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2019

FIRST HALF FINANCIAL REPORT

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INTERIM BUSINESS REVIEW

At its meeting on 23 September 2019, the Board of Directors approved the accompanying interim financial statements for the six months ended 30 June 2019.

1. Significant events and impact on the interim financial statements

The Group sees 2019 as a transitional year, with the first six months shaped by the events described below:

- Start of RTG integration

AURES acquired US company Retail Technology Group Inc. (RTG) on 16 October 2018, and RTG is consolidated as from that date.

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 companies 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.

- Continued development of the kiosks business

Following its acquisition on 4 January 2018 of a 15% stake in the share capital of French company CJS-PLV and the signature of the first sales contracts in 2018, the Group continued to develop its kiosks business, strengthening its teams and expanding its range of products.

- Creation of an innovation department

The emergence of connected, omni-channel and mobility-focused businesses presents the Group with significant challenges.

A new innovation department has therefore been created by the Group to anticipate and meet the challenges resulting from the transformation in buying habits and thereby support clients with their own digital change management projects.

Key events concerning the Group's business include:

- a sharp decline in consolidated revenue (down 22.8% versus first-half 2018) for the historical reporting scope (excluding RTG);

- fluctuations in the currency market.

In first-half 2019, the euro strengthened significantly against the US dollar (decrease of 6.7% in the average USD/EUR exchange rate compared with first-half 2018).

2. Financial position and results

2.1. Revenue

Consolidated revenue came in at €57,229K for first-half 2019, up 9.2% from €52,421K in first-half 2018.

At a constant reporting scope, consolidated revenue was down 22.8%.

This trend concerns all of the Group's historical entities except its Australian subsidiary, which continued to deliver revenue growth at 13.7% (16.1% in local currency terms).

Over the first six months of the year, the Group had to contend with:

- a high basis of comparison with the first half of 2018, when consolidated revenue jumped 23.4% year on year, hitting a record high of €52.4 million, mainly driven by the introduction of the NF 525 anti-fraud measure in France;
- economic uncertainties caused by Brexit;
- the negative impact that the "yellow vest" movement had on the French retail sector; and
- the fact that the NF 525 compliance transition period for POS payment systems reached an end.

2.2. Net operating profit

Net operating profit totalled €3,505K, down 57.3% from €8,200K in first-half 2018, representing an operating margin of 6.1% (9.4% for the historical reporting scope).

The year-on-year decrease in net operating profit was mainly due to the revenue contraction posted by the Group's historical reporting scope, which led to a reduction in gross margin of around €4.4 million.

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

	First-half 2019	*First-half 2018*
Revenue	57,229	52,421
Cost of goods sold	(29,349)	(32,781)
Gross margin	**27,880**	**19,640**
as a % of revenue	**48.7%**	**37.5%**

For the historical reporting scope, the percent gross margin held firm compared with the same period of 2018, at a rate of 37.5%.

The sharp fluctuations in the average USD/EUR exchange rate during the period had only a very limited impact thanks to the currency hedges put in place by the Group.

Excluding RTG, external expenses were €989K lower year on year (€3,629K in first-half 2019 versus €4,618K in first-half 2018), chiefly reflecting:

- the first-time application of IFRS 16, which led the Group to cancel €427K in rental expenses for the historical reporting scope;
- the absence of professional fees relating to planned acquisitions (these had been recognised in first-half 2018 for approximately €234K);
- lower advertising expenses amounting to €97K.

RTG external expenses amounted to €5,099K.

Taxes other than on income remained broadly stable.

Excluding RTG, personnel costs were €129K higher year on year (€6,068K in first-half 2019 versus €5,941K in first-half 2018). Personnel costs relating to RTG amounted to €6,714K.

The increase in personnel costs results from a net rise in these costs for the historical reporting scope and reflects:

- a decrease in variable remuneration based on sales performance (around €167K);
- the absence of a provision for discretionary profit-sharing schemes (this totalled €114K at 30 June 2018).

The increase in personnel costs chiefly reflects a rise in headcount (see Note 6.2 to the interim consolidated financial statements).

RTG contributed a negative €299K to net operating profit during the period.

The impacts of the first-time application of IFRS 16 on net operating profit for first-half 2019 are:

- the cancellation of rental expenses in an amount of €927K; and
- the recognition of a depreciation expense of €872K.

2.3. Financial profit and loss

The Group recorded a net financial loss of €271K in first-half 2019 versus €233K in net financial profit in the equivalent prior-year period. This negative swing reflects currency fluctuations as well as €121K in interest expense on lease liabilities recognised as a result of the Group's adoption of IFRS 16.

The elements comprising the net financial loss are detailed in Note 5.21 to the consolidated financial statements for the six months ended 30 June 2019.

2.4. Net profit

After €1,243K in tax expense, the Group's net profit for first-half 2019 came to €1,991K, or 3.5% of revenue (5.7% for the historical reporting scope).

Attributable net profit for the period amounted to €1,970K.

3. Subsequent events

On 25 September 2019, the French Supreme Court (*Cour de Cassation*) dismissed the appeal lodged by a former Company senior executive on 21 March 2017 within the scope of employment court (*Conseil de prud'hommes*) proceedings. No provision was recognised in this respect in the consolidated financial statements for the six months ended 30 June 2019.

No other events that could have a significant impact on the consolidated financial statements took place between 30 June 2019 and the date on which this report was prepared.

4. Risks and uncertainties

The risks and uncertainties facing the Company's business activities in the months ahead are broadly similar to those presented in the management report contained in the 2018 annual report.

Regarding the data breach at AURES' US subsidiary RTG, which was brought to the Group's attention on 29 January 2019, analyses have been performed on RTG's IT systems in order to identify the causes of the breach. IT security checks have also been carried out. The cost of these operations totalled €385K (USD 441K) and was recognised as an adjustment to liabilities and provisional goodwill at 1 January 2019.

Since there were no significant developments during the period in other disputes in progress at 31 December 2018 (with the exception of the dispute discussed in "Subsequent events"), the Company maintained the position it adopted at the time of preparing its financial statements for the year ended 31 December 2018.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€ thousands)

Notes	*ASSETS*	*30 June 2019*	*31 Dec. 2018*
	NON-CURRENT ASSETS		
5.1	Goodwill	13,553	13,088
5.2	Intangible assets	2,299	2,566
5.3	Property, plant and equipment	1,725	1,917
5.4	Right-of-use assets under leases	6,747	0
5.5	Other financial assets	1,503	1,535
5.22	Deferred tax assets	2,820	2,622
	TOTAL NON-CURRENT ASSETS	**28,647**	**21,728**
	CURRENT ASSETS		
5.6	Inventories and work-in-progress	24,725	21,425
5.7	Trade receivables	17,836	16,529
5.8	Other current assets	2,555	3,545
	Financial assets at fair value	0	35
5.9	Cash and cash equivalents	9,749	9,726
	TOTAL CURRENT ASSETS	**54,865**	**51,260**
	TOTAL ASSETS	**83,512**	**72,988**

Notes	*EQUITY AND LIABILITIES*	*30 June 2019*	*31 Dec. 2018*
	EQUITY		
	Share capital	1,000	1,000
	Reserves	24,711	21,414
	Attributable net profit for the period	1,970	8,144
	Shareholders' equity	*27,681*	*30,558*
	Non-controlling interests	155	133
5.10	**TOTAL EQUITY**	**27,836**	**30,691**
	NON-CURRENT LIABILITIES		
5.13	Non-current borrowings and debt	8,806	7,621
5.14	Non-current lease liabilities	5,442	0
5.22	Deferred tax liabilities	499	511
5.11	Provisions for contingencies and expenses	1,415	1,426
	TOTAL NON-CURRENT LIABILITIES	**16,162**	**9,558**
	CURRENT LIABILITIES		
5.15	Trade payables	12,751	10,407
5.13	Current borrowings and debt	5,213	4,726
5.14	Current portion of lease liabilities	1,384	0
	Derivative instruments	59	0
	Current tax	450	971
5.16	Contract liabilities	6,652	6,360
5.17	Other liabilities	13,005	10,275
	TOTAL CURRENT LIABILITIES	**39,514**	**32,739**
	TOTAL EQUITY AND LIABILITIES	**83,512**	**72,988**

The impact of the first-time application of IFRS 16 is set out in Note 1.2.

CONSOLIDATED INCOME STATEMENT (€ thousands)

Notes		*First-half 2019*	*First-half 2018*
5.18	Revenue	57,229	52,421
	Cost of goods sold	(29,349)	(32,781)
	Personnel costs	(12,783)	(5,941)
	External expenses	(8,728)	(4,618)
	Taxes other than on income	(313)	(311)
5.2/5.3	Depreciation and amortisation expense	(1,508)	(475)
5.6/5.7/5.11	(Additions to)/Reversals of provisions	(864)	(349)
5.19	Other operating income and expenses	(179)	(87)
	Net recurring operating profit	**3,505**	**7,859**
5.20	Other income from operations	3	343
5.20	Other expenses from operations	(3)	(2)
	Net operating profit	**3,505**	**8,200**
	Cost of gross debt	(91)	(42)
5.21	**Cost of net debt**	**(91)**	**(42)**
5.21	Other financial income	39	1,538
5.21	Other financial expenses	(219)	(1,263)
5.22	Income tax expense	(1,243)	(2,792)
	Net profit for the period	**1,991**	**5,641**
	Attributable to owners of the parent	1,970	5,558
	Attributable to non-controlling interests	21	83
5.23	**Basic earnings per share (€)**	**0.50**	**1.40**
5.23	**Diluted earnings per share (€)**	**0.50**	**1.40**

The impact of the first-time application of IFRS 16 is set out in Note 1.2.

Consolidated statement of comprehensive income

Notes	*First-half 2019*	*First-half 2018*
Consolidated net profit attributable to owners of the parent	**1,970**	**5,558**
Other comprehensive income/(loss) to be reclassified to the income statement		
Translation gains and losses	(6)	(103)
Other comprehensive income/(loss) not to be reclassified to the income statement		
Actuarial gains and losses on defined benefit plans		
Total other items of comprehensive income/(loss)	**(6)**	**(103)**
Net profit attributable to non-controlling interests		
Attributable to owners of the parent	**1,964**	**5,455**
Attributable to non-controlling interests	**21**	**83**
Total comprehensive income	**1,985**	**5,538**

CONSOLIDATED STATEMENT OF CASH FLOWS (€ thousands)

	First-half 2019	First-half 2018
Consolidated net profit (1)	1,991	5,641
+/- Net depreciation, amortisation and provision expense (2)	1,388	523
-/+ Unrealised gains and losses on changes in fair value	98	(447)
-/+ Income and expenses related to stock options and other	76	59
-/+ Capital gains and losses on disposals	(12)	
+ Cost of net debt	213	42
+/- Income tax expense (including deferred taxes)	1,243	2,792
= CASH FLOW FROM OPERATIONS BEFORE COST OF NET DEBT AND INCOME TAX EXPENSE (A)	4,997	8,610
- Income tax paid **(B)**	(1,697)	(1,853)
+/- Change in working capital relating to operations (3) **(C)**	(2,862)	(2,835)
= NET CASH FROM OPERATING ACTIVITIES (D) = (A)+(B)+(C)	438	3,922
- Outflows relating to purchases of property, plant and equipment and intangible assets	(167)	(183)
+ Inflows relating to disposals of property, plant and equipment and intangible assets		
- Outflows relating to purchases of long-term financial assets (non-consolidated equity investments)		(951)
+/- Impact of changes in the scope of consolidation		
+/- Change in loans and advances granted	35	(5)
= NET CASH FROM/(USED IN) INVESTING ACTIVITIES (E)	(132)	(1,139)
-/+ Buybacks and sales of treasury shares	(975)	
- Dividends paid during the period:		
- Dividends paid to owners of the parent	0	(1,588)
- Dividends paid to non-controlling shareholders of consolidated companies		
+ Inflows relating to new borrowings	3,034	383
- Repayments of borrowings	(1,208)	(275)
- Decrease in lease liabilities	(802)	
- Net interest paid	(213)	(42)
= NET CASH FROM/(USED IN) FINANCING ACTIVITIES (F)	(164)	(1,522)
+/- Impact of exchange rate fluctuations (G)	11	(69)
= NET CHANGE IN CASH AND CASH EQUIVALENTS (4) H = (D)+(E)+(F)+(G)	153	1,191
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (I)	7,400	5,049
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD (J)	7,553	2,830

(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 5.9 and 5.13).

The impact of the first-time application of IFRS 16 is set out in Note 1.2.

Details of changes in working capital are provided in Note 5.12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (€ thousands)

	Share capital	Consolidated reserves	Translation reserves	Shareholders' equity	Non-controlling interests	Total equity
Total equity at 31 December 2017	**1,000**	**26,044**	**(1,318)**	**25,726**	**97**	**25,823**
Net profit for the period		5,558		5,558	83	5,641
Translation gains and losses			(103)	(103)		(103)
Comprehensive income		***5,558***	***(103)***	***5,455***	***83***	***5,538***
Impact of applying IFRS 15		(808)		(808)		(808)
Dividends paid		(1,589)		(1,589)		(1,588)
Treasury share transactions		(40)		(40)		(40)
Free share award		59		59		59
Equity at 30 June 2018	**1,000**	**29,225**	**(1,421)**	**28,805**	**179**	**28,984**

	Share capital	Consolidation reserves	Translation reserves	Shareholders' equity	Non-controlling interests	Total equity
Total equity at 31 December 2018	**1,000**	**31,063**	**(1,505)**	**30,558**	**133**	**30,691**
Net profit for the period		1,970		1,970	21	1,991
Translation gains and losses			(6)	(6)		(6)
Comprehensive income		***1,970***	***(6)***	***1,964***	***21***	***1,985***
Dividends approved		(3,925)		(3,925)		(3,925)
Treasury share transactions		(985)		(985)		(985)
Free share award		76		76		76
Other		(7)		(7)		(7)
Equity at 30 June 2019	**1,000**	**28,192**	**(1,511)**	**27,681**	**155**	**27,836**

1. Accounting policies and methods

1.1. General accounting principles and accounting standards

The AURES Group has prepared its condensed interim financial statements for the six months ended 30 June 2019 in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and mandatorily applicable prior to 30 June 2019.

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

https://ec.europa.eu/info/index_en

The interim consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with IAS 34 – Interim Financial Reporting. As these are condensed financial statements, they do not include all of the disclosures required by IFRS and must be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

With the exception of IFRS 16, the impacts of which are detailed in Note 1.2, the accounting policies and methods used by the Group to prepare its condensed interim financial statements are identical to those used to prepare the consolidated financial statements for the year ended 31 December 2018.

The following other main standards, amendments and interpretations applicable for reporting periods beginning on or after 1 January 2019 do not have a material impact on the financial statements or are not applicable:

- Annual improvements to IFRSs – 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)
- Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"
- Amendment to IFRS 9 "Prepayment Features with Negative Compensation"
- Amendment to IAS 28 – "Investments in Associates and Joint Ventures"

The Group did not opt for the early application of standards, amendments or interpretations whose application was not mandatory in 2019.

These chiefly include:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- New conceptual framework

The consolidated financial statements for the six months ended 30 June 2019 were approved by the Board of Directors on 23 September 2019.

1.2. Change in accounting policies

Impacts of the first-time application of IFRS 16

IFRS 16 – Leases, applicable for the first time for reporting periods beginning on or after 1 January 2019, replaces IAS 17 and its related interpretations.

As indicated in the notes to the consolidated financial statements for the year ended 31 December 2018, the AURES Group opted for the simplified retrospective transition method, whereby the cumulative impact of applying IFRS 16 for the first time is recognised as an adjustment to opening equity, with no restatement of 2018 comparative information.

The Group's leases are primarily property leases, although it also leases vehicles and equipment.

At the date of its transition to IFRS 16, the Group used the following practical expedients available under the standard:

- the carrying amount of right-of-use assets under leases is equal to that of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases, as recognised in the statement of financial position immediately before the date of first-time application;
- a single discount rate is used for groups of leases with similar characteristics;
- initial direct costs are excluded from the measurement of right-of-use assets.

Similarly, as allowed by the standard, the Group did not recognise leases with a low-value (i.e., less than USD 5K) underlying asset.

No IFRS 16 impact was recognised in equity at 1 January 2019.

Leases capitalised at the date of first-time application

Lease liabilities

At 1 January 2019, the Group recognised €7.6 million in lease liabilities, representing the present value of lease payments due over the term of operating leases identified at that date.

The lease term adopted for each of the leases is the non-cancellable period of the lease, taking into account any periods covered by an option if management considers the option could be exercised.

The discount rates applied at the transition date are based on the Group's incremental borrowing rate plus a spread to reflect the economic environment specific to each country.

These discount rates were determined taking into account the average residual terms of the leases at the date of first-time application of IFRS 16.

Finance lease liabilities reported within debt on the statement of financial position at 31 December 2018 for €28K were reclassified within lease liabilities at 1 January 2019.

The Group has chosen to present lease liabilities separately from net debt.

Right-of-use assets

The carrying amount of right-of-use assets under leases is equal to that of lease liabilities adjusted by the amount of any prepaid or accrued payments relating to those leases, net of any incentives received from lessors (€29K) and the net carrying amount of non-current assets held under finance leases at 31 December 2018 (€18K).

The Group had right-of-use assets under leases totalling €7.6 million at the date of transition to IFRS 16.

Impact on the presentation of the financial statements

Right-of-use assets under leases and lease liabilities are reported on separate lines of the consolidated statement of financial position.

The resulting depreciation expense and interest expense are respectively accounted for within net recurring operating profit and other financial expenses.

The table below shows the impacts of the first-time application of IFRS 16 on the Group's statement of financial position:

ASSETS (in € thousands)	*31 Dec. 2018 Published*	*IFRS 16*	*1 Jan. 2019 IFRS 16*
NON-CURRENT ASSETS			
Goodwill	13,088		13,088
Intangible assets	2,566	(18)	2,548
Property, plant and equipment	1,917		1,917
Right-of-use assets under leases	0	7,626	7,626
Other financial assets	1,535		1,535
Deferred tax assets	2,622		2,622
TOTAL NON-CURRENT ASSETS	**21,728**	**7,608**	**29,336**
CURRENT ASSETS			
Inventories and work-in-progress	21,425		21,425
Trade receivables	16,529		16,529
Other current assets	3,545		3,545
Financial assets at fair value	35		35
Cash and cash equivalents	9,726		9,726
TOTAL CURRENT ASSETS	**51,260**		**51,260**
TOTAL ASSETS	**72,988**	**7,608**	**80,596**

EQUITY AND LIABILITIES (in € thousands)	*31 Dec. 2018 Published*	*IFRS 16*	*1 Jan. 2019 IFRS 16*
EQUITY			
Share capital	1,000		1,000
Reserves	21,414		21,414
Net profit for the period	8,144		8,144
Shareholders' equity	*30,558*		*30,558*
Non-controlling interests	133		133
TOTAL EQUITY	**30,691**		**30,691**
NON-CURRENT LIABILITIES			
Non-current borrowings and debt	7,621	(21)	7,600
Non-current lease liabilities	0	7,658	7,658
Deferred tax liabilities	511		511
Provisions for contingencies and expenses	1,426		1,426
TOTAL NON-CURRENT LIABILITIES	**9,558**	**7,637**	**17,195**
CURRENT LIABILITIES			
Trade payables	10,407	(29)	10,378
Current borrowings and debt	4,726	(6)	4,720
Current portion of lease liabilities	0	6	6
Derivative instruments	0		0
Current tax	971		971
Contract liabilities	6,360		6,360
Other liabilities	10,275		10,275
TOTAL CURRENT LIABILITIES	**32,739**	**(29)**	**32,710**
TOTAL EQUITY AND LIABILITIES	**72,988**	**7,608**	**80,596**

The table below presents the impacts of the first-time application of IFRS 16 (excluding finance leases) on the income statement for first-half 2019:

In € thousands	*First-half 2019 Published*	*IFRS 16*	*IAS 17*
Revenue	57,229		57,229
EBITDA	**5,877**	**927**	**4,950**
Depreciation and amortisation expense	(1,508)	(872)	(636)
(Additions to)/Reversals of provisions	(864)		(864)
Net recurring operating profit	**3,505**	**55**	**3,450**
Other income from operations	(3)		(3)
Other expenses from operations	3		3
Net operating profit	**3,505**	**55**	**3,450**
Cost of gross debt	(91)		(91)
Cost of net debt	**(91)**		**(91)**
Other financial income	39		39
Other financial expenses	(219)	(121)	(98)
Income tax expense	(1,243)	18	(1,261)
Net profit for the period	**1,991**	**(48)**	**2,039**

Lease liabilities repaid in the period amount to €802K.

Financial expenses continue to be presented within operating items.

Off-balance sheet commitments reported at 31 December 2018 in accordance with IAS 17 amounted to €8.1 million, or around €7.6 million discounted at the incremental borrowing rate at 1 January 2019; this is equivalent to the amount of lease liabilities at 1 January 2019 (the average incremental borrowing rate at the transition date is 1.25%).

All leases falling within the scope of IFRS 16 were restated.

Impacts of the first-time application of IFRIC 23

The Group applied IFRIC 23 – Uncertainty over Income Tax Treatments for the first time at 1 January 2019. IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 – Income Taxes are applied when there is uncertainty over income tax treatments. The Group applied IFRIC 23 at 1 January 2019 using the modified retrospective approach, i.e., with no restatement of comparative information. The first-time application of IFRIC 23 has no impact on consolidated equity at that date but results in the reclassification of provisions for income taxes within current tax liabilities. No additional liabilities were recognised in respect of uncertainties over income taxes based on the analyses carried out.

1.3. Accounting methods

1.3.1. Leases

The Group recognises a lease when it has the right to direct an identified asset's use and when it obtains substantially all the economic benefits from that use.

The Group primarily has property leases such as of offices or warehouses, although it also leases vehicles and office equipment.

Leases are recognised in the statement of financial position upon commencement of the lease for the present value of future lease payments.

The Group therefore recognises:

- non-current right-of-use assets under leases; and
- lease liabilities reflecting lease payment obligations.

1.3.2 Right-of-use assets

Upon commencement of a lease, right-of-use assets represent the initial amount of the liability plus any initial direct costs and any adjustments for restoration obligations or payments made to the lessor prior to commencement of the lease, net of any incentives received from the lessor.

Right-of-use assets are depreciated over the lease term, generally corresponding to the non-cancellable term of the lease including any extension options that are reasonably certain to be exercised.

Depreciation recognised against right-of-use assets is included in net recurring operating profit.

1.3.3. Lease liabilities

Upon commencement of a lease, lease liabilities are recognised for an amount equal to the present value of future lease payments, including fixed lease payments, variable lease payments that depend on an index or a rate defined in the lease, and payments relating to extension, purchase, termination or non-renewal options, provided that the Group is reasonably certain that it will exercise those options.

When the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure right-of-use assets and the corresponding lease liabilities. The incremental borrowing rate notably takes into account the terms applicable to the Group's own borrowings and the economic environment in which the lease was entered into.

Lease liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense over the period is shown within financial profit and loss.

Lease liabilities are presented separately from net debt.

1.3.4. Exemptions

Short-term leases or leases with a low-value underlying asset are recognised directly in rental expenses.

2. Scope of consolidation

The ultimate parent company is AURES Technologies SA.

The following entities are included in the scope of consolidation:

	30 June 2019			31 Dec. 2018		
	% 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	15%	15%	NC
AGH US Holding Company Inc.	100%	100%	FC	100%	100%	FC
Retail Technology Group Inc.	100%	100%	FC	100%	100%	FC

FC Full consolidation
NC Not consolidated

3. Foreign currency translation

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

	Average rate 2019 (6 months)	Average rate 2018 (6 months)	Closing rate 30 June 2019	Closing rate 30 June 2018	Closing rate 31 Dec. 2018
US dollar	1.1298	1.2109	1.1380	1.1658	1.1450
Australian dollar	1.6002	1.5691	1.6244	1.5787	1.6220
Pound sterling	0.8736	0.8797	0.89655	0.88605	0.89453

Translation gains and losses recognised in other comprehensive income primarily result from fluctuations in the US dollar and Australian dollar between first-half 2018 and first-half 2019.

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

4. Alternative performance indicators

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, excluding lease liabilities) and cash as reported in the statement of cash flows, comprising cash and cash equivalents less bank overdrafts.

5. Notes to the financial statements for the six months ended 30 June 2019

Amounts are expressed in thousands of euros.

5.1. Goodwill

Movements in goodwill can be analysed as follows:

In € thousands	*31 Dec. 2018*	*Impact of exchange rate fluctuations*	*Other*	*30 June 2019*
Goodwill (J2)	331	(1)		330
Provisional goodwill (RTG)	12,757	81	385	13,223
TOTAL	**13,088**	**80**	**385**	**13,553**

At 31 December 2018, the provisional goodwill calculated by the Group in connection with the RTG 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).

At 30 June 2019, the Group adjusted this goodwill in an amount of €385K (USD 441K) to reflect liabilities in respect of the IT security checks carried out following the data breach described in the "Risks and uncertainties" section on page 5 of this report.

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

At 30 June 2019, the Group considers that there was no significant change in the assumptions used to determine the recoverable amount of goodwill at 31 December 2018. The Group will review the carrying amount of goodwill and other intangible assets as part of its 2019 annual accounts closing process.

5.2. Intangible assets

Movements in intangible assets can be analysed as follows:

Gross value In € thousands	***31 Dec. 2018***	***Acquisitions***	***Disposals***	***Transfers***	***Impact of exchange rate fluctuations***	***30 June 2019***
Customer relationships	5,654				(12)	5,642
Non-compete clause	92				(1)	91
Concessions, patents and other rights	1,813	83	(165)	39	1	1,771
TOTAL	**7,559**	**83**	**(165)**	**39**	**(12)**	**7,504**

Amortisation In € thousands	***31 Dec. 2018***	***Additions***	***Reversals***	***Transfers***	***Impact of exchange rate fluctuations***	***30 June 2019***
Customer relationships	3,392	290			(15)	3,667
Non-compete clause	92					92
Concessions, patents and other rights	1,509	102	(165)		1	1,447
TOTAL	**4,994**	**392**	**(165)**		**(14)**	**5,205**

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

Net amount In € thousands	***31 Dec. 2018***	***Acquisitions/ additions***	***Disposals/ reversals***	***Transfers***	***Impact of exchange rate fluctuations***	***30 June 2019***
TOTAL	**2,566**	**(308)**	**0**	**39**	**2**	**2,299**

5.3. Property, plant and equipment

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

Gross value In € thousands	***31 Dec. 2018***	***Acquisitions***	***Disposals***	***Transfers***	***Impact of exchange rate fluctuations***	***30 June 2019***
Buildings, fixtures and fittings	1,827	21			3	1,852
Technical installations, equipment and tooling	520				1	521
Other property, plant and equipment	1,341	41	(2)	(41)	3	1,341
Property, plant and equipment in progress	47	49		(47)		49
TOTAL	**3,735**	**111**	**(2)**	**(89)**	**8**	**3,763**

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 (€142K) and office and IT equipment (€1,239K).

Depreciation ***In € thousands***	***31 Dec. 2018***	***Additions***	***Reversals***	***Transfers***	***Impact of exchange rate fluctuations***	***30 June 2019***
Buildings, fixtures and fittings	592	126				718
Technical installations, equipment and tooling	452	17			1	470
Other property, plant and equipment	775	102	(2)	(25)	2	852
TOTAL	**1,818**	**245**	**(2)**	**(25)**	**3**	**2,039**

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

Net amount ***In € thousands***	***31 Dec. 2018***	***Acquisitions/ additions***	***Disposals/ reversals***	***Transfers***	***Impact of exchange rate fluctuations***	***30 June 2019***
TOTAL	**1,917**	**(134)**	**0**	**(64)**	**5**	**1,725**

5.4. Right-of-use assets

Right-of-use assets recognised in property, plant and equipment (see Note 1.3.2) can be analysed as follows:

In € thousands	***First-time application of IFRS 16***	***Transfers relating to IFRS 16 (1)***	***New leases***	***Terminated leases***	***Impact of exchange rate fluctuations***	***Depreciation expense***	***30 June 2019***
Buildings, fixtures and fittings	6,870				(32)	(583)	6,254
Technical installations, equipment and tooling	42					(36)	6
Other property, plant and equipment	724	16			(1)	(253)	486
TOTAL	**7,637**	**16**			**(33)**	**(872)**	**6,747**

(1) Non-current assets held under finance leases at 31 December 2018 were reclassified within right-of-use assets in connection with the first-time application of IFRS 16.

5.5. Long-term financial assets

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

In € thousands	*31 Dec. 2018*	*Increases*	*Decreases*	*Transfers*	*Impact of exchange rate fluctuations*	*30 June 2019*
Non-consolidated equity investments	951					951
Long-term financial assets	584	1	(36)	2		552
TOTAL	**1,535**	**1**	**(36)**	**2**		**1,503**

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 at the time of arranging financing in 2012 and 2018.

5.6. Inventories

In € thousands	*30 June 2019*	*31 Dec. 2018*
Inventories	27,394	23,272
Impairment	(2,669)	(1,847)
NET	**24,725**	**21,425**

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

In € thousands	**TOTAL**	**FR**	**GMBH**	**UK**	**US**	**AUS**	**RTG**
Inventories	27,394	8,800	4,653	5,166	3,695	1,999	3,081
Impairment	(2,669)	(410)	(185)	(313)	(432)	(288)	(1,041)
NET	**24,725**	**8,390**	**4,468**	**4,853**	**3,263**	**1,711**	**2,041**

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

In € thousands	*31 Dec. 2018*	*Impairment*	*Reversals of impairment*	*Impact of exchange rate fluctuations and other*	*30 June 2019*
Impairment	(1,847)	(1,882)	1,059	(1)	(2,669)

Impairment recognised against inventories is included in net operating profit.

The increase in impairment charged against inventories in the period primarily reflects the contraction in the Group’s business.

5.7. Trade receivables

In € thousands	*30 June 2019*	*31 Dec. 2018*
Gross value	18,021	16,789
Impairment	(185)	(260)
NET	**17,836**	**16,529**

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

In € thousands	*31 Dec. 2018*	*Impairment*	*Reversals of impairment*	*Impact of exchange rate fluctuations and other*	*30 June 2019*
Impairment	(260)	(142)	214	3	(185)

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 net operating profit.

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

In € thousands	TOTAL	FR	GMBH	UK	US	AUS	RTG
Trade receivables	18,010	6,052	1,150	2,534	1,676	2,129	4,469
Doubtful receivables	11	11					
Gross value	**18,021**	**6,063**	**1,150**	**2,534**	**1,676**	**2,129**	**4,469**
Impairment	(185)	(9)	(65)	0	0	(5)	(106)
NET	**17,836**	**6,054**	**1,085**	**2,534**	**1,676**	**2,124**	**4,363**

5.8. Accrued receivables and other

In € thousands	*30 June 2019*	*31 Dec. 2018*
State	1,568	2,629
Personnel-related receivables	12	40
Advances granted to suppliers	72	53
Amounts receivable from suppliers	10	24
Credit notes receivable	113	116
Other receivables	11	28
Accrued income	0	59
Prepaid expenses	770	596
TOTAL	**2,555**	**3,545**

5.9. Cash and cash equivalents

In € thousands	*30 June 2019*	*31 Dec. 2018*
Bank accounts	9,742	9,721
Petty cash	7	5
TOTAL	**9,749**	**9,726**

5.10. Equity

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

The consolidated statement of changes in equity can be found on page 10 of the consolidated financial statements.

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

Treasury shares held at 30 June 2019 amounted to €1,638K.

5.11. Provisions for contingencies and expenses

In € thousands	*31 Dec. 2018*	*Additions*	*Reversals*	*Remeasure -ment*	*Transfers*	*Impact of exchange rate fluctuations*	*30 June 2019*
Employee benefit obligations (1)	588	29					617
Customer warranties (2)	549	663	(579)				632
Free share plans (3)	9	6					16
Other provisions for contingencies (4)	667		(237)		(281)	1	150
	1,813	**698**	**(816)**		**(281)**	**1**	**1,415**

(1) Employee benefit obligations.

In accordance with IAS 34, employee benefit obligations were not fully recalculated at 30 June 2019.

Changes in the net benefit obligation were estimated as follows:

- Interest cost and past service cost were estimated based on data extrapolated at 30 June 2019 from the total obligation as calculated at 31 December 2018.
- No actuarial differences resulting from changes in the discount rate were reported in first-half 2019. A discount rate of 1.6% was used at both 30 June 2019 and 31 December 2018.
- Other actuarial assumptions relating to the total benefit obligation (rate of salary increases, employee turnover, etc.) are generally updated at the end of the year.

At 30 June 2019, the Group did not identify any items that could have a material impact on the amount of its projected benefit obligation.

- Other actuarial differences resulting from experience adjustments were not recalculated since no significant changes are expected in the year.

(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

In accordance with IFRIC 23, the provision for tax risks (€281K) recognised in respect of RTG at 31 December 2018 was reclassified within current tax during the period.

As indicated in Note 5.1, Goodwill, the Group booked a provision for €385K relating to the data breach at RTG. Of this amount, €237K was utilised and written back at 30 June 2019.

5.12. Working capital

Changes in working capital can be analysed as follows:

	30 June 2019	*30 June 2018*
Change relating to trade receivables and contract assets net of contract liabilities	(2,048)	(1,056)
Change relating to trade payables	2,973	439
Change relating to other receivables and payables	(488)	(965)
Change relating to inventories	(3,298)	(1,253)
= Change in working capital relating to operations	**(2,862)**	**(2,835)**

5.13. Non-current and current borrowings and debt

At 30 June 2019, 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	11,823	3,016	8,806	
Short-term bank overdrafts	2,196	2,196		
TOTAL	**14,019**	**5,213**	**8,806**	

Changes in non-current and current borrowings and debt in first-half 2019 can be analysed as follows:

In € thousands	31 Dec. 2018	Increases	Decreases	Impact of exchange rate fluctuations	30 June 2019
Cash liabilities	(2,325)	(12)	155	(14)	(2,196)
Borrowings and debt	(10,021)	(3,007)	1,204		(11,823)
TOTAL	**(12,346)**	**(3,019)**	**1,359**	**(14)**	**(14,019)**
O/w current	(4,726)				(5,213)
O/w non-current	(7,621)				(8,806)

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 October 2018, the Company was granted three 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.

5.14. Lease liabilities

Changes in lease liabilities can be analysed as follows:

In € thousands	*First-time application of IFRS 16*	*Transfers relating to IFRS 16 (1)*	*New leases*	*Increases*	*Decreases*	*Impact of exchange rate fluctuations*	*30 June 2019*
Non-cash impacts	7,637	27				(33)	7,631
Cash impacts					(805)		(805)
TOTAL	**7,637**	**27**			**(805)**	**(33)**	**6,826**

(1) Finance lease liabilities at 31 December 2018 were reclassified within lease liabilities in connection with the first-time application of IFRS 16.

At 30 June 2019, lease liabilities 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
Lease liabilities	6,826	1,384	2,664	2,778
TOTAL	**6,826**	**1,384**	**2,664**	**2,778**

5.15. Trade payables

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

In € thousands	TOTAL	FR	GMBH	UK	US	AUS	RTG
Trade payables	12,721	8,369	249	219	162	172	3,550
Amounts payable to suppliers of non-current assets	30	30					
TOTAL	**12,751**	**8,399**	**249**	**219**	**162**	**172**	**3,550**

All amounts included within “Trade payables” fall due within one year.

5.16. Contract liabilities

In € thousands	*30 June 2019*	*31 Dec. 2018*
Customer advances	396	153
Deferred income	6,256	6,207
TOTAL	**6,652**	**6,360**

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). 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 €2,727K.

5.17. Accrued payables and other

In € thousands	*30 June 2019*	*31 Dec. 2018*
Tax and social security liabilities	4,485	5,980
Amounts payable to customers	121	63
Credit notes not yet issued	420	165
Other payables	7,978	4,067
TOTAL	**13,005**	**10,275**

Other payables include the one-year deferred cash payment amounting to €2,548K, the €1,494K earn-out payable over three years relating to the acquisition of RTG, and dividends payable to shareholders for €3,925K as approved by the General Meeting of 25 June 2019.

5.18. 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 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 and repairs of equipment no longer under warranty, and billed shipping costs.

5.18.1. Results by business sector

Sector information is determined in light of consolidated data as defined in Note 5.18.

	First-half 2019						*First-half 2018*					
In € thousands	**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	14,878	13,339	12,227	**40,444**	**16,785**	**57,229**	21,100	18,586	12,735	**52,421**	**0**	**52,421**
Net operating profit (loss)	2,923	189	692	**3,804**	**(299)**	**3,505**	5,152	2,069	979	**8,200**	**0**	**8,200**
Consolidated net profit (loss)	1,764	129	431	**2,324**	**(333)**	**1,991**	3,507	1,484	650	**5,641**	**0**	**5,641**

5.18.2. Revenue by source

Consolidated revenue can be analysed by source as follows:

In € thousands		*First-half 2019*	*First-half 2018*
Sales of goods held for resale		41,377	50,839
Sales of services		15,852	1,582
	TOTAL	**57,229**	**52,421**

5.18.3. Geographic breakdown

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

In € thousands		*First-half 2019*	*First-half 2018*
France		11,116	15,072
United Kingdom		6,311	8,581
Germany		3,664	6,944
Australia		4,969	4,239
United States		23,731	8,034
Other EU countries		5,405	7,802
Exports (non-EU)		2,033	1,749
	TOTAL	**57,229**	**52,421**

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.

5.19. Other operating income and expenses

Other operating income and expenses consist of the following:

In € thousands		*First-half 2019*	*First-half 2018*
Royalties and patents		(74)	(93)
Debt write-offs		(132)	(7)
Directors' fees		(4)	(1)
Other operating expenses		(2)	(2)
Other operating income		33	16
	TOTAL	**(179)**	**87**

Royalties relate to amounts paid on sales of J2 products.

The Group hedges losses on its trade receivables.

5.20. Other income and expenses from operations

Other income and expenses from operations consist of the following:

In € thousands	*First-half 2019*	*First-half 2018*
Net carrying amount of non-current assets sold	0	0
Other expenses from operations	(3)	(2)
Proceeds from disposals of non-current assets	0	0
Other income from operations	3	343
TOTAL	**0**	**341**

In first-half 2018, other income from operations includes a payment of €337K by a supplier to compensate for the delivery of faulty parts.

5.21. Financial profit and loss

The following items make up financial profit and loss:

In € thousands	*First-half 2019*	*First-half 2018*
Interest expense	(91)	(42)
Cost of net debt	**(91)**	**(42)**
Interest expense on lease liabilities (*)	(121)	
Other financial income	23	3
Foreign exchange gains and losses	16	(175)
Fair value of financial instruments	(98)	447
Other financial items	**(180)**	**275**
NET FINANCIAL PROFIT/(LOSS)	**(271)**	**233**

(*) Impact of the first-time application of IFRS 16.

As from first-half 2019, the Group has chosen to present foreign exchange gains and losses. In first-half 2018, foreign exchange gains totalled €1,088K, while foreign exchange losses amounted to €1,263K.

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.

5.22. Income tax

Income taxes in the income statement break down as follows:

In € thousands	*First-half 2019*	*First-half 2018*
Current tax	(1,446)	(2,769)
Deferred tax	203	(23)
TOTAL	**1,243**	**(2,792)**

The table below reconciles:

- the Group's theoretical tax expense as calculated by multiplying consolidated net profit before tax by the tax rate applicable in 2019, with
- the total tax expense recognised in the consolidated income statement.

In € thousands	**First-half 2019**	**First-half 2018**
Consolidated net profit before tax	3,234	8,433
Theoretical tax expense	1,035	2,903
%	***32.02%***	***34.43%***
Impact of non-taxable income and expenses	97	122
Impact of different tax rates	111	(233)
EFFECTIVE TAX EXPENSE AND TAX RATES	***1,243***	***2,792***
%	***38.43%***	***33.10%***

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

In € thousands	*30 June 2019*	*30 June 2018*
Deferred tax assets on temporary differences	785	188
Deferred tax assets on tax loss carryforwards	811	0
Deferred tax assets on employee benefit obligations	198	189
Deferred tax assets on adjustments (inventory margin)	393	326
Deferred tax assets relating to IFRS 15	594	424
Deferred tax assets relating to IFRS 16	18	0
Deferred tax assets on fair value	21	0
Deferred tax assets	**2,820**	**1,127**
Deferred tax liabilities on temporary differences	(53)	(32)
Deferred tax liabilities on provisions	(154)	(97)
Deferred tax liabilities on intangible assets	(292)	(286)
Deferred tax liabilities on fair value	0	(84)
Deferred tax liabilities	**(499)**	**(499)**
Net deferred tax assets	**2,321**	**628**

At 30 June 2019, 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 was 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 €811K on the tax losses carried forward by the entity (in an amount of USD 3.6 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.

5.23. Earnings per share

At 30 June 2019, AURES Technologies' share capital comprised 4,000,000 shares and the Company held 75,454 treasury shares (Note 6.6).

In € per share (except for number of shares)	30 June 2019
Net profit attributable to owners of the parent (in €K)	1,971
Average number of shares outstanding	
Before dilution	3,940,514
Impact of dilution	
Free shares	3,357
After dilution	3,943,871
Attributable earnings per share	
Basic	0.50
Diluted	0.50

5.24. Related-party transactions

The Group carried out the following related-party transactions:

In € thousands	*First-half 2019 SCI LE CRISTAL UN*	*First-half 2018 SCI LE CRISTAL UN*
External expenses (rent and insurance, taxes other than on income)	126	125
Trade payables	0	0

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

Remuneration expensed for senior executives during the year is detailed in Note 6.5.

6. Other disclosures

6.1. Off-balance sheet commitments

In € thousands	*30 June 2019*	*30 June 2018*
Forward purchases of foreign currencies	8,461	8,143
Pledge of business goodwill	5,060	5,060
TOTAL	**13,521**	**13,203**

Forward purchases of foreign currencies

At 30 June 2019, the amount outstanding under these forward contracts totalled USD 9,744K and is used to hedge commitments given at said date to purchase goods for resale.

The average exchange rate for the hedges in force at 30 June 2019 is €1 = USD 1.1516.

Forward contracts are carried in the financial statements at their fair value and were recognised in financial liabilities in an amount of €59K at 30 June 2019.

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

The Group complied with both of these ratios at 30 June 2019.

The Company also undertook to comply with the covenants defined in the loan agreement with CIC.

The two ratios, based on the consolidated financial statements, are:

- Net debt/equity
- Consolidated net debt/consolidated gross operating profit + finance lease payments

The Group complied with both of these ratios at 30 June 2019.

6.2. Headcount

The AURES Technologies Group had a headcount of 439 at 30 June 2019:

	30 June 2019	30 June 2018
Managerial-grade employees (*cadres*)	46.1	31.7
Other employees	392.8	101.5
TOTAL	**438.9**	**133.2**

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.

However, on 18 June 2018, the French entity set up a discretionary incentive scheme for all employees with the exception of the Chairman and Chief Executive Officer.

No amounts were provisioned in this respect at 30 June 2019, since the criteria set had not been met.

6.4. Subsequent events

On 25 September 2019, the French Supreme Court (*Cour de Cassation*) dismissed the appeal lodged by a former Company senior executive on 21 March 2017 within the scope of employment court (*Conseil de prud'hommes*) proceedings. No provision had been recognised in this respect in the consolidated financial statements at 30 June 2019.

No other events that could have a significant impact on the consolidated financial statements took place between 30 June 2019 and the date on which this report was prepared.

6.5. Executive remuneration

Remuneration paid to members of AURES Technologies' governing and management bodies totalled €261,783K in first-half 2019.

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.

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

6.6. Treasury shares

A new share buyback programme was set up by the Board of Directors further to the authorisation given by the Combined General Meeting of 25 June 2019.

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

	30 June 2019			***31 Dec. 2018***		
Account	Number of shares	Price per share €	Total price €K	Number of shares	Price per share €	Total price €K
Market-making	3,255	24.82	81	2,851	29.123	83
Treasury shares	72,199	21.57	1,557	37,793	15.423	583
TOTAL	**75,454**		**1,638**	**40,644**		**666**

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

1. Person responsible for the financial report

Patrick Cathala

Chairman and Chief Executive Officer

2. Statement by the person responsible for the half-year 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 interim management report includes a fair description of all significant events that took place in the first six months of the year, together with details of the impact of those events on the interim financial statements, the principal risks and uncertainties for the second half of 2019, and the main related-party transactions.

Patrick Cathala

Chairman and Chief Executive Officer

AURES Technologies SA

Statutory Auditors' review report
on the 2019 interim financial information

(Six months ended 30 June 2019)

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' review report on interim financial information

(Six months ended 30 June 2019)

This is a free translation into English of the Statutory Auditors' review report 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
24 bis, rue Léonard de Vinci
91090 Lisses
France

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of AURES Technologies SA for the six months ended 30 June 2019;
- the verification of the information contained in the interim management report.

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

I - Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the matter set out in Note 1.2 to the condensed interim consolidated financial statements, which describes the adoption of IFRS 16 – Leases.

II - Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris, 10 October 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	F.-M. Richard & Associés
Pierre Marty	Julie Galophe