	576	42		(576)	5		47
TOTAL	**2,057**	**308**	**(40)**	**0**	**1,403**	**7**	**3,735**

Movements recorded under "Transfers" relate to the transfer of property, plant and equipment in progress to their final asset categories.

"Other property, plant and equipment" mainly includes vehicles (€168K) and office and IT equipment (€1,173K).

At 31 December 2018, property, plant and equipment included items acquired under finance leases (€41K), as defined in IAS 17 – Leases.

Depreciation In € thousands	*31 Dec. 2017*	*Additions*	*Reversals*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Buildings, fixtures and fittings	244	145			202	1	592
Technical installations, equipment and tooling	174	23			253	2	452
Other property, plant and equipment	335	171	(40)		307	2	775
TOTAL	**753**	**339**	**(40)**		**762**	**5**	**1,818**

On a net basis, movements in total property, plant and equipment were as follows:

Net amount In € thousands	*31 Dec. 2017*	*Acquisitions/ Additions*	*Disposals/ Reversals*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
TOTAL	**1,303**	**(31)**	**0**	**0**	**641**	**2**	**1,917**

5.4. Long-term financial assets

Movements in long-term financial assets can be analysed as follows:

In € thousands	*31 Dec. 2017*	*Increases*	*Decreases*	*Transfers*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Non-consolidated equity investments	0	951					951
Long-term financial assets	343	282	(40)			(1)	584
TOTAL	**343**	**1,233**	**(40)**			**(1)**	**1,535**

Non-consolidated equity investments relate to the acquisition of a 15% stake in the capital of CJS-PLV on 4 January 2018.

Long-term financial assets mainly comprise deposits and guarantees given on the signature of leases regarding various Group entities and two holdbacks (€360K) deducted by OSEO/BPI at the time of arranging financing in 2012 and 2018.

5.5. Inventories

In € thousands	*31 Dec. 2018*	*31 Dec. 2017*
Inventories	23,272	23,514
Impairment	(1,847)	(660)
NET	**21,425**	**22,854**

Inventories and work-in-progress can be analysed as follows for each Group entity:

In € thousands	**TOTAL**	**AUS**	**FR**	**GMBH**	**US**	**UK**	**RTG**
Inventories	23,272	2,514	7,061	3,443	3,291	4,103	2,860
Impairment	(1,847)	(154)	(272)	(108)	(312)	(192)	(809)
NET	**21,425**	**2,360**	**6,789**	**3,335**	**2,979**	**3,911**	**2,051**

Movements in the “Impairment” line can be analysed as follows:

In € thousands	*31 Dec. 2017*	*Impairment*	*Reversals of impairment*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Impairment	(660)	(1,056)	790	(907)	(15)	(1,847)

Impairment recognised against inventories is included in operating profit.

5.6. Trade receivables

In € thousands	*31 Dec. 2018*	*31 Dec. 2017*
Gross value	16,789	12,896
Impairment	(260)	(61)
NET	**16,529**	**12,835**

Movements in impairment of trade receivables can be analysed as follows:

In € thousands	*31 Dec. 2017*	*Impairment*	*Reversals of impairment*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Impairment	(61)	(160)	47	85		(260)

All trade receivables fall due within one year, with the exception of doubtful receivables.

The maximum exposure to credit risk on trade receivables is their carrying amount.

Impairment recognised against trade receivables is included in operating profit.

Trade receivables can be analysed as follows for each Group entity:

In € thousands	**TOTAL**	**AUS**	**FR**	**GMBH**	**US**	**UK**	**RTG**
Trade receivables	16,770	1,512	4,326	1,364	2,117	2,858	4,593
Doubtful receivables	19		19				
Gross value	**16,789**	**1,512**	**4,345**	**1,364**	**2,117**	**2,858**	**4,593**
Impairment	(260)	(26)	(16)	(78)	(22)	0	(118)
NET	**16,529**	**1,486**	**4,329**	**1,286**	**2,095**	**2,858**	**4,475**

5.7. Accrued receivables and other

In € thousands	*31 Dec. 2018*	*31 Dec. 2017*
State	2,629	2,499
Personnel-related receivables	40	22
Amounts receivable from suppliers	24	0
Credit notes receivable	116	126
Advances granted to suppliers	53	64
Other receivables	28	6
Accrued income	59	181
Prepaid expenses	596	470
TOTAL	**3,545**	**3,367**

5.8. Cash and cash equivalents

In € thousands	*31 Dec. 2018*	*31 Dec. 2017*
Bills for collection	0	28
Bank accounts	9,721	6,016
Petty cash	5	5
TOTAL	**9,726**	**6,049**

5.9. Equity

Equity includes shareholders' equity and non-controlling interests as shown in the statement of financial position.

Consolidated equity is not subject to any third-party restrictions.

The share buyback programmes put in place within the Group are described in Note 6.7 to the consolidated financial statements.

5.10. Provisions for contingencies and expenses

In € thousands	*31 Dec. 2017*	*Additions*	*Reversals*	*Remeasurement*	*Changes in scope of consolidation*	*Impact of exchange rate fluctuations*	*31 Dec. 2018*
Employee benefit obligations (1)	518	54		16			588
Customer warranties (2)	776	550	(776)			(1)	549
Free share plans (3)	3	9	(3)				9
Other provisions for contingencies (4)	0				277	3	280
TOTAL	**1,297**	**613**	**(779)**	**16**	**277**	**2**	**1,426**

(1) Employee benefit obligations

The Company has no pension obligations. Its only employee benefit obligations concern termination benefits payable upon retirement, pursuant to the collective bargaining agreement.

Termination benefits are calculated based on the average remuneration that the employee concerned received or would have received over the last 12 months of service prior to retirement. In the event of voluntary retirement, payroll taxes are deducted from the termination benefits.

Termination benefits are not funded by insurance contracts.

The actuarial method used to measure these benefits is the projected unit credit method.

To reflect the impact of increases in benefit entitlement based on seniority, benefits are allocated on a straight-line basis over the employee's active working life.

The portion of the benefit obligation allocated to reporting periods prior to the measurement date (defined benefit obligation) corresponds to the Company's obligation for services provided. The actuarial liability corresponds to the amount of the benefit obligation for which a provision should be set aside in the financial statements.

The portion of the benefit obligation allocated to the reporting period following the measurement date (service cost) reflects the likely increase in the obligation owing to the additional year of service provided by the employee at the end of that period.

The future benefit obligation is calculated on a case-by-case basis in accordance with the recommendations of the International Accounting Standards Board (IASB) (revised IAS 19). The sum of these obligations gives the total benefit obligation for the Company.

The assumptions used to calculate the benefit obligation for 2018 and 2017 are as follows:

	2018	2017
Mortality rate	TD/TV 2012-2014	TD/TV 2012-2014
Discount rate	1.6%	1.3%
Rate of future salary increases	1.5%	1.5%
Theoretical retirement age for managerial-grade employees (*cadres*)	65 years	65 years
Theoretical retirement age for other employees	63 years	63 years
Employee turnover rate	1.4%	1.4%
Employer payroll tax rate	48.7%	48.6%

The sensitivity of the provision for employee benefit obligations to changes in the discount rate is not material:

Discount rate	***1.35%***	***1.60%***	***1.85%***
Employee benefit obligations in € thousands	608	588	569

Service cost for 2018 amounted to €47K (2017: €40K) and interest cost to €7K (2017: €6K). Actuarial losses totalled €16K (2017: €48K) and are recognised in other comprehensive income.

(2) Customer warranties

A provision calculated on a statistical basis is set aside in the financial statements for the costs of setting up contractual warranties for customers on sales of equipment.

The provision is calculated based on the revenue earned and the residual warranty period at the reporting date.

(3) Free share plans

A provision is set aside to cover social security contributions due on free share plans.

(4) Other provisions for contingencies

- Claims and disputes

In 2018, there were no developments in the first dispute mentioned in the 2017 annual report. The Group's position therefore remains unchanged.
Regarding this case, the €34K provision relating to employment court proceedings involving the Company and a former senior executive recognised in the 2016 reporting period was written back in 2017 following payment of the sums due further to the ruling handed down by the Paris Court of Appeal on 17 January 2017.
On 21 March 2017, the Company learnt that the former senior executive had referred the case to the French Supreme Court (*Cour de cassation*). No additional provision was recognised in this respect.

The second dispute involving the Company had reached the appellate stage at 31 December 2017. No provision had been set aside following the decision handed down by the Evry Employment Court (*Conseil de prud'hommes*) on 12 April 2016 dismissing all of the claimant's claims. In October 2018 the Company was ordered to pay €50K further to a ruling from the Paris Court of Appeal.

- Tax risk

The amount of €277K concerns RTG and is intended to cover the risk of tax reassessment in the event of a tax audit.

5.11. Non-current and current borrowings and debt

At 31 December 2018, non-current and current borrowings and debt can be analysed by maturity as follows:

In € thousands	TOTAL	1 year or less	More than 1 year and less than 5 years	More than 5 years
Other borrowings and debt	10,021	2,400	7,621	
Short-term bank overdrafts	2,325	2,325		
TOTAL	**12,346**	**4,726**	**7,621**	

Movements in non-current and current borrowings and debt in 2018 can be analysed as follows:

In € thousands	31 Dec. 2017	Increases	Decreases	Changes in scope of consolidation	Impact of exchange rate fluctuations	31 Dec. 2018
Cash liabilities	(1,000)	(13)	241	(1,489)	(65)	(2,325)
Borrowings and debt	(1,334)	(9,393)	705		2	(10,021)
TOTAL	**(2,334)**	**(9,406)**	**946**	**(1,489)**	**(65)**	**(12,346)**
O/w current	(1,619)					(4,726)
O/w non-current	(715)					(7,621)

Within the context of the J2 acquisition in 2013, the Company was granted two bank loans and a "participatory development" contract from BPI France (formerly OSEO) denominated in euros and bearing fixed-rate interest at between 2.10% and 2.40%, with a final maturity in 2019.

To finance the fixtures and fittings for its new headquarters, the Company was granted two bank loans in euros bearing fixed-rate interest at between 1.15% and 1.64%, with a final maturity in 2023.

In connection with the acquisition of RTG in 2018, the Company was granted two bank loans in euros bearing fixed-rate interest at between 0.95% and 1%, with a final maturity in 2023.

The Group considers that it is not exposed to interest rate risk and that the fair value of the various borrowings and debt corresponds to their carrying amount in the statement of financial position.

5.12. Trade payables

Trade payables can be analysed as follows for each Group entity:

In € thousands	**TOTAL**	**AUS**	**FR**	**GMBH**	**US**	**UK**	**RTG**
Trade payables	10,407	180	6,012	418	147	342	3,308
Amounts payable on non-current assets	0						
TOTAL	**10,407**	**180**	**6,012**	**418**	**147**	**342**	**3,308**

All amounts included within "Trade payables" fall due within one year.

5.13. Contract liabilities

In € thousands	***31 Dec. 2018***	***31 Dec. 2017***
Customer advances	153	47
Deferred income	6,207	1,634
TOTAL	**6,360**	**1,681**

Deferred income relates to:

- revenue earned on extended warranties for the residual warranty period and relating to future years (including the impact of IFRS 15 for €2,063K). It includes a financial component that is not considered material by the Group in light of the parent company's borrowing costs; and

- revenue earned on services performed by RTG for the residual period and relating to future years, amounting to €2,597K.

5.14. Accrued payables and other

In € thousands	***31 Dec. 2018***	***31 Dec. 2017***
Tax and social security payables	5,980	4,517
Amounts payable to customers	63	40
Credit notes not yet issued	165	52
Other payables	4,067	7
TOTAL	**10,275**	**4,616**

Other payables includes the one-year deferred cash payment amounting to €2,533K and the €1,484K earn-out payable over three years relating to the acquisition of RTG.

5.15. Segment information

The Group reports on three geographical segments: France, Europe, the United States and Australia.

The information reflects the key indicators monitored and used internally by the Group's chief operating decision-makers.

Following the addition of RTG to its consolidated group, AURES now also presents the total of each indicator for each business sector, in order to track overall trends in those sectors:

- marketing and sale of POS and kiosk products;

- POS services.

Information analysing revenue by source is also presented.

There are two sources of revenue: sales of goods and services including warranties, repairs of equipment no longer under warranty, and billed shipping costs for trading companies, along with the RTG business.

5.15.1. Results by business sector

Sector information is determined in light of consolidated data as defined in Note 4.14:

	2018						2017					
In €K	Marketing and sales				Services		Marketing and sales				Services	
	France (1)	Europe (2)	US/Australia (3)	Sub-total (1)+(2)+(3)	US	Total	France (1)	Europe (2)	US/Australia (3)	Sub-total (1)+(2)+(3)	US	Total
Revenue	35,067	35,851	24,124	**95,042**	**7,615**	**102,657**	29,648	32,497	23,469	**85,614**	**0**	**85,614**
Operating profit	7,006	3,496	1,517	**12,019**	**516**	**12,535**	6,295	2,678	1,812	**10,785**	**0**	**10,785**
Consolidated net profit	4,560	2,505	878	**7,943**	**354**	**8,297**	3,582	2,196	1079	**6,857**	**0**	**6,857**

5.15.2. Revenue by source

Consolidated revenue can be analysed by source as follows:

In € thousands	*2018*	*2017*
Sales of goods held for resale	93,651	82,538
Sales of services	9,006	3,076
TOTAL	**102,657**	**85,614**

5.15.3. Geographic breakdown

Consolidated revenue can be analysed by destination of sales as follows:

In € thousands	*2018*	*2017*
France	24,277	23,533
United Kingdom	16,146	18,125
Germany	12,278	9,039
Other EU countries	15,206	8,168
United States	21,513	13,040
Australia	8,865	10,313
Other non-EU countries	4,372	3,396
TOTAL	**102,657**	**85,614**

The criterion used above to allocate revenue is the destination of sales. This is different from that used in earnings press releases prepared by the Group, in which revenue is presented by legal entity.

5.16. Other operating income and expenses

Other operating income and expenses consist of the following:

In € thousands	***2018***	***2017***
Royalties and patents	(152)	(253)
Debt write-offs	(31)	(140)
Other operating expenses	(7)	(8)
Other operating income	31	47
TOTAL	**(159)**	**(354)**

Royalties relate to amounts paid on sales of J2 products.

The Group hedges losses on its trade receivables.

5.17. Other income and expenses from operations

Other income and expenses from operations consist of the following:

In € thousands	***2018***	***2017***
Net carrying amount of non-current assets sold	(1)	(1)
Accelerated depreciation/amortisation		0
Other expenses from operations	(50)	(42)
Proceeds from disposals of non-current assets	0	0
Other income from operations	347	86
TOTAL	**296**	**43**

Other income from operations relates to a €335K indemnity collected from a supplier in connection with the delivery of faulty parts.

5.18. Financial profit and loss

The following items make up financial profit and loss:

In € thousands	***2018***	***2017***
Interest expense	(122)	(94)
Cost of net debt	**(124)**	**(94)**
Other financial income	1,830	1,642
Other financial expenses	(1,851)	(2,368)
NET FINANCIAL LOSS	**(143)**	**(820)**

Other financial income and other financial expenses respectively include foreign exchange losses and gains, as well as €237K in income resulting from the fair value of currency hedges at the reporting date.

Currency risk

The AURES Group is exposed to two types of currency risk that could impact its profit and equity:

- currency risk resulting from the translation of the consolidated financial statements of its foreign subsidiaries (United Kingdom, Australia and the United States) into euros;
- currency risk arising on cash flows from commercial and financial transactions carried out in currencies other than the euro, which is the Group's functional currency.

The Group has a policy aimed at minimising and managing these currency risks:

- cash flows exchanged in connection with purchases of goods for resale are generally pooled by AURES Technologies SA.

Following the acquisition of J2 Systems Technology Limited in 2013, the Company has a natural hedge on a portion of its goods purchases.

Hedges are in place to protect against the currency risk arising on transactions. These hedges consist of forward purchases ranging from six months to one year and protect the Group's earnings from adverse changes in exchange rates against the euro.

However, the hedges are flexible and are set up gradually, so as to maximise the benefit from any favourable exchange rate fluctuations.

The impact of hedges is set out in Note 6.1, Off-balance sheet commitments.

- The Group's policy is not to hedge risks arising on the translation into euros of the financial statements of consolidated subsidiaries with a functional currency other than the euro.

The main exchange rates used to prepare the financial statements are presented in Note 3 to the consolidated financial statements.

5.19. Income tax

The income tax expense for the year can be analysed as follows:

In € thousands		***2018***	***2017***
Current tax		(4,141)	(3,442)
Deferred tax		46	333
	TOTAL	**(4,095)**	**(3,109)**

The table below reconciles:

- (i) the Group's theoretical tax expense as calculated by multiplying consolidated profit before tax by the tax rate applicable in 2018, with
- (ii) the total tax expense recognised in the consolidated income statement.

In € thousands	**2018**	**2017**
Consolidated profit before tax	12,392	9,966
Theoretical tax expense	4,267	3,431
%	***34.43%***	***34.43%***
Impact of non-taxable income and expenses	211	(93)
Impact of different tax rates	(383)	(229)
EFFECTIVE TAX EXPENSE AND TAX RATES	***4,095***	***3,109***
	33.04%	***31.20%***

5.20. Deferred tax

Deferred tax assets and liabilities can be analysed by category as follows:

	31 Dec. 2018	***31 Dec. 2017***
Deferred tax assets on temporary differences	658	205
Deferred tax assets on tax loss carryforwards	735	0
Deferred tax assets on employee benefit obligations	203	178
Deferred tax assets on adjustments (inventory margin)	346	321
Deferred tax assets relating to IFRS 15 (1)	679	0
Deferred tax assets on fair value		70
Deferred tax assets	**2,622**	**774**
Deferred tax liabilities on temporary differences	(87)	0
Deferred tax liabilities on provisions	(71)	(132)
Deferred tax liabilities on intangible assets	(341)	(417)
Deferred tax liabilities on fair value	(12)	0
Deferred tax liabilities	**(511)**	**(549)**
Net deferred tax assets	**2,110**	**225**

(1) See Note 4.1.

At 31 December 2018, the Group's historical US entity had cumulative tax losses of around USD 1,600K (taken on from AURES USA Inc. following the merger with the current entity, formerly known as J2 Retail Systems Inc.). These tax losses have not given rise to the recognition of any deferred tax assets in the financial statements.

Since the US subsidiary is a UK and US tax resident, a portion of the tax losses generated by J2 Retail Systems Inc. in previous periods were offset against income taxed in the United Kingdom. The remaining tax losses may be offset against income generated and liable for income tax in the United States if the Company is no longer a UK tax resident.

Following the acquisition of RTG, the Group recognised deferred tax assets of €735K on the tax losses carried forward by the entity (in an amount of USD 3.2 million).

These were recognised to the extent that they may be utilised against future taxable differences, based on a reasonable likelihood that they would be realised or recovered, as estimated in light of available forecasts.

5.21. Earnings per share

At 31 December 2018, AURES Technologies' share capital comprised 4,000,000 shares and the Company held 40,644 treasury shares (Note 6.7).

In € per share (except for number of shares)	31 Dec. 2018
Net profit attributable to owners of the parent (in €K)	8,144
Average number of shares outstanding	
Before dilution	3,971,521
Impact of dilution	
Free shares	3,357
After dilution	3,974,878
Attributable earnings per share	
Basic	2.06
Diluted	2.05

5.22. Related-party transactions

The Group carried out the following related-party transactions:

In € thousands	*2018* *Le Cristal Un SCI*	*2017* *Le Cristal Un SCI*
External expenses (rent and insurance)	229	208
Taxes other than on income	54	21
Trade payables	56	0

Le Cristal Un SCI has a senior executive in common with AURES Technologies SA.

Remuneration expensed for senior executives during the year is presented in Note 6.6.

6. Other disclosures

6.1. Off-balance sheet commitments

In € thousands		***31 Dec. 2018***
Leases		8,104
Forward purchases of foreign currencies		5,780
Pledge of business goodwill		5,410
Guarantees		4,017
	TOTAL	**23,311**

Leases

Leases concern:

- property leases relating to the various premises occupied by Group companies;
- leases of vehicles;
- leases of industrial and IT equipment.

At 31 December 2018, commitments given under non-cancellable leases can be analysed as follows by maturity:

In € thousands		***Less than 1 year***	***More than 1 year***
Property leases		1,225	6,348
Vehicle leases		318	151
Industrial equipment leases		7	15
IT equipment leases		14	26
	TOTAL	**1,564**	**6,540**

Forward purchases of foreign currencies

At 31 December 2018, an amount of USD 6,730K was outstanding under currency forward contracts taken out by the Group, including USD 1,800K allocated to the deferred payment due in connection with the RTG acquisition.

The balance of these contracts hedge commitments given to purchase goods for resale at 31 December 2018.

The average exchange rate for the hedges in force at 31 December 2018 is €1 = USD 1.1643.

Forward contracts are carried in the financial statements at their fair value and were recognised in financial assets in an amount of €35K at 31 December 2018.

Pledge of business goodwill

On 31 December 2012, business goodwill was pledged to Crédit du Nord and BNP Paribas in an amount of €5,060,000 in connection with financing set up for the J2 Systems Technology acquisition on 20 December 2012.

On 10 January 2017, business goodwill was pledged to BPI France in an amount of €350,000 in connection with financing set up in relation to fixtures and fittings for the new headquarters.

Guarantees

Within the scope of the RTG acquisition on 16 October 2018, AURES Technologies SA provided a parent company guarantee to its subsidiary AGH US Holding Company Inc. It remains liable for the amounts due between 2019 and 2022, i.e., €4,017K (USD 4,600K based on the exchange rate at 31 December 2018).

Bank covenants

Other commitments given by the Company relate to bank covenants agreed at the time of arranging financing for the acquisition of RTG on 16 October 2018.

The Company undertook to comply with the ratios defined in the loan agreement with BNP Paribas. The two ratios, based on the consolidated financial statements, are:

- Net debt/equity
- Free cash flow/interest expense

At 31 December 2018, the Company must have:

- Stable net debt/equity: 1 or less
- Free cash flow/interest expense: more than 1

The Group complied with both of these covenants at 31 December 2018.

6.2. Headcount

AURES Technologies had a headcount of 404.7 at 31 December 2018:

	31 Dec. 2018	*31 Dec. 2017*
Managerial-grade employees (*cadres*)	41.6	28.5
Other employees	363.1	86.8
TOTAL	**404.7**	**115.3**

6.3. Employee profit-sharing and incentive schemes

No Group companies are required to set up an employee profit-sharing or incentive scheme as they did not have the minimum headcount that would trigger the requirement for such a scheme at the reporting date.

On 18 June 2018, AURES Technologies SA set up a discretionary incentive scheme for all employees with the exception of the Chairman and Chief Executive Officer.

This three-year scheme is effective as from the reporting period beginning 1 January 2018.

6.4. Statutory audit fees

The amount of fees paid to the Group's Statutory Auditors in 2018 and 2017 can be analysed as follows:

	PwC		**F.-M. Richard et Associés**	
In € thousands	**2018**	**2017**	**2018**	**2017**
Sub-total: statutory audit services	*219*	*112*	*80*	*75*
AURES Technologies SA	164	75	80	75
Fully consolidated subsidiaries	55	37	0	0
Sub-total: non-audit services	*24*	*94*	*0*	*0*
AURES Technologies SA	*24*	*94*		
Fully consolidated subsidiaries	*0*	*0*		
TOTAL	**243**	**206**	**80**	**75**

Non-audit services chiefly include engagements required by applicable laws and regulations and services provided in connection with planned corporate acquisitions.

6.5. Subsequent events

On 10 January 2019, the Group's French entity received an audit notice from the French social security authorities (URSSAF) regarding financial years 2016 and 2017. This audit was still in progress at the date of this report.

On 29 January 2019, the Group was informed of a potential data breach at one of the customers of its US subsidiary RTG via its helpdesk service.

As the investigation currently stands, the liability for the breach and any financial consequences cannot yet be determined. The customer has not made a claim for damages but has sent a notice letter.

No other significant events took place between 31 December 2018 and 26 April 2019, the date on which the financial statements were approved by the Board of Directors.

6.6. Executive remuneration

Remuneration paid to members of managing bodies totalled €815K in 2018.

No advances were granted during the year.

The above amount concerns remuneration payable to the Chairman and Chief Executive Officer.

Remuneration payable to other corporate officers is not disclosed for confidentiality reasons, given the Company's scale and method of operating.

The corporate officers do not receive any remuneration for the duties they perform within the companies controlled by the Group.

No specific agreements have been entered into with the corporate officers in respect of pensions or similar benefits, and no financial advances have been granted to them.

6.7. Treasury shares

A new share buyback programme was set up by the Board of Directors further to the authorisation given at the Combined General Meeting of 20 June 2018.

The shares held within the scope of all share buyback programmes undertaken by the Company are as follows:

	31 Dec. 2018			*31 Dec. 2017*		
Account	Number of shares	Price per share €	Total price €K	Number of shares	Price per share €	Total price €K
Market-making	2,851	29.123	83	2,317	33.188	77
Treasury shares	37,793	15.423	583	25,483	4.99	127
TOTAL	**40,644**		**666**	**27,800**		**204**

Within the scope of this share buyback programme, the Company carried out the following transactions in connection with its liquidity agreement in 2018:

	Number of shares	**Average price**	**% capital**
Number of shares purchased	88,060	€41.72	2.20%
Number of shares sold	87,526	€41.52	2.19%
Number of shares cancelled	N/A		
Market-making account at 31 Dec. 2018	2,851	€29.12	0.06%
Number of treasury shares held at 31 Dec. 2018 other than under the liquidity agreement	37,793	€15.42	0.94%

The Company purchased its own shares within the scope of the share buyback programme.

On 27 November 2018, the Company signed a mandate with an independent financial services provider to buy back its own shares, up to a maximum of 10% of the share capital over a period of one year after the date of signing. The buyback price under the mandate may not exceed €80 for shares bought back to cover existing or future employee share ownership plans.

Other than under the liquidity agreement, the Company held 37,793 of its own shares on 31 December 2018 further to the transactions listed below:

- purchase of 15,667 shares, or 0.39% of the share capital at 31 December 2018, at an average price of €30.29;
- transfer of 3,357 shares to employees as part of free share plans.

Trading fees on share purchases and sales during the year came to €1K.

The Company did not reallocate any shares during the year.

The carrying amount of the portfolio at 31 December 2018 was €665,920.12, for a market value of €1,208,833.85 and a total nominal amount of €10,161.00.

6.8. Free share plan

At the General Meeting held on 16 June 2016, the shareholders authorised the Board of Directors to award Group employees and/or certain corporate officers, on one or several occasions and over a maximum period of 38 months, free shares that may or may not be subject to performance conditions.

Part of this authorisation has been used. The terms and conditions of the authorisation along with a list of beneficiaries were approved by the Board of Directors at its meetings of 21 October 2016, 31 October 2017 and 23 July 2018.

The main features of the free share plans are summarised below:

Overview	*2016-2 Plan*	*2017-1 Plan*	*2018-1 Plan*
Date of General Meeting	16 June 2016	16 June 2016	16 June 2016
Total number of shares that may be awarded	10% of the share capital at the date of the General Meeting	10% of the share capital at the date of the General Meeting	10% of the share capital at the date of the General Meeting
Total number of shares actually awarded	6,533	3,500	3,467
Date of Board of Directors' decision	21 October 2016	31 October 2017	23 July 2018
Period during which the condition for awarding shares was assessed	Service condition assessed at the vesting date only	Service condition assessed at the vesting date only	Service condition assessed at the vesting date only
Vesting period	1 year	1 year	1 year
Post-vesting holding period	1 year	1 year	1 year
	Movements in 2017		
Number of shares subject to a service condition awarded during the year		3,500	
Number of shares forfeited or cancelled during the year	0	0	
Number of shares vested during the year	6,533	0	
Share price at the award date	€17.45	€34.27	
Number of shares at 31 December 2017	0	3,500	
Expense recognised against equity	€100K	€20K	
	Movements in 2018		
Number of shares subject to a service condition awarded during the year		0	3,467
Number of shares forfeited or cancelled during the year		0	0
Number of shares vested during the year		3,357	0
Share price at the award date		€34.27	€43.25
Number of shares at 31 December 2018		0	3,467
Expense recognised against equity		€95K	€64K

The fair value of the shares awarded was determined by reference to the stock market price of the AURES Technologies SA share at the date on which the plan was approved by the Board of Directors, assuming that the full number of shares would be awarded. The expense charged against equity is recognised on a straight-line basis over the vesting period of each plan.

FINANCIAL STATEMENTS

Notes		*Gross amount*	*Accumulated depreciation/amortisation*	*31 Dec. 2018*	*31 Dec. 2017*
	Uncalled subscribed share capital				
1.1/1.4	***INTANGIBLE ASSETS***				
	Start-up costs				
	Research and development expenses				
	Concessions, patents and other rights	1,290	1,030	260	350
	Business goodwill				
	Other				
	Intangible assets in progress	15		15	6
	Advances and downpayments				
1.2/1.4	***PROPERTY, PLANT AND EQUIPMENT***				
	Land				
	Buildings	758	86	672	102
	Technical installations, equipment and tooling	56	39	16	24
	Other	405	146	259	308
	Property, plant and equipment in progress				570
	Advances and downpayments				
1.3/1.4	***LONG-TERM FINANCIAL ASSETS***				
	Equity investments	11,342		11,342	8,008
	Receivables from equity investments	4,874		4,874	
	Investment securities				
	Other long-term investments				
	Loans				
	Other long-term financial assets	589		589	346
	NON-CURRENT ASSETS	**19,329**	**1,301**	**18,028**	**9,714**
	INVENTORIES AND WORK-IN-PROGRESS				
	Raw materials and other supplies				
	Goods in progress				
	Services in progress				
	Semi-finished and finished goods				
1.5	Goods held for resale	7,061	272	6,789	9,254
	Advances and downpayments paid on orders	47		47	64
1.6	***RECEIVABLES***				
	Trade receivables	15,343	16	15,327	15,801
	Other	2,504		2,504	2,042
	Share capital subscribed and called but not paid				
1.8	***CASH AND MARKETABLE SECURITIES***				
	Treasury shares	583		583	127
	Other securities				
	Cash instruments				
1.8	Cash and cash equivalents	5,618		5,618	3,135
1.9	Prepaid expenses	92		92	198
	CURRENT ASSETS	**31,247**	**288**	**30,959**	**30,621**
	Deferred expenses				
	Loan repayment premiums				
2.7	Unrealised translation losses	18		18	224
	TOTAL	**50,593**	**1,589**	**49,005**	**40,559**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES (€ thousands)

Notes		*31 Dec. 2018*	*31 Dec. 2017*
2.1	Share capital	1,000	1,000
	Additional paid-in capital		
	Revaluation adjustments		
	Equity method adjustments		
	Legal reserve	100	100
	Statutory or contractual reserves		
	Regulated reserves		
	Other reserves	1,500	1,500
	Retained earnings	19,799	15,687
	PROFIT FOR THE YEAR	**7,104**	**5,701**
	Investment subsidies		
	Regulated provisions	180	180
2.2	**EQUITY**	**29,683**	**24,168**
	Proceeds from issues of non-voting securities		
	Conditional advances		
	OTHER EQUITY		
	Provisions for contingencies	247	435
	Provisions for expenses		
2.3	**PROVISIONS FOR CONTINGENCIES AND EXPENSES**	**247**	**435**
	DEBT		
	Convertible bonds		
	Other bonds		
	Bank borrowings and debt	9,987	1,297
	Other borrowings and debt	16	7
	Advances and downpayments received on orders in progress	24	27
	OPERATING PAYABLES		
	Trade payables	6,041	12,283
	Tax and social security payables	2,212	1,461
	OTHER PAYABLES		
	Amounts payable on non-current assets and other	0	251
	Other payables	70	38
	Cash instruments	0	23
	Deferred income	439	461
2.5	**DEBT**	**18,789**	**15,848**
2.7	Unrealised translation gains	286	108
	TOTAL	**49,005**	**40,559**

Notes		*France*	*Export*	*2018*	*2017*
	Sales of goods held for resale	24,019	46,293	70,312	66,423
	Sales of goods				
	Sales of services	577	243	820	900
3.1	**NET REVENUE**	**24,596**	**46,536**	**71,132**	**67,323**
	Production taken to inventory				
	Own work capitalised				
	Partial net proceeds from long-term transactions				
	Operating subsidies				
	Reversals of depreciation, amortisation and provisions, and expense transfers			641	627
	Other income			2,247	2,375
	OPERATING INCOME			**74,020**	**70,325**
	Purchases of goods held for resale (including customs duties)			51,585	53,090
	Change in inventories (goods)			2,398	(749)
	Purchases of raw materials and other supplies (including customs duties)			29	23
	Change in inventories (raw materials and supplies)				
	Other purchases and external expenses			4,086	3,276
	Taxes, duties and other levies			492	415
	Wages and salaries			3,891	3,637
3.2	Payroll taxes			1,929	1,668
	DEPRECIATION, AMORTISATION AND PROVISION EXPENSE – OPERATING ITEMS				
	Non-current assets: depreciation and amortisation expense			308	204
	Non-current assets: additions to provisions				
	Current assets: additions to provisions			279	219
	Contingencies and expenses: additions to provisions			229	427
	Other expenses			997	1,345
	OPERATING EXPENSES			**66,223**	**63,555**
	NET OPERATING PROFIT			**7,797**	**6,770**
	SHARE OF PROFIT FROM JOINT OPERATIONS				
	Profit allocated or loss transferred				
	Loss incurred or profit transferred				
	FINANCIAL INCOME				
	Investment income			2,150	1,228
	Income from other marketable securities and amounts receivable on non-current assets				
	Other interest income			14	2
	Reversals of provisions and expense transfers			0	3
	Foreign exchange gains			15	0
	Net proceeds from disposals of marketable securities				
4	**FINANCIAL INCOME**			**2,179**	**1,233**
	Depreciation, amortisation and provision expense – financial items				
	Interest expense			49	47
	Foreign exchange losses			332	160
	Net expenses on disposals of marketable securities				
4	**FINANCIAL EXPENSES**			**381**	**207**
4	**NET FINANCIAL PROFIT**			**1,798**	**1,026**
	RECURRING PROFIT BEFORE TAX			**9,595**	**7,796**

Notes		*2018*	*2017*
	Non-recurring income from revenue transactions	341	86
	Non-recurring income on capital transactions	44	41
	Reversals of provisions and expense transfers	19	36
5	**NON-RECURRING INCOME**	**403**	**163**
	Non-recurring expenses on revenue transactions	9	2
	Non-recurring expenses on capital transactions	129	78
	Non-recurring depreciation, amortisation and provision expense	0	36
5	**NON-RECURRING EXPENSES**	**138**	**116**
5	**NET NON-RECURRING PROFIT**	**265**	**47**
	Employee profit-sharing		
6	Income tax expense	2,756	2,142
	TOTAL INCOME	**76,601**	**71,721**
	TOTAL EXPENSES	**69,498**	**66,020**
	PROFIT FOR THE YEAR	**7,104**	**5,701**

2018 HIGHLIGHTS

On 4 January 2018, the Company acquired a 15% stake in the share capital of France's CJS-PLV, specialised in the industrial design and production of POS equipment and fittings. The aim of the acquisition was to develop the Group's kiosks business.

The value of the interest acquired is €951K.

Within the scope of the acquisition finalised by the Group on 16 October 2018, the Company created AGH US Holding Company Inc., a US company wholly owned by AURES at 12 June 2018. The purpose of the new company is to hold all of the shares of US company RTG.

The Company also arranged euro loans with three of its banking partners, representing an aggregate amount of €12 million. The loans have a final maturity in 2023 and bear fixed-rate interest at between 0.95% and 1%.

At 31 December 2018, €9 million had been drawn on the loans.

On 18 June 2018, the Company set up a discretionary incentive scheme for all employees with the exception of the Chairman and Chief Executive Officer.

An expense of €189K in respect of this incentive scheme was recognised in 2018.

There are no other facts or circumstances relating to the 2018 financial year that are likely to have an impact on the financial statements or that could prevent a meaningful year-on-year comparison of the statement of financial position and income statement.

SUBSEQUENT EVENTS

On 10 January 2019, the Company received an audit notice from the French social security authorities (URSSAF) regarding financial years 2016 and 2017. This audit was still in progress at the date of this report.

No other significant events took place between 31 December 2018 and 26 April 2019, the date on which the financial statements were approved by the Board of Directors.

ACCOUNTING POLICIES AND METHODS

The financial year ended 31 December 2018 covers a 12-month period from 1 January 2018 to 31 December 2018.

Total assets before appropriation of profit represent €49,005K, while the income statement presented in list form shows net accounting profit of €7,104K.

The parent company financial statements were prepared in accordance with the provisions of the French Commercial Code (*Code de Commerce*), the accounting rules and principles generally accepted in France as set out in the French Chart of Accounts (ANC standard no. 2016-07 of 4 November 2016 regarding the Chart of Accounts) and ANC standard no. 2015-05.

The new ANC standard no. 2018-01 of 20 April 2018 amending ANC standard no. 2014-03 regarding the Chart of Accounts has no impact on the Company's financial statements.

The financial statements are presented in thousands of euros.

The financial statements have been prepared on a going concern basis using the accrual and consistency methods, in accordance with the principle of prudence.

Unless otherwise stated, accounting items are carried at historical cost.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Notes to the statement of financial position – Assets

1.1. Intangible assets

This caption does not include research and development expenses.

Where appropriate, these are included in operating expenses for the period according to their nature.

Software is amortised on a straight-line basis over a period of one to eight years depending on the type of software concerned.

1.2. Property, plant and equipment

The gross value of property, plant and equipment represents their acquisition or production cost.

Property, plant and equipment are not remeasured. Borrowing costs are not capitalised as part of the cost of property, plant and equipment.

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

- Technical installations, equipment and tooling	1 to 5 years
- General installations, fixtures and fittings	2 to 10 years
- Vehicles	4 to 5 years
- Office and IT equipment	1 to 8 years
- Office furniture and equipment	4 to 10 years

1.3. Long-term financial assets

This caption includes deposits and guarantees, equity investments and amounts receivable from equity investments, along with treasury shares held by the Company in connection with its liquidity agreement.

The gross value of equity investments reflects the amount at which they were initially recognised by the Company, including acquisition fees.

Equity investments are written down based on any difference between their gross value and their current value taking into account the share in net assets, unrealised capital gains on non-current assets, and the profitability outlook.

Treasury shares held by the Company in connection with the liquidity agreement are carried at acquisition cost.

They are written down when their recoverable value (as estimated based on their average price over the last month of the reporting period) falls below their carrying amount.

The average price of the shares in December 2018, i.e., €29.742, is higher than the price per share used in the market-making account.

Accordingly, no impairment was recognised at 31 December 2018.

Treasury shares included in long-term financial assets at 31 December 2018 can be analysed as follows:

	Number of shares	*Price per share* *€*	*Total price* *€K*	*Impairment*
Market-making	2,851	29.123	83	0

1.4. Movements during the year

Movements in non-current assets and depreciation/amortisation during the year are presented in the tables below.

Movements in non-current assets

Acquisitions

In € thousands	*31 Dec. 2017*	*Remeasurement*	*Acquisitions, contributions*
START-UP COSTS AND RESEARCH AND DEVELOPMENT EXPENSES			
OTHER INTANGIBLE ASSETS	**1,258**		**77**
Building improvements	113		76
Technical installations, industrial equipment and tooling	53		2
General installations, fixtures and fittings			
Vehicles	12		
Office and IT equipment, furniture	406		17
Property, plant and equipment in progress	570		
PROPERTY, PLANT AND EQUIPMENT	**1,154**		**95**
Equity investments and amounts receivable from equity investments	8,009		8,294
Loans and other long-term financial assets	346		283
LONG-TERM FINANCIAL ASSETS	**8,355**		**8,577**
TOTAL	**10,766**		**8,749**

Movements in “Equity investments and amounts receivable from equity investments” relate to the shares corresponding to the stake acquired in CJS-PLV for €951K, shares in AGH US Holding Company Inc. for €2,469K and a loan arranged for AGH US Holding Company Inc. for €4,874K.

Movements in “Loans and other long-term financial assets” mainly relate to a holdback (€250K) on one of the loans taken out in connection with the acquisition of RTG.

Disposals

In € thousands	*Transfers*	*Disposals*	*31 Dec. 2018*
START-UP COSTS AND RESEARCH AND DEVELOPMENT EXPENSES			
OTHER INTANGIBLE ASSETS		**(30)**	**1,305**
Building improvements	570		758
Technical installations, industrial equipment and tooling			56
General installations, fixtures and fittings			
Vehicles			12
Office and IT equipment, furniture		(29)	393
Property, plant and equipment in progress	(570)		0
PROPERTY, PLANT AND EQUIPMENT	**0**	**(29)**	**1,219**
Equity investments and amounts receivable from equity investments	(87)		16,216
Loans and other long-term financial assets		(40)	589
LONG-TERM FINANCIAL ASSETS	**(87)**	**(40)**	**16,805**
TOTAL	**(87)**	**(99)**	**19,329**

The amount of €87K recorded under "Transfers" relates to the reclassification within expenses of ancillary share acquisition fees incurred in connection with an acquisition.

Movements in depreciation and amortisation

In € thousands	*31 Dec. 2017*	*Additions*	*Reversals*	*31 Dec. 2018*
START-UP COSTS AND DEVELOPMENT EXPENSES				
OTHER INTANGIBLE ASSETS	**902**	**158**	**(30)**	**1,030**
Building improvements	11	75		86
Technical installations, industrial equipment and tooling	29	10		39
General installations, fixtures and fittings				
Vehicles	4	2		6
Office and IT equipment, furniture	106	62	(28)	140
PROPERTY, PLANT AND EQUIPMENT	**150**	**149**	**(28)**	**271**
LONG-TERM FINANCIAL ASSETS	**0**			**0**
TOTAL	**1,052**	**307**	**(58)**	**1,301**

1.5. Inventories and work-in-progress

Inventories are measured using the weighted average cost formula.

The gross value of supplies includes their purchase price and any related forwarding costs.

Inventories are written down whenever their estimated realisable value falls below their recoverable amount.

Movements in this caption during the year can be analysed as follows:

In € thousands	***31 Dec. 2017***	***Increases***	***Decreases***	***31 Dec. 2018***
Goods held for resale	9,459		(2,398)	7,061
Impairment	(205)	272	(205)	(272)
NET	**9,254**			**6,789**

1.6. Receivables

Receivables are measured at nominal value.

A provision for impairment of receivables is recognised to reflect any potential recovery difficulties.

Receivables can be analysed as follows at 31 December 2018:

In € thousands	***31 Dec. 2018***	***31 Dec. 2017***
Trade receivables	15,324	15,798
Doubtful or disputed receivables	19	20
Impairment	(16)	(17)
NET	**15,327**	**15,801**

Analysis of receivables by maturity

In € thousands	***Gross value***	***1 year or less***	***More than 1 year***
Loans – Group	4,874		4,874
Current accounts – Group	2,012	2,012	
Other long-term financial assets	589		589
Doubtful or disputed receivables	19		19
Other trade receivables	15,324	15,324	
Employee-related receivables	32	28	4
Social security and similar receivables	9	9	
VAT receivables	73	73	
Other tax receivables	58	58	
Other receivables	320	318	2
Prepaid expenses	92	92	
TOTAL	**23,402**	**17,914**	**5,488**

1.7. Accrued income

Accrued income can be analysed by statement of financial position caption at 31 December 2018 as follows:

In € thousands		***Amount***
Credit notes receivable		116
Other		2
	TOTAL	**118**

1.8. Cash and cash equivalents and marketable securities

Cash and cash equivalents and marketable securities are carried at their acquisition cost.

They are written down to their average price over the last month of the reporting period if this is lower than their acquisition cost.

Cash and cash equivalents and marketable securities at 31 December 2018 can be analysed as follows:

In € thousands		***31 Dec. 2018***	***31 Dec. 2017***
Cash and cash equivalents in EUR		4,531	1,611
Cash and cash equivalents in USD translated into euros at the exchange rate at 31 December		1,087	1,524
Marketable securities (treasury shares)		583	127
	TOTAL	**6,201**	**3,262**

The average price of the shares in December 2018, i.e., €29.742, is higher than the price per share used in the treasury share account at 31 December 2018.

No unrealised gains were recognised.

Marketable securities (treasury shares) can be analysed as follows at 31 December 2018:

	Number of shares	***Price per share €***	***Total price €K***	***Impairment***
Treasury shares	34,326	16.42	564	0
Treasury shares reserved for employees	3,467	5.60	19	0
TOTAL	**37,793**		**583**	**0**

1.9. Prepaid expenses

Prepaid expenses as detailed below consist only of ordinary expenses which impact profit in a subsequent period:

In € thousands	*Period*		*Amount*		
			Operating items	*Financial items*	*Non-recurring items*
Rentals	01/2019	07/2019	13		
Maintenance and repairs	01/2019	01/2019	2		
IT maintenance	01/2019	05/2020	29		
Documentation	01/2019	01/2021	5		
Fees	01/2019	12/2026	10		
Advertising	01/2019	05/2019	19		
Travel	01/2019	02/2019	11		
Postal and telecommunications expenses	01/2019	01/2019	3		
TOTAL			**92**		

2. Notes to the statement of financial position – Equity and liabilities

2.1. Share capital

The share capital represents €1,000,000, comprising 4,000,000 ordinary shares each with a par value of €0.25.

2.2. Equity

Movements in equity in 2018 can be analysed as follows:

In € thousands	*31 Dec. 2017*	*Appropriation of 2017 profit*	*Dividends paid*	*2018 profit*	*Other movements*	*31 Dec. 2018*
Share capital	1,000					1,000
Legal reserve	100					100
Other reserves	1,500					1,500
Retained earnings	15,687	5,701	(1,589)			19,799
Profit for the year	5,701	(5,701)		7,104		7,104
Regulated provisions	180					180
TOTAL EQUITY	**24,168**	**0**	**(1,589)**	**7,104**		**29,683**

Regulated provisions

In € thousands	***31 Dec. 2017***	***Additions***	***Reversals***	***31 Dec. 2018***
Accelerated depreciation/amortisation	180			180
TOTAL REGULATED PROVISIONS	**180**			**180**

2.3. Provisions

A provision is set aside for present obligations to third parties at the reporting date that are likely or certain to result in an outflow of resources, when these obligations can be estimated reliably.

Movements in provisions

In € thousands	***31 Dec. 2017***	***Additions***	***Reversals***	***O/w reversals of utilised provisions***	***31 Dec. 2018***
Provision for warranties	230	212	(230)	0	212
Provision for free share awards	7	18	(7)	(7)	18
Provision for foreign exchange losses	198	17	(198)	0	17
PROVISIONS FOR CONTINGENCIES AND EXPENSES	**435**	**247**	**(435)**	**()**	**247**

Customer warranties

A provision calculated on a statistical basis is set aside in the financial statements for the costs of setting up contractual warranties for customers on sales of equipment.

The provision is calculated based on the revenue earned and the residual warranty period at the reporting date.

Provision for claims and disputes

In 2018, there were no developments in the first dispute mentioned in the 2017 annual report. The Group's position therefore remains unchanged.

Regarding this case, the €34K provision relating to employment court proceedings involving the Company and a former senior executive recognised in the 2016 reporting period was written back in 2017 following payment of the sums due further to the ruling handed down by the Paris Court of Appeal on 17 January 2017.

On 21 March 2017, the Company learnt that the former senior executive had referred the case to the French Supreme Court (*Cour de cassation*). No additional provision was recognised in this respect.

The second dispute involving the Company had reached the appellate stage at 31 December 2017. No provision had been set aside following the decision handed down by the Evry Employment Court (*Conseil de prud'hommes*) on 12 April 2016 dismissing all of the claimant's claims. In October 2018 the Company was ordered to pay €50K further to a ruling from the Paris Court of Appeal.

Provision for free share awards

The €18K provision reflects the estimated loss over the vesting period on the award of shares under the 2018 Plan, along with the employer's contribution defined in the "Macron" Law.

The €7K provision recognised in 2017 was written back in full after the free shares awarded under the 2017-1 Plan vested on 31 October 2018.

2.4. Free share plans

At the General Meeting held on 16 June 2016, the shareholders authorised the Board of Directors to award Group employees and/or certain corporate officers, on one or several occasions and over a maximum period of 38 months, free shares that may or may not be subject to performance conditions.

Part of this authorisation has been used. The terms and conditions of the authorisation along with a list of beneficiaries were approved by the Board of Directors at its meetings of 21 October 2016, 31 October 2017 and 23 July 2018.

The main features of the free share plans are summarised below:

Overview	*2016-2 Plan*	*2017-1 Plan*	*2018-1 Plan*
	Movements in 2016		
Date of General Meeting	16 June 2016	16 June 2016	16 June 2016
Total number of shares that may be awarded	10% of the share capital at the date of the General Meeting	10% of the share capital at the date of the General Meeting	10% of the share capital at the date of the General Meeting
Total number of shares actually awarded	6,533	3,500	3,467
Date of Board of Directors' decision	21 October 2016	31 October 2017	23 July 2018
Period during which the condition for awarding shares was assessed	Service condition assessed at the vesting date only	Service condition assessed at the vesting date only	Service condition assessed at the vesting date only
Vesting period	1 year	1 year	1 year
Post-vesting holding period	1 year	1 year	1 year
	Movements in 2017		
Number of shares subject to a service condition awarded during the year		3,500	
Number of shares forfeited or cancelled during the year	0	0	
Number of shares vested during the year	6,533	0	
Share price at the award date	€17.45	€34.27	
Number of shares at 31 December 2017	0	3,500	
Expense recognised during the year	€0	€7K	
Amount recognised in liabilities	€0	€7K	
	Movements in 2018		
Number of shares subject to a service condition awarded during the year		0	3,467
Number of shares forfeited or cancelled during the year		0	0
Number of shares vested during the year		3,357	0
Share price at the award date		€34.27	€43.25
Number of shares at 31 December 2018		0	3,467
Expense recognised during the year		€0	€18K
Amount recognised in liabilities		€0	€18K

2.5. Payables

At 31 December 2018, payables can be analysed by maturity as follows:

In € thousands	***Gross amount***	***1 year or less***	***More than 1 year and less than 5 years***	***More than 5 years***
Borrowings and debt – originally due within 1 year	10	10		
Borrowings and debt – originally due after 1 year	9,977	2,378	7,599	
Other borrowings and debt	16	16		
Advances and downpayments received	24	24		
Trade payables	6,041	6,041		
Employee-related payables	803	803		
Social security and other payables	734	734		
Income tax payables	555	555		
VAT payables	79	79		
Taxes, duties and similar levies payable	41	41		
Other payables	70	70		
Deferred income	439	230	209	
TOTAL	**18,789**	**10,981**	**7,808**	
Borrowings taken out during the year	9,382			
Borrowings repaid during the year	697			

Borrowings originally due after one year relate to:

- two bank loans for €9 million, with a final maturity in 2023, bearing fixed-rate interest at between 0.95% and 1% and taken out in connection with financing for the acquisition of RTG during the year;
- two bank loans for €721K, with a final maturity in 2023, bearing fixed-rate interest at between 1.15% and 1.64% and taken out in connection with financing for fixtures and fittings for the new headquarters;
- a €256K "participatory development" contract from BPI France (formerly OSEO), granted to the Company in connection with its acquisition of J2 in 2013.

Deferred income relates to revenue earned on extended warranties sold for the residual warranty period and relating to future years.

2.6. Accrued expenses

Accrued expenses can be analysed by statement of financial position caption at 31 December 2018 as follows:

In € thousands	***Amount***
Trade payables	2,396
Tax and social security payables	1,198
Accrued interest	25
TOTAL	**3,619**

2.7. Translation gains and losses

Foreign currency income and expenses are recognised at their equivalent value in euros at the transaction date, or at the hedged rate for hedged transactions in US dollars, with the associated foreign exchange gains and losses reclassified in other operating income and expenses.

Receivables and payables denominated in foreign currencies are carried in the statement of financial position at their equivalent value in euros at the exchange rate prevailing at the reporting date. Any resulting differences are recognised as unrealised translation gains or losses in the statement of financial position.

A provision for contingencies is set aside for any unrealised foreign exchange losses.

Translation differences arising on current bank accounts and petty cash in foreign currencies are included within foreign exchange gains and losses.

Translation gains and losses can be analysed as follows:

In € thousands	***Assets***	***Provision for***	***Liabilities***
	Unrealised loss	***foreign exchange losses***	***Unrealised gain***
Cash instruments	0		
Operating receivables/payables	18	18	286
TOTAL	**18**	**18**	**286**

NOTES TO THE INCOME STATEMENT

3. Operating profit

3.1. Geographic breakdown of revenue

The table below provides a breakdown of revenue by region:

Region	***2018***	***2017***	***% change***
France	24,596	23,533	4.5%
EU	30,088	27,126	10.9%
Export	16,448	16,664	-1.3%
TOTAL	**71,132**	**67,323**	**5.7%**

3.2. CICE tax credit

The CICE tax credit was recognised as a deduction from personnel costs, as allowed by the ANC in its position statement of February 2013.

The amount recognised in respect of the CICE tax credit in 2018 was €58K.

The 2018 CICE tax credit will be offset against tax when the tax due for 2018 is calculated in May 2019.

The 2017 CICE tax credit amounting to €64K was offset against the tax due for 2017 when it was calculated in May 2018.

The entire amount was earmarked to improve the Company's competitiveness.

4. Financial profit and loss

Financial profit and loss can be analysed as follows in 2018:

In € thousands	***2018***	***2017***
Provision for currency risks		(0)
Provision for impairment of long-term financial assets		0
Interest on borrowings and overdrafts	(49)	(47)
Foreign exchange losses	(332)	(160)
TOTAL FINANCIAL EXPENSES	**(381)**	**(207)**
Investment income	2,070	1,220
Interest on amounts receivable from equity investments	80	8
Other financial income	14	2
Provision for currency risks		0
Provision for impairment of long-term financial assets		3
Foreign exchange gains	15	0
TOTAL FINANCIAL INCOME	**2,179**	**1,233**
NET FINANCIAL LOSS	**1,798**	**1,026**

5. Non-recurring profit and loss

Non-recurring profit and loss can be analysed as follows in 2018:

In € thousands	***2018***	***2017***
Technical loss on buyback of treasury shares	(90)	(72)
Accelerated depreciation/amortisation	(0)	(36)
Non-deductible fines and penalties	(8)	(2)
Net carrying amount of non-current assets	(1)	(1)
Other non-recurring expenses	(39)	(5)
TOTAL NON-RECURRING EXPENSES	**(138)**	**(116)**
Technical gain on disposal of treasury shares	38	40
Proceeds from disposals of non-current assets	0	1
Other non-recurring income	365	122
TOTAL NON-RECURRING INCOME	**403**	**163**
NET NON-RECURRING PROFIT	**265**	**47**

"Other non-recurring income" primarily relates to a €335K indemnity paid by a supplier.

6. Income tax

Breakdown of income tax

In € thousands	***Profit for the year before tax***	***Tax payable***	***Net profit after tax***
Recurring profit	9,595	(2,682)	6,913
Short-term non-recurring profit	265	(74)	191
ACCOUNTING PROFIT	**9,860**	**(2,756)**	**7,104**

Change in future tax liability

In € thousands	***31 Dec. 2018***	***31 Dec. 2017***
TAX DUE:		
To be added back in subsequent financial years:		
Unrealised translation losses	18	224
TOTAL INCREASES	**18**	**224**
TAX PAID IN ADVANCE ON:		
Temporarily non-deductible expenses (to be deducted the following year):		
Provisions and accrued expenses	(120)	(293)
To be deducted in subsequent reporting periods:		
Other unrealised translation gains	(286)	(108)
TOTAL DECREASES	**(406)**	**(401)**
NET DEFERRED TAX POSITION	**(388)**	**(177)**

- OTHER DISCLOSURES

7. Related parties and related-party transactions

7.1. List of subsidiaries and equity investments

AURES Technologies SA is the parent company of the AURES consolidated group.

All entities are consolidated using the full consolidation method.

Subsidiaries (more than 50%-owned) ***Corporate name, country***	***AGH*** ***US***	***AURES Technologies Ltd*** ***UK***	***AURES Technologies GmbH*** ***Germany***
Share capital	USD 1,000	GBP 5,000	€25,000
Other equity	USD 2,876,299	GBP 4,867,782	€1,625,089
% interest	100%	100%	90%
Gross value of shares	€2,469,411	€291,899	€22,500
Net value of shares	€2,469,411	€291,899	€22,500
Loans and advances	USD 4,873,545	€0	€2,012,350
Revenue	USD 0	GBP 16,460,693	€17,364,147
Profit/(loss)	USD (44,014)	GBP 881,940	€1,567,115
Dividends collected during the year	€0	€1,125,207	€945,000

Subsidiaries (more than 50%-owned) ***Corporate name, country***	***J2 Systems Technology Ltd*** ***UK***	***AURES Technologies Pty*** ***Australia***	***AURES Technologies Inc.*** ***US***
Share capital	GBP 42,229	AUD 10	USD 10,000
Other equity	GBP (36,228)	AUD 5,270,089	USD 1,420,623
% interest	100%	100%	100%
Gross value of shares	€7,607,036	€0	€0
Net value of shares	€7,607,036	€0	€0
Loans and advances	€0	€0	€0
Revenue	GBP 0	AUD 15,903,773	USD 17,034,470
Profit	GBP 0	AUD 969,975	USD 472,737
Dividends collected during the year	€0	€0	€0

7.2. Related companies and equity investments

All transactions with related parties concern transactions with subsidiaries more than 90%-owned by AURES Technologies SA and are carried out at arm's length.

8. Off-balance sheet commitments

The table below shows the main commitments directly or indirectly given by the Company:

In € thousands	*31 Dec. 2018*	*Less than 1 year*	*1 -5 years*	*More than 5 years*	*31 Dec. 2017*
Leases (a)	1,949	362	1,300	286	
Forward purchases of foreign currencies (b)	5,780	5,780			14,755
Employee benefit obligations (c)	588			588	518
Pledge of business goodwill (d)	5,410		5,410		5,410
Guarantees (e)	4,017	2,533	1,484		0
TOTAL	**17,744**	**8,675**	**8,194**	**874**	**20,683**

Leases (a)

Leases concern:

- a property lease relating to the headquarters;

  The lease took effect in 2017 and is for a term of nine years. It is likely to be renewed;

- three- or four-year vehicle leases;
- five-year industrial and IT equipment leases.

Financial instruments (b)

As part of managing its currency risk, AURES Technologies SA takes out currency forwards.

These foreign currency instruments primarily consist of forward commitments to purchase USD at six months or one year. They are quoted on organised or over-the-counter markets and their counterparty risk is deemed to be low.

Gains and losses on financial instruments are recognised symmetrically with gains and losses on the hedged items. Forwards are subsequently measured at fair value at the reporting date and included within cash instruments in the statement of financial position, as described in Note 2.7.

Employee benefit obligations (c)

The Company has no pension obligations. Its only employee benefit obligations concern termination benefits payable upon retirement, pursuant to the collective bargaining agreement.

The actuarial method used to measure these benefits is the projected unit credit method.

To reflect the impact of increases in benefit entitlement based on seniority, benefits are allocated on a straight-line basis over the employee's active working life.

The portion of the benefit obligation allocated to reporting periods prior to the measurement date (defined benefit obligation) corresponds to the Company's obligation for services provided. The actuarial liability corresponds to the amount of the benefit obligation for which a provision should be set aside in the financial statements.

The portion of the benefit obligation allocated to the reporting period following the measurement date (service cost) reflects the likely increase in the obligation owing to the additional year of service provided by the employee at the end of that period.

The future off-balance sheet obligation is shown in the table indicating the Company's various commitments. It is calculated on a case-by-case basis in accordance with the recommendations of the International Accounting Standards Board (IASB) (revised IAS 19). The sum of these obligations gives the total benefit obligation for the Company.

The assumptions used to calculate the obligation for 2018 and 2017 are as follows:

	2018	2017
Mortality rate	TD/TV 2012-2014	TD/TV 2012-2014
Discount rate	1.6%	1.3%
Rate of future salary increases	1.5%	1.5%
Theoretical retirement age for managerial-grade employees (*cadres*)	65 years	65 years
Theoretical retirement age for other employees	63 years	63 years
Employee turnover rate	1.4%	1.4%
Employer payroll tax rate	48.7%	48.6%

Pledge of business goodwill (d)

On 31 December 2012, business goodwill was pledged to Crédit du Nord and BNP Paribas in an amount of €5,060,000 in connection with financing set up for the J2 Systems Technology acquisition on 20 December 2012.

On 10 January 2017, business goodwill was pledged to BPI France in an amount of €350,000 in connection with financing set up in relation to fixtures and fittings for the new headquarters.

Guarantees (e)

Within the scope of the RTG acquisition on 16 October 2018, AURES Technologies SA provided a parent company guarantee to its subsidiary AGH US Holding Company Inc. It remains liable for the amounts due between 2019 and 2022, i.e., €4,017K (USD 4,600K based on the exchange rate at 31 December 2018).

Other commitments given by the Company relate to bank covenants agreed at the time of arranging financing for the acquisition of RTG on 16 October 2018.

The Company undertook to comply with the ratios defined in the loan agreement with BNP Paribas. The two ratios, based on the consolidated financial statements, are:

- Net debt/equity
- Free cash flow/interest expense

At 31 December 2018, the Company must have:

- Stable net debt/equity: 1 or less
- Free cash flow/interest expense: more than 1

The Group complied with both of these covenants at 31 December 2018.

9. Stock options

There were no stock options plans in force at 31 December 2018.

10. Executive remuneration

Remuneration paid to members of managing bodies totalled €815K in 2018 (2017: €702K).

No advances were granted during the year.

The above amount concerns remuneration payable to the Chairman and Chief Executive Officer.

Remuneration payable to other corporate officers is not disclosed for confidentiality reasons, given the Company's scale and operating methods.

11. Breakdown of average headcount

	2018	***2017***
Headcount	*Employees on the payroll*	*Employees on the payroll*
Managerial-grade employees (*cadres*)	23.78	22.46
Other employees	25.39	25.77
TOTAL	**49.17**	**48.23**

Reporting date	***31 Dec. 2018***	***31 Dec. 2017***	***31 Dec. 2016***	***31 Dec. 2015***	***31 Dec. 2014***
Duration of reporting period (months)	***12***	***12***	***12***	***12***	***12***
CAPITAL AT 31 DECEMBER					
Share capital	1,000	1,000	1,000	1,000	1,000
Number of shares outstanding					
- ordinary shares	4,000	4,000	4,000	1,000	1,000
- preferred shares					
Maximum number of shares to be created:					
- by converting bonds					
- through subscription rights					
RESULTS OF OPERATIONS					
Revenue excluding VAT	71,132	67,323	62,777	58,865	51,184
Profit before tax, profit-sharing, depreciation, amortisation and provisions	10,035	8,099	8,599	8,287	5,388
Income tax expense	2,756	2,142	2,437	2,219	1,925
Employee profit-sharing					
Depreciation, amortisation and provisions	175	256	410	171	(513)
Net profit for the year	7,104	5,701	5,753	5,898	3,976
Profit distributed	1,589	1,904	1,983	1,487	0
EARNINGS PER SHARE (€)					
Earnings per share after tax and profit-sharing, but before depreciation, amortisation and provisions	1.82	1.49	1.54	6.07	3.46
Earnings per share after tax, profit-sharing, depreciation, amortisation and provisions	1.77	1.43	1.44	5.90	3.98
Dividends per share	0.40	0.48	0.50	1.50	0
EMPLOYEES					
Average headcount	49.17	48.23	47.05	46.88	46.24
Total payroll	3,891	3,637	3,299	3,284	2,981
Employee benefits paid (social security, charities, etc.)	1,929	1,668	1,228	1,521	1,466

12. Person responsible for the annual financial report

Patrick Cathala

Chairman and Chief Executive Officer

13. Statement by the person responsible for the annual financial report

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all of the entities included in the consolidated group, and that the management report includes a fair description of the business performance, results and financial position of the Company and all of the entities included in the consolidated group, along with a description of the principal risks and uncertainties they face.

Patrick Cathala

Chairman and Chief Executive Officer

AURES Technologies SA

Statutory Auditors' report
on the consolidated financial statements

(For the year ended 31 December 2018)

PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine, France

F.-M. Richard & Associés
1, place d'Estienne d'Orves
75009 Paris, France

Statutory Auditors' report on the consolidated financial statements

(For the year ended 31 December 2018)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

AURES Technologies SA
24 bis, rue Léonard de Vinci
91090 Lisses
France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of AURES Technologies SA for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Board of Directors meeting in its capacity as the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 4.1 to the consolidated financial statements concerning the first-time application of IFRS 15 – Revenue from Contracts with Customers.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and intangible non-current assets

Description of risk

As part of its business development, AURES Technologies acquired J2 Systems Technology in 2013 and Retail Technology Group Inc. (RTG) in 2018 and accordingly recognised goodwill and intangible assets.

Goodwill, which is described in Note 5.1 to the consolidated financial statements, represents the difference between the cost of acquiring J2 Systems Technology and RTG and the fair value of their net identifiable assets at the date of acquisition. The intangible assets recognised with respect to the acquisition of J2 Systems Technology correspond to customer relationships. At 31 December 2018, consolidated non-current assets included goodwill of €13,088 thousand, of which €12,757 thousand relates to the acquisition of RTG in 2018, as well as customer relationships for €2,262 thousand.

AURES Technologies management performs annual impairment tests, as explained in Note 1.3.1 to the consolidated financial statements.

Given (i) their materiality in the consolidated financial statements and (ii) the measurement methods used in annual impairment tests, which rely in particular on projected future cash flows and for which purpose management must rely on assumptions and make estimates, we deemed the measurement of non-current assets to be a key audit matter.

The methods used to perform the impairment test and details about the assumptions used are described in Note 5.1 to the consolidated financial statements.

How our audit addressed this risk

Our procedures consisted in assessing the relevance of the measurement performed by management and the appropriateness of the main assumptions and estimates used, particularly in terms of future cash flows, long-term growth rates and discount rates.

In particular, we compared initial cash flow forecasts with actual cash flows.

In addition, we carried out our own sensitivity analyses to supplement our assessment of the appropriateness of the key assumptions and inputs.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

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

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of AURES Technologies SA by the Annual General Meetings held on 20 May 2005 for F.-M. Richard & Associés and on 11 June 2014 for PricewaterhouseCoopers Audit.

As at 31 December 2018, F.-M. Richard & Associés and PricewaterhouseCoopers Audit were in the fourteenth and fifth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Board of Directors meeting in its capacity as the Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.
The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether

these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Board of Directors meeting in its capacity as the Audit Committee

We submit a report to the Board of Directors meeting in its capacity as the Audit Committee, which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Board of Directors meeting in its capacity as the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Board of Directors meeting in its capacity as the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Board of Directors meeting in its capacity as the Audit Committee.

Neuilly-sur-Seine and Paris, 4 June 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	F.-M. Richard & Associés
Pierre Marty	Julie Galophe

AURES Technologies SA

Statutory Auditors' report
on the financial statements

(For the year ended 31 December 2018)

PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine, France

F.-M. Richard & Associés
1, place d'Estienne d'Orves
75009 Paris, France

Statutory Auditors' report on the financial statements

(For the year ended 31 December 2018)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

AURES Technologies SA
24 bis, rue Léonard de Vinci
91090 Lisses
France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of AURES Technologies SA for the year ended 31 December 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Board of Directors meeting in its capacity as the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Measurement of equity investments

Description of risk

Equity investments came to €11,342 thousand at 31 December 2018 and represented one of the largest assets on the balance sheet. As described in Note 1.3 to the financial statements, they are carried at cost and may be impaired based on their estimated recoverable amount taking into account the share in net assets of the concerned investments, adjusted where necessary for any unrealised gains on non-current assets and profitability outlook.

In order to estimate this recoverable amount, management is required to exercise judgement to decide which inputs to use for each investee. These inputs either correspond to historical data or forecast data.

Accordingly, we deemed the measurement of equity investments to be a key audit matter, due to the inherent risk of certain inputs, in particular the likelihood of achieving projections.

How our audit addressed this risk

In order to assess the reasonableness of the estimated values in use of equity investments, based on the information provided to us, our audit work consisted mainly in verifying that the estimated values in use determined by management were based on an appropriate measurement method and underlying data.

For measurements based on historical data, we verified that the equity values used were consistent with the financial statements of the entities concerned.

For measurements based on forecast data, we obtained the assumptions used by management in the analyses on the profitability outlook of these entities. We verified the consistency of the assumptions used with the economic environment at the reporting date and at the date on which the financial statements were prepared.

Where the value in use was lower than the acquisition value of an investment, we verified that the appropriate write-down was made.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to payment terms referred to in article D.441-4 of the French Commercial Code.

Report on corporate governance

In accordance with French law, we inform you that:

- the information concerning compensation and benefits paid to corporate officers other than the Chairman and Chief Executive Officer and any other commitments made to such officers provided for in article L.225-37-3 of the French Commercial Code has not been disclosed in the Board of Directors' report on corporate governance;

- the Board of Directors' report on corporate governance does not explain why the Company decided to not refer to the provisions of a corporate governance code drawn up by company representative organisations as provided for in article L.225-4 of the French Commercial Code.

Accordingly, we are not in a position to attest to the presence of the required information in the report nor to the accuracy and fair presentation of the information on compensation and benefits paid or commitments made to corporate officers.

Concerning the information given in accordance with the requirements of article L.225-37-5 of the French Commercial Code relating to those items your Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests and the identity of the shareholders and holders of

the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of AURES Technologies SA by the Annual General Meetings held on 20 May 2005 for F.-M. Richard & Associés and on 11 June 2014 for PricewaterhouseCoopers Audit.

As at 31 December 2018, F.-M. Richard & Associés and PricewaterhouseCoopers Audit were in the fourteenth and fifth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Board of Directors meeting in its capacity as the Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Board of Directors meeting in its capacity as the Audit Committee

We submit a report to the Board of Directors meeting in its capacity as the Audit Committee, which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Board of Directors meeting in its capacity as the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Board of Directors meeting in its capacity as the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to

L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Board of Directors meeting in its capacity as the Audit Committee.

Neuilly-sur-Seine and Paris, 4 June 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	F.-M. Richard & Associés
Pierre Marty	Julie Galophe

AURES Technologies SA

Statutory Auditors' special report
on related-party agreements and commitments

(Annual General Meeting for the approval of the financial statements for the year ended 31 December 2018)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine, France

F.-M. Richard & Associés
1, place d'Estienne d'Orves
75009 Paris, France

Statutory Auditors' special report on related-party agreements and commitments

(Annual General Meeting for the approval of the financial statements for the year ended 31 December 2018)

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

AURES Technologies SA
ZAC des Folies
24 bis, rue Léonard de Vinci
91090 Lisses
France

To the Shareholders,

In our capacity as Statutory Auditors of AURES Technologies, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements and commitments authorised and entered into during the year

We were not informed of any agreement or commitment authorised and entered into during the year to be submitted for approval at the Annual General Meeting pursuant to the provisions of article L.225-38

of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments approved in previous years

In accordance with article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in force during the year ended 31 December 2018.

1. Commercial lease for Le Cristal Un SCI

Person concerned:
Patrick Cathala, Legal Manager (*Gérant*) of Le Cristal Un SCI and Chairman of the AURES Technologies SA Board of Directors.

Nature and purpose:
Le Cristal Un SCI agreed to rent offices and business and storage facilities located at ZAC des Folies – 24 bis, rue Léonard de Vinci, 91090 Lisses, France, to AURES Technologies under a commercial lease.

Terms and conditions:
On 20 September 2016, your Board of Directors authorised the signature of a commercial lease for these premises, which have been used by the Company since 1 January 2017, in return for an annual rent plus the reimbursement of certain charges.

The amount paid by your Company in 2018 came to €282,711 and breaks down as follows:

– Rent and insurance	€228,605
– Taxes	€54,106

Neuilly-sur-Seine and Paris, 4 June 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	F.-M. Richard & Associés
Pierre Marty	Julie Galophe