Annual consolidated Financial Statements for 2018

1. STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(In thousands of euros)	Notes	December 31, 2018	December 31, 2017 Restated	December 31, 2017 Reported
Goodwill	**4.1**	27,523	27,523	44,566
Intangible assets	**4.2**	30,363	35,236	12,385
Tangible assets	**4.3**	2,593	2,520	2,520
Non-current financial assets	**4.5**	1,177	1,369	1,369
Other non-current assets	**4.5**	7,519	6,566	6,566
Deferred tax assets	**5.7**	1,953	106	1,565
Total non-current assets		**71,128**	**73,320**	**68,971**
Inventories	**4.6**	11,232	8,736	8,736
Trade receivables and related accounts	**4.7**	20,687	20,703	20,703
Other current assets	**4.8**	5,912	6,167	6,167
Cash and cash equivalents	**4.9**	25,115	21,316	21,316
Total current assets		**62,946**	**56,922**	**56,922**
TOTAL ASSETS		**134,074**	**130,242**	**125,893**
Issued capital	**4.10**	10,765	10,621	10,621
Share premiums		103,163	103,936	103,936
Consolidated reserves – Group share		(37,812)	(32,293)	(32,293)
Translation reserves		317	338	338
Profit (loss) for the period – Group share		(2,078)	(6,780)	(6,466)
Shareholders' equity (Group share)		**74,355**	**75,822**	**76,136**
Non-controlling interests		-	471	472
Total shareholders' equity		**74,355**	**76,293**	**76,608**
Non-current financial debt	**4.11**	6,708	7,265	7,265
Non-current provisions	**4.13**	1,224	744	744
Commitments to personnel	**4.14**	2,496	2,620	2,620
Debts on acquisition of non-current securities	**4.15**	-	2,094	2,094
Other non-current liabilities	**4.16**	112	479	479
Deferred tax liabilities	**5.7**	5,597	4,664	-
Total non-current liabilities		**16,137**	**17,866**	**13,202**
Current financial debt	**4.11**	9,059	11,265	11,265
Current provisions	**4.13**	1,163	727	727
Debts on acquisition of current securities	**4.15**	6,234	1,125	1,125
Derivative instrument liabilities	**4.17**	26	19	19
Trade payables and related accounts	**4.17**	13,958	11,041	11,041
Current tax payable	**4.17**	797	465	465
Other current liabilities	**4.17**	12,344	11,441	11,441
Total current liabilities		**43,581**	**36,083**	**36,083**
TOTAL LIABILITIES		**134,074**	**130,242**	**125,893**

The accompanying notes are an integral part of the condensed consolidated annual financial statements. The Group finalized the OneAccess Group purchase price allocation as of June 30, 2018. Some items were affected by the retrospective impact of this purchase price allocation. The column "December 31, 2017 restated" incorporates these impacts, which are detailed in Note 4.1 of the report.

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)	Notes	December 31, 2018	December 31, 2017 restated	December 31, 2017
Revenue	5.1	84,222	34,291	34,291
Cost of sales		(37,134)	(16,782)	(16,782)
Gross margin		**47,088**	**17,509**	**17,509**
Research and development costs	5.2	(19,216)	(7,668)	(7,690)
Marketing and sales costs	5.2	(19,538)	(9,276)	(8,796)
General and administrative expenses	5.2	(7,049)	(4,917)	(4,917)
Current operating profit (loss)		**1,285**	**(4,352)**	**(3,894)**
Other operating income and expenses	5.5	(3,434)	(2,019)	(2,019)
Operating profit (loss)		**(2,149)**	**(6,371)**	**(5,913)**
Net borrowing cost	5.6	(209)	(128)	(128)
Other financial income and expenses	5.6	95	(418)	(418)
Pre-tax profit (loss)		**(2,263)**	**(6,917)**	**(6,459)**
Tax expense	5.7	178	148	4
Net income for the period		**(2,084)**	**(6,769)**	**(6,455)**
Portion attributable to Ekinops SA shareholders:	5.8	(2,078)	(6,780)	(6,466)
Portion attributable to non-controlling interests:		(6)	11	11
Basic earnings per share (€/share):	5.8	**(0.10)**	**(0.36)**	**(0.34)**
Diluted earnings per share (€/share):		**(0.10)**	**(0.36)**	**(0.34)**
EBITDA	11	**10,448**	**257**	**257**

OTHER COMPREHENSIVE INCOME

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Net income for the period	**(2,084)**	**(6,769)**	**(6,455)**
Other recyclable components of comprehensive income:	**(20)**	**6**	**6**
Currency translation adjustments, net of taxes	(20)	6	6
Currency translation adjustments	(20)	6	6
Tax effect	-	-	-
Other non-recyclable components of comprehensive income:	**189**	**(91)**	**(91)**
Actuarial gains and losses, net of taxes	196	(91)	(91)
Actuarial gains (losses) on commitments to personnel	196	(106)	(106)
Tax effect	-	15	15
Financial instruments, net of taxes	(7)	-	-
Change in fair value of hedging financial instruments	(7)	-	-
Tax effect	-	-	-
Total other comprehensive income	**169**	**(85)**	**(85)**
Comprehensive income	**(1,915)**	**(6,854)**	**(6,540)**
Portion attributable to Ekinops SA shareholders:	(1,909)	(6,865)	(6,551)
Portion attributable to non-controlling interests:	(6)	11	11

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

3. CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In thousands of euros)	**Number of shares**	Capital	Share premium	Reserves and retained earnings	Translation reserves	**Shareholders' equity, Group share**	Non-controlling interests	**Total shareholders' equity**
At January 1, 2017	**7,364,997**	3,682	45,484	(33,677)	332	**15,821**	-	**15,821**
Net income for the period	**-**	-	-	(6,466)	**-**	**(6,466)**	11	**(6,455)**
Other comprehensive income	-	-	-	(91)	6	**(85)**	-	**(85)**
Comprehensive income	**-**	-	-	(6,557)	6	**(6,551)**	11	**(6,540)**
Treasury shares	-	-	-	(9)	-	**(9)**	-	**(9)**
Share-based payments	-	-	-	1,484	-	**1,484**	-	**1,484**
Capital increase	9,263,156	4,632	32,407	-	-	**37,039**	-	**37,039**
Exchange of securities for the business combination	4,614,594	2,307	26,045	-	-	**28,352**	-	**28,352**
Non-controlling interests resulting from the business combination	-	-	-	-	-	**-**	461	**461**
At December 31, 2017	**21,242,747**	10,621	103,936	(38,759)	338	**76,136**	472	**76,608**
At January 1, 2018	**21,242,747**	10,621	103,936	(38,759)	338	**76,136**	472	**76,608**
Retrospective impacts of the finalization of the OneAccess purchase price allocation [1]	-	-	-	(314)	-	**(314)**	(1)	**(315)**
At January 1, 2018 restated[1]	**21,242,747**	10,621	103,936	(39,073)	338	**75,822**	471	**76,293**
Net income for the period				(2,078)		**(2,078)**	(6)	**(2,084)**
Other comprehensive income	-	-	-	189	(20)	**169**	-	**169**
Comprehensive income	**-**	-	-	(1,889)	(20)	**(1,909)**	(6)	**(1,915)**
Treasury shares	-	-	-	1	-	**1**	-	**1**
Share-based payments	-	-	-	443	-	**443**	-	**443**
Final vesting of bonus shares awarded on May 19, 2016	286,414	143	(755)	612	-	**-**	-	**-**
Purchase of non-controlling interests	-	-		15	-	**15**	(465)	**(450)**
Other	-	-	(18)	1	-	**(17)**	-	**(17)**
At December 31, 2018	**21,529,161**	10,765	103,163	(39,890)	317	74,355	-	74,355

[1]: The accompanying notes are an integral part of the condensed consolidated annual financial statements. The Group finalized the OneAccess Group purchase price allocation as of June 30, 2018. Some items were affected by the retrospective impact of this purchase price allocation. The line "January 1, 2018 restated" incorporates these impacts, which are detailed in Note 4.1 of the report.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of euros)	Notes	December 31, 2018	December 31, 2017 restated	December 31, 2017 Reported
Net income for the period		**(2,084)**	**(6,769)**	**(6,455)**
Elimination of depreciation and provisions	**5.4**	8,940	2,860	2,400
Elimination of share-based payment expenses	**4.10.2**	443	1,484	1,484
Elimination of deferred taxes	**5.7**	(888)	(152)	(6)
Elimination of other items without cash flow impact		50	4	4
Cash flow after taxes and net borrowing costs		**6,461**	**(2,573)**	**(2,573)**
Elimination of change in earnout fair value	**4.15**	2,934	-	-
Elimination of tax expense (income)	**5.7**	710	3	3
Neutralization of borrowing costs disbursed	**5.6**	159	86	86
Cash flow before taxes and net borrowing costs		**10,264**	**(2,484)**	**(2,484)**
Impact of change in working capital requirements	**4.18**	69	(2,524)	(2,524)
Taxes paid		(314)	(392)	(392)
Cash flows from operating activities		**10,019**	**(5,400)**	**(5,400)**
Acquisitions of tangible and intangible assets, net of disposals	**4.4**	(2,861)	(1,836)	(1,836)
Disposal of tangible and intangible assets		18	5	5
Acquisition of securities	**4.15**	(369)	(21,836)	(21,836)
Change in loans, advances, and security deposits	**4.5**	178	(240)	(240)
Cash flows from investing activities		**(3,034)**	**(23,907)**	**(23,907)**
Capital increases		(18)	37,039	37,039
Trading in treasury shares		1	(9)	(9)
Issue of new loans	**4.11**	3,420	6,425	6,425
Loan repayments	**4.11**	(6,370)	(1,038)	(1,038)
Financial interest paid		(158)	(86)	(86)
Change in other financial debt	**5.6**	0	-	-
Cash flows from financing activities		**(3,125)**	**42,331**	**42,331**
Impact of foreign exchange rate fluctuations		(61)	(139)	(139)
Net increase (decrease) in cash and cash equivalents		**3,799**	**12,885**	**12,885**
Opening cash and cash equivalents:		21,316	8,431	8,431
Closing cash and cash equivalents:		25,115	21,316	21,316

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

5. NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

NOTE 1 – GENERAL PRESENTATION

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

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

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

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

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

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

On March 25, 2019, the Board of Directors approved and authorized the publication of the consolidated annual financial statements of Ekinops SA covering the twelve-month period ending December 31, 2018.

The consolidated financial statements are presented in thousands of euros, and all values are rounded to the nearest thousand unless otherwise stated.

NOTE 2 – SIGNIFICANT EVENTS

The main highlight of the 2018 financial year was the Group’s strong revenue growth from €34.29 million in 2017 to €84.22 million. This change is partly due to the acquisition of OneAccess and its subsidiaries in September 2017.

In addition, the contract to acquire OneAccess shares provided for an earnout. Following the level of activity achieved, the Group noted a change in the earnout fair value of €2.9 million recognized in other operating income and expenses for the 2018 financial year.

NOTE 3 – ACCOUNTING METHODS AND PRINCIPLES

3.1 – General principles

The consolidated financial statements are presented in thousands of euros, and all values are rounded to the nearest thousand unless otherwise stated.

3.2 – Financial reporting framework

The main accounting methods applied when preparing the consolidated financial statements are described below. Unless otherwise indicated, these methods were applied consistently to all of the periods presented.

Pursuant to Regulation 1126/2008 of the European Council adopted on November 3, 2008, the Ekinops group’s consolidated financial statements at December 31, 2016, were prepared in accordance with international accounting standards as approved by the European Union as of December 31, 2016, and mandatory as of that date, with, for comparison purposes, the 2015 financial year restated, if necessary, according to the same reporting framework.

International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and their interpretations issued by IFRIC (International Financial Reporting Interpretations Committee) and SIC (Standing Interpretations Committee).

All of the texts adopted by the European Union are available on the European Commission website:

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

Standards, amendments, and interpretations adopted by the European Union and mandatory for financial years beginning after January 1, 2018, and not applied early by the Group

The IASB issued the following standards, amendments, and interpretations adopted by the European Union:

IFRS 15 – Revenue from contracts with customers

Effective date: January 1, 2018

IFRS 15 replaces IAS 11, IAS 18, and the related IFRIC and SIC interpretations on recognition of revenue from ordinary operations and introduces a new revenue recognition model.

IFRS 15 introduces an income recognition approach focused on:

- Identifying contracts, customers, and contract amendments;
- Identifying distinct performance obligations (promises made by the supplier), their reference prices (stand-alone selling price), over time or at a given point in time of the transfer of control over performance obligations to the customer;
- Determining the transaction price (consideration promised by the customer), its fixed and variable components (and the associated recognition constraint), as well as its allocation to performance obligations.

The Group conducted an analysis of the new methodology introduced by IFRS 15 compared with the previously applied principles.

The Group applied IFRS 15 starting on January 1, 2018, without restating the comparative financial years. The cumulative effect of the first-time application of the standard, recognized in shareholders' equity as of January 1, 2018, is insignificant.

IFRS 9 – Financial instruments

Effective date: January 1, 2018

On July 24, 2014, the IASB finalized its plan to replace IAS 39 on financial instruments by issuing the full version of IFRS 9, which introduces significant changes from IAS 39:

- the provisions on the classification and valuation of financial assets will now be based on the joint analysis of the management model of each portfolio of assets and the contractual characteristics of financial assets;
- the impairment model shifted from the current approach based on confirmed losses to an expected-loss approach;
- lastly, the hedging component includes many significant advances in favor of a reconciliation of accounting and business risk management policy.

The Group applied IFRS 9 starting on January 1, 2018, without restating the comparative financial years. The cumulative effect of the first-time application of the standard, recognized in shareholders' equity as of January 1, 2018, is insignificant.

IFRS 16 – Leases

Effective date: January 1, 2019

On January 13, 2016, the IASB issued IFRS 16 "Leases." IFRS 16 will replace IAS 17 and the related IFRIC and SIC interpretations and will eliminate the previously different accounting treatment between "operating leases" and "finance leases."

The standard requires all leases to be recognized using a single model of recording the rental obligation (corresponding to discounted future payments) as a liability and a right of use as an asset. The right of use is amortized over the term of the leases, which takes into account optional periods when it is reasonably established that the Group will exercise them.

The leases entered into by the Group mainly pertain to:

- Real estate rentals
- Vehicle rentals
- IT and technical equipment rentals

The Group adopted the “simplified retrospective approach” provided for in the standard, which involves recognizing the cumulative effect of the initial application as an adjustment to opening equity by considering that:

- The right-of-use asset is equal to the value of the asset as if IFRS 16 had been applied on the effective date of the lease but using the marginal debt ratio as of the transition date as the discount rate,
- The rental liability is equal to the amount of the remaining rents payable (including for optional periods when the Group intends to exercise them), discounted at the marginal debt ratio as of the date of first-time application.

The Group took advantage of the exemption for low-value leases and used the initial term of the lease as its term.

Based on the Group’s study and quantification of the impacts, the impact on opening equity as of January 1, 2019, will be €0.3 million.

Furthermore, as of the date of transition, leases previously classified as finance leases under IAS 17 will not have an effect on opening equity, as the value of the right to use and the rental debt take on the carrying values of the asset and the debt recognized under IAS 17 immediately before the date of first-time application.

The provisions of IFRS 16 on the “right of use” asset and the rent debt will be applied starting on the date of first-time application.

3.3 – Valuation rules and methods

3.3.1 – Scope

The Group controls all its subsidiaries, which are therefore fully consolidated.

There were no significant changes in the Group’s scope of consolidation during the financial year ended 12.31.2018.

The table below presents the information relating to all entities included in the scope of consolidation as of the end of each financial year.

			2018			2017		
Company	Comments	Country	Percentage of interest	Consolidation method	Number of months of activity	Percentage of interest	Consolidation method	Number of months of activity
Ekinops SA	-	France	Parent	FC	12 months	Parent	FC	12 months
Ekinops Corp	-	USA	100%	FC	12 months	100%	FC	12 months
Ekinops France SA	Ex OneAccess France SA	France	100%	FC	12 months	99.2%	FC	3 months
Ekinops Belgium	Ex OneAccess Belgium	Belgium	100%	FC	12 months	99.2%	FC	3 months
OneAccess UK Limited United Kingdom	Entity in liquidation	UK	100%	FC	12 months	99.2%	FC	3 months
OneAccess Italy	Ex OneAccess Italy	Italy	100%	FC	12 months	99.2%	FC	3 months
Ekinops India	Ex OneAccess India	India	100%	FC	12 months	99.2%	FC	3 months
OneAccess US	Entity in liquidation	USA	100%	FC	12 months	99.2%	FC	3 months
Ekinops Australia	Ex OneAccess Australia	Australia	100%	FC	12 months	99.2%	FC	3 months

The change in interest percentages follows the irrevocable promise to purchase of non-controlling interests agreed during the 2018 financial year. This promise to purchase may be exercised in 2019.

3.3.2 – Consolidation methods

The financial statements of subsidiaries cover the same reference period as those of the parent company using the same accounting methods.

All intra-group balances, intra-group transactions, and unrealized income, expenses, and gains that are included in the book value of assets from internal transactions are fully eliminated.

Companies in which the Group directly or indirectly exercises sole control are fully consolidated.

3.3.3 – Translation methods

a) Translation of financial statements of foreign subsidiaries

The operating currency of foreign companies is the local currency.

The financial statements of foreign companies using a currency different from the Group's consolidated reporting currency are translated using the "closing rate" method.

Their balance sheet items are translated at the exchange rate prevailing at the end of the financial year, and income statement items are translated at the average rate of the period. The resulting translation differences are recorded in translation differences in the consolidated reserves.

b) Transactions in foreign currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the day of the transaction. At the end of each period, monetary financial assets and liabilities denominated in a foreign currency are translated using the rate prevailing on that date.

The resulting exchange losses and gains are recognized in other financial income and expenses on the income statement, with the exception of foreign exchange differences relating to monetary items meeting the definition of net investment in a foreign activity. These items are recognized in other comprehensive income and are recognized in profit or loss on disposal of the net investment.

3.3.4 – Judgments and estimates

In order to prepare the financial statements in accordance with IFRS, the Group's Management had to make assumptions, judgments, and estimates that could affect the amounts presented as assets and liabilities and the amounts presented as expenses and income for the period as of the date of preparation of the financial statements.

The main significant estimates made by the Group's Management include:

- fair value measurement of stock options (stock option plans, startup warrants, bonus share, and share warrants) granted to founders, managers, employees of the Group, and certain service providers. The measurement of this fair value results from models requiring the use of calculation assumptions (volatility, staff turnover, exercisability period, etc.);
- valuation of employee benefits, especially end-of-career benefits;
- valuation of provisions and especially the warranty provision
- estimate of repayment flows of repayable grants and advances;
- valuation of deferred taxes.
- goodwill impairment tests.

The Group's Management makes these estimates and assessments on an ongoing basis according to the going-concern assumption, its experience, and the information available as of the closing date. These estimates may be revised if the circumstances on which they were based change or if new information becomes available. Consequently, actual results may differ substantially from these estimates.

3.3.5 – Goodwill

In accordance with the provisions of the revised IFRS 3 – Business Combinations, Goodwill represents the difference between:

- The sum of the following items:
- The price for acquisition of control;
- The amount of the non-controlling interest in the acquisition determined at fair value at the date of acquisition (full goodwill method), and
- The net amount of assets acquired and liabilities assumed, measured at fair value at the date of acquisition.

Costs directly attributable to business combinations are recognized as expenses on the income statement in "Other operating income and expenses."

The recognized goodwill is not amortized but undergoes at least one annual impairment test to determine whether an impairment loss must be recognized. For impairment testing purposes, goodwill is allocated to Cash-Generating Units (CGU): a CGU is the smallest identifiable group of assets whose continued use generates cash inflows that are independent of cash inflows generated by other assets or groups of assets. The Group conducts impairment tests at the end of each year or whenever an indication of impairment loss is identified in order to estimate the recoverable amount of the CGU. The recoverable amount is the greater of the net fair value of the asset and its value in use (present value of cash flows expected from use of the CGU). An impairment loss is recognized for a CGU if the recoverable amount is less than the carrying amount. This impairment loss must first be allocated to the CGU's goodwill.

Impairment tests carried out for the 2018 financial year did not lead to the recognition of any impairment loss.

3.3.6 – Intangible assets

In accordance with IAS 38 – Intangible Assets, only items whose cost can be reliably estimated and by which future economic benefits are likely to accrue to the Group are recognized as intangible assets.

Intangible assets are valued according to the amortized cost method (historical cost as of the initial recognition date plus subsequent amortizable expenses and minus accumulated amortization and recognized impairment losses).

They primarily consist of:

- User licenses for software applications/packages, amortized on a straight-line basis over their useful life of between 1 and 6 years
- Development costs.

The OneAccess purchase price allocation during the 2018 financial year led to the determination of the fair value of intangible items with the following amortization periods:

- Developed technologies ....6 years
- Customer Relations ....10 years
- Order book.. 1 year

Development costs

The Group capitalizes development costs when they meet all the conditions defined by IAS 38:

- the technical feasibility of completing the intangible asset for use or sale,
- the intention to complete the asset for its use or sale,
- the ability to use or sell the produced asset,
- the ability of the asset to generate future economic benefits,
- the current or future availability of the technical, financial, or other resources necessary to carry out the project,
- the ability to reliably measure the expenditure attributable to this asset during its development phase.

Capitalized development costs include costs related to external service providers as well as the gross salaries and social security contributions of the employees who participated in the project, measured on the basis of the time spent plus a share of indirect costs. Research costs are systematically recorded as expenses.

The amortization of development costs begins from the date of marketing of the equipment or deployment of the software. Development costs are amortized on a straight-line basis over their estimated useful life.

Development costs for which amortization has not begun as of the end of the financial year are presented as "Ongoing development costs."

Residual values and useful lives are reviewed at each close and are adjusted where appropriate.

3.3.7 – Tangible assets

Tangible assets are valued at their acquisition cost (purchase price and incidental costs) or at their production cost for certain tangible assets produced internally. This capitalized production mainly concerns demonstration equipment.

Tangible assets are depreciated on a straight-line basis according to their useful life:

- Technical facilities ....10 years

- Equipment and tools..3 to 10 years
- Office and IT equipment ....3 to 5 years
- Demo equipment and development...4 years
- Improvements.. 5 to 10 years

Depreciable residual values and useful lives are reviewed at each close and are adjusted where appropriate.

3.3.8 – Finance leases

Assets acquired through finance leases are restated in the consolidated accounts if they are material.

In accordance with *IAS 17 – **Leases***, finance leases are those that have the effect of transferring to the lessee most of the benefits and risks inherent in the ownership of the property covered by the leases. In that case, the financed assets are recorded on the assets side of the balance sheet at their value in the lease (corresponding to their acquisition cost or the present value of the minimum payments, whichever is lower), they are amortized over their probable useful life, the corresponding financial debt is recorded on the liabilities side, and the finance leases are divided between loan repayments and finance charges.

3.3.9 – Asset impairment

In accordance with the provisions of IAS 36 – Impairment of Assets, where an event or change in market conditions presents a risk of impairment for an intangible or tangible asset, its carrying amount is reviewed to ensure that it remains below its recoverable amount. The recoverable amount is the higher value between the fair value minus the costs of sale and the value in use. Value in use is measured by discounting future cash flows to be generated by the continued use of the asset and its ultimate disposal. The recoverable amount at the closing date takes into account, in particular, the commercial evolution of products as well as technological developments.

If the recoverable amount is less than the carrying amount, an impairment loss corresponding to the difference between these two values is immediately recognized in net income.

An impairment loss recognized for a tangible or intangible asset that has a fixed useful life may be reversed if the recoverable amount again exceeds the carrying amount. However, the reversal may not exceed the initially recognized impairment loss.

3.3.10 – Inventories

Inventories are measured at the lower value between their cost price and their net realizable value. Net realizable value represents the estimated selling price under normal operating conditions minus marketing costs. The cost price is determined using the weighted average unit cost method.

The gross value of inventories of components includes the purchase price, customs duties, other taxes, and directly attributable handling, transport, and other costs.

The cost price of finished goods includes the cost of materials, the cost of direct labor, and a share of indirect production costs.

A provision for impairment is established on a case-by-case basis if the value in use is less than the book value. This is particularly the case when inventories are recorded for an amount greater than the amount that the company expects to obtain from their sale or use. The recoverable amount of inventories may also be allocated if those inventories are damaged, if they have become fully or partially obsolete, or if their selling price has declined.

Estimates of net realizable value take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm the conditions existing at the end of the period.

3.3.11 – Financial assets (excluding financial derivatives)

Financial assets, excluding cash and financial instruments, consist of loans and receivables. Loans and receivables are non-derivative financial assets not listed on an active market and with income that is determined or can be determined. They are included in current assets, except for assets with a term expiring more than 12 months after the closing date. Loans are valued at the amortized cost using the effective interest method. The recoverable amount of loans and receivables is reviewed where there is any indication that the asset may have suffered an impairment loss and at least at each close. If the recoverable amount is less than the carrying amount, an impairment loss is immediately recognized on the consolidated statement of net income.

Management regularly reviews and assesses the recoverable amount of trade receivables. If the recoverable amount is less than the net book value, a provision for impairment or a loss on bad debt is recognized in net income. This credit risk assessment is based on past experience in debt collection and payment defaults, the age of receivables where the due date has been exceeded, and the granted payment conditions. A due date is deemed to have been exceeded when payment has still not been made as of the date fixed by contract.

3.3.12 – Cash and cash equivalents

Cash mainly includes liquidity in current account balances. Cash equivalents include short-term investments that are highly liquid and present a risk of a change in value considered negligible. Investments with an initial maturity of more than three months without the possibility of an early exit and restricted bank accounts (frozen accounts) are excluded from cash and cash equivalents.

Cash equivalents are measured at fair value, and changes in fair value are recognized on the consolidated statement of net income.

Bank overdraft facilities are included in current financial debt.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents as defined above, net of current bank overdrafts.

3.3.13 – Financial derivatives

The Group may need to use financial instruments in particular to reduce its exposure to risks of exchange rate fluctuation.

Financial derivatives are initially recognized at fair value at the inception date and are subsequently revalued at each closing date. The recognition of profits and losses at fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedged item.

Cash flow hedging

This is intended to protect against exposure to the variability of future cash flows relating to a particular risk associated with either an asset or liability recorded on the balance sheet or a highly probable future transaction, which may affect net income.

The Group applies cash flow hedge accounting only when the following conditions are met:

- There is internal documentation on the implemented hedging.
- The transaction being hedged is highly probable and involves exposure to changes in cash flow that could affect net income.

For hedging instruments documented as cash flow hedges, changes in value are recorded in equity for their effective portion; the ineffective portion is recorded on the income statement.

Fair value hedging

This is intended to protect against exposure to changes in the fair value of an asset, liability, or firm commitment (or an identified portion of an asset, liability, or firm commitment), which may be attributed to a specific risk and will have an impact on net income.

For hedging instruments documented as fair value hedging or not documents, changes in value are recorded on the income statement.

3.3.14 – Share buyback commitments

The Group may make commitments with minority shareholders of certain subsidiaries to buy back their holdings in the form of put options granted to them. The strike price of these transactions is fixed and established according to a predefined calculation formula. These put options granted to minority shareholders give rise to the recognition of a financial liability at fair value, and any subsequent changes in fair value will be recognized in profit or loss where appropriate.

3.3.15 – Measurement and recognition of other financial liabilities

Other financial liabilities are initially recognized at fair value at the transaction date. They are subsequently valued at the amortized cost using the effective interest method. The effective interest rate is the rate that equalizes the expected future cash outflows at the current net book value of the financial liability to deduct its amortized cost.

3.3.16 – Conditional advances, subsidies, and tax credits

The Group receives a number of subsidies or conditional advances. Subsidies are recognized where there is reasonable assurance that:

- the Group will comply with the conditions attached to the subsidies and,
- the subsidies will be received.

A forgivable loan subject to conditions is treated as a government subsidy when there is reasonable assurance that the company will meet the conditions for forgiveness of the loan. Otherwise, it is classified in financial debt and measured at amortized cost. Any difference between the amortized cost of the loan and its nominal value is recognized in subsidy income and spread over the during of the financed project.

A government subsidy receivable as immediate financial support to the company without future related costs is recognized as income in the year during which the receivable is acquired. Where the purpose of the subsidy is to offset the expense, it is recognized as a deduction from that expense.

Tax credits related to operating expenses are recognized in operating income net of the expenses to which they relate.

The research tax credit (CIR) and the innovation tax credit (CII) are presented as a deduction from "Research and development costs" on the consolidated statement of net income.

3.3.17 – Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets, the Group recognizes provisions only if the following three conditions are met:

- an entity has a present obligation (legal or constructive) to a third party as a result of a past event;
- it is probable that an outflow of resources representing economic benefits will be necessary to discharge the obligation; and
- the amount of the obligation can be estimated reliably.

The determination of risk exposure and the recognition and measurement of provisions involve a significant amount of judgments and estimates. These judgments and estimates are inherently subject to change, particularly if new information or new assessment factors become available.

Where the Group expects partial or full repayment of the provision, for example as a result of an insurance policy, accrued income may be recognized as an asset on the balance sheet if the repayment is virtually certain.

If the impact is significant, the provisions are discounted at a rate that reflects the risks specific to the liabilities. At each subsequent closing, the increase in the provision resulting from the lapse of time leads to the recognition of an "undiscounting" expense on the income statement.

When the provision is used, the provision writeback is credited to the expense account in which the expenditure covered by the provision was recorded. When the provision writeback reflects the extinguishment of the expected risk without an associated expenditure, the writeback is credited to provision allowance account.

Provision for warranty

A provision is established for expenses to be incurred in future years for warranties on equipment sold. This provision was established on the basis of historical data on warranties and by weighting possible exits according to their probability. The incurred costs include labor, travel, and spare parts.

According to the Group's forecasts, most of the provision will be consumed in the following financial year.

3.3.18 – Employee benefits

Certain employees of the Group are eligible for pension benefits provided by law:

- retirement compensation paid by the Company upon retirement (defined-benefit plan);
- payment of retirement pensions by social security agencies, funded by contributions from companies and employees (defined-contribution scheme).

Pension plans, similar compensation, and other employee benefits that are analyzed as defined-benefit plans (a plan in which the Company guarantees a defined amount or benefit level) are recognized on the balance sheet on the basis of an actuarial valuation of obligations as of the closing date minus, where applicable, the fair value of the related plan assets dedicated to them.

This actuarial valuation is based on the projected unit credit method. This method takes into account, on the basis of actuarial assumptions, the employee's expected length of service, the future compensation level, life expectancy, and employee turnover. The obligation is discounted using, where appropriate, an appropriate discount rate for each country where the obligations are located. It is recorded in proportion to the years of service of the employees.

Changes in actuarial assumptions are recorded in equity for the year.

The income statement incorporates the cost of services rendered, which shows the increase in obligations related to the acquisition of an additional year of service, and an interest expense that reflects the "undiscounting" of the obligations.

Contributions relating to defined-contribution plans are recognized in social security contributions on the income statement of the period to which they relate.

3.3.19 – Current liabilities

Current liabilities are liabilities to be settled or negotiated in the normal operating cycle or within twelve months of the end of the financial year.

3.3.20 – Share-based payment transactions

Since its creation, the Company has put in place several compensation plans settled in equity instruments (stock option plans, share warrants, startup warrants, and bonus shares) granted to the founders, directors, and certain employees of the Group. In accordance with IFRS 2 – *Share-based Payment*, these equity instrument awards are measured at fair value at the grant date. Fair value is determined using the most appropriate valuation model based on the characteristics of each plan.

The fair value determined at the grant date is recognized in payroll expenses on a straight-line basis on each milestone in the vesting period, with a corresponding increase in equity.

At each closing date, the Group reviews the number of options that may become exercisable. Where applicable, the impact of a revision of the estimate is recognized in the consolidated statement of net income with a corresponding adjustment in equity.

- Stock warrants, startup warrants, and stock options:

The fair value of services received in consideration for the award of such instruments is definitively measured by reference to the fair value of such instruments at their grant date and to the number of instruments for which the vesting conditions will be satisfied at the end of the vesting period. To carry out this assessment, the Group uses a binomial mathematical valuation model. During the vesting period, the determined total fair value is spread on a straight-line basis over the entire vesting period of the plan in question, it being specified that plans classified as "graded vesting" are treated as independent plans.

The expense related to these instruments is recognized in profit or loss in payroll expenses with a corresponding increase in shareholders' equity. When the options are exercised, the strike price received by the Group is recorded in cash with an offset in shareholders' equity.

- Bonus shares:

Bonus share plans are within the scope of IFRS 2, like share-based payments settled with equity instruments. Bonus shares are valued at their grant date. Fair values are spread on a straight-line basis over the plan's vesting period in payroll expenses with a corresponding increase in shareholders' equity.

3.3.21 – Recognition of revenue from ordinary business activities

Revenues generated by the Group come from the sale of equipment and service contracts.

a) Equipment sales

Equipment marketed by the Group is generally sold on the basis of customer purchase orders containing fixed and determinable prices, with no right of return or significant post-delivery obligations outside the general terms and conditions of sale. Income is recognized at the time of the transfer of control that occurs when the property is transferred to customers.

The Group considers that the contractual promise made to the customer under the warranty regarding the operation of equipment does not meet the definition of a separate performance obligation because it does not give rise to an "additional service." As such, warranty costs will continue to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets."

b) Delivery of services

Delivered services relate mainly to maintenance contracts, warranty extensions, and installation services.

Revenue from installation services is recognized over the period during which the services are rendered.

Revenue corresponding to service contracts (mainly maintenance and warranty extension) is recognized on a straight-line basis over the effective duration of the contracts. The share of service contracts not relating to the current financial period is recognized in deferred revenue.

3.3.22 – Cost of sales

The cost of sales primarily consists of:

- purchases of components, optical modules, and other products necessary for the production of the sold goods;
- delivery of services of third parties for the manufacture, assembly, installation, and maintenance of the sold goods;
- customs duties, transport costs, and other taxes directly attributable to these purchases;
- direct and indirect costs allocated to the product manufacturing process.

3.3.23 – Operating profit (loss)

Operating profit (loss) includes all income and costs directly related to the Group's activities, whether such income and expenses are recurring or result from decisions or one-off operations.

For easier reading of the income statement and the performance of the Group, unusual and significant items at the consolidated level are identified on the operating profit (loss) line entitled "Other income and expenses."

Other operating income and expenses, excluded from current operating profit (loss), include:

- restructuring costs;
- impairment losses recognized mainly through impairment testing of cash-generating units (CGU) and goodwill;
- direct costs related to business combinations;
- disputes not arising from the Group's operational activity.

3.3.24 – Taxes

Current and prior-year tax assets and liabilities are valued at the amount expected to be recovered from or paid to tax authorities. The tax rates and regulations used to determine these amounts are those adopted or substantially adopted as of the closing date.

Deferred taxes are determined using the liability method for:

- all temporary differences between the tax base and the accounting base for assets and liabilities, except goodwill.
- tax losses that can be carried forward.

Tax assets are recognized only if it is likely that the Group will have future tax benefits against which they can be applied.

The assessment of the Group's ability to recover these assets takes into account, in particular, forecasts of future taxable profits as well as the history of results for tax purposes in previous years.

The Group has opted to present the company value-added contribution (CVAE) as a tax expense.

3.3.25 – Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to the Group's shareholders by the average number of common shares outstanding during the period.

Diluted earnings per share are determined by adjusting the net profit or loss for the period attributable to the Group's shareholders by the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. If the consideration of deferred equity instruments (share warrants, stock options) for calculation of diluted earnings per share creates an anti-dilution effect, these instruments are not taken into account.

Treasury shares deducted from shareholders' equity are not taken into account in the calculation of basic and diluted earnings per share.

NOTE 4 – NOTES TO THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION

4.1 – Goodwill

- ***Final allocation of goodwill***

Goodwill recognized in the accounts at December 31, 2017, results from the acquisition of the OneAccess Group on September 29, 2017. It was temporary goodwill. The purchase price allocation, in particular the determination of the fair values of intangible assets (developed technologies and customer relations), was finalized in the first half of 2018.

The following table shows how the final goodwill is determined:

(In thousands of euros)	Net goodwill
Net book value at 12.31.2017 – Reported	**44,566**
Impact of the purchase price allocation	(17,043)
Net value at 12.31.2017 – Restated	**27,523**
Movements during the period	-
Net value at 12.31.2018	**27,523**
Of which accumulated impairment losses:	-
Purchase price	56,704
Earnouts and share buyback commitments	3,219
Fair value of non-controlling interests	461
Purchase price (A)	**60,384**
Net accounting position at 09/30/2017	15,818
Capitalized R&D adjustment	(11,421)
Deferred tax asset adjustment on capitalized R&D	3,543
Developed technologies	24,712
Customer relations	8,997
Acquired order book	1,021
Deferred tax liabilities	(9,808)
Fair value of net assets acquired (B)	**32,861**
Goodwill (A) – (B)	**27,523**

Developed technologies are depreciated on a straight-line basis over 6 years, non-contractual customer relationships over 10 years, and the acquired order book over 1 year.

The finalization of the purchase price allocation led the Group to retrospectively impact the financial data relating to the year ended December 31, 2017, and to present them in a column "December 31, 2017 restated" in the statement of consolidated financial position.

In addition, the retrospective impact on net income – Group share for the fourth quarter of the year ended December 31, 2017, is presented below:

Net income, Group share – Reported	**(6,466)**
Retrospective amortization expense relating to final fair values of intangible assets identified as part of the PPA:	(458)
Change in deferred taxes	144
Net retrospective impact Q4 2017	**(314)**
Net income, Group share – restated	**(6,780)**

Lastly, for the period from 09.29.2017 to 12.31.2017, OneAccess's contribution to the Group's consolidated revenue was €15.2 million.

If OneAccess Group's business been consolidated from January 1, 2017, to December 31, 2017, the statement of comprehensive income would have included:

- Additional revenue of €39.5 million, bringing the Group's consolidated revenue to €73.8 million
- Additional operating loss of €(2.2) million, bringing the Group's consolidated operating loss to €(8.2) million

- ***Determination of the recoverable amount of goodwill and sensitivity***

The parameters used to determine the recoverable amount are:

- Methodology.. Discounted cash flows
- Growth rate to infinity.. 2%
- Discount rate... 10.2%

A sensitivity of net cash flows is retained. The analysis leads to a change in the parameters of the growth rate to infinity by (1%) and the discount rate by +1.5%.

The determined recoverable amounts do not lead to an impairment loss.

4.2 – Intangible assets

(In thousands of euros)	Developed technologies	Customer relations	Order book	Development costs	Ongoing development costs	Licenses and other intangible assets	Total Intangible assets
Gross value at December 31, 2017 – Reported	-	-	-	33,169	315	4,279	**37,763**
Purchase price allocation (PPA)	24,712	8,997	1,021	(29,977)	-	-	**4,753**
Gross value at December 31, 2017 – Restated	24,712	8,997	1,021	3,192	315	4,279	42,516
Capitalization of development costs	-	-	-	1,757	-	-	**1,757**
Acquisitions	-	-	-	-	59	23	**82**
Disposals	-	-	-	-	-	(9)	**(9)**
Effect of foreign exchange rate fluctuations	-	-	-	-	-	(1)	**(1)**
Gross value at December 31, 2018	**24,712**	**8,997**	**1,021**	**4,949**	**374**	**4,292**	**44,345**
Accumulated amortization at December 31, 2017 – Reported	**-**	**-**	**-**	**(21,249)**	**-**	**(4,129)**	**(25,378)**
Purchase price allocation (PPA)	-	-	-	18,556	-	-	**18,556**
Retroactive impacts of the purchase price allocation	(1,030)	(225)	(255)	1,052	-	-	**(458)**
Accumulated amortization at December 31, 2017 – Restated	(1,030)	(225)	(255)	(1,641)	-	(4,129)	(7,280)
Allowance for the period	(4,118)	(900)	(766)	(804)	-	(114)	**(6,702)**
Effect of foreign exchange rate fluctuations	-	-	-	-	-	-	**0**
Accumulated depreciation at December 31, 2018	**(5,148)**	**(1,125)**	**(1,021)**	**(2,445)**	**0**	**(4,243)**	**(13,982)**
Net value at December 31, 2017 – Reported	**-**	**-**	**-**	**11,920**	**315**	**150**	**12,385**
Net value at December 31, 2017 – Restated	23,682	8,772	766	1,551	315	150	35,236
Net value at December 2018	**19,564**	**7,872**	**0**	**2,504**	**374**	**49**	**30,363**

4.3 – Tangible assets

(In thousands of euros)	Plant and machinery	Office furniture and equipment, computer hardware	Tangible assets in progress	Total Tangible assets
Gross value at December 31, 2017	**11,370**	**6,348**	**58**	**17,776**
Acquisition	828	192	-	**1,020**
Disposal	(453)	(43)	-	**(496)**
Reclassification/commissioning	295	(237)	(58)	**-**
New finance leases	137	-	-	**137**
Impact of foreign exchange rate fluctuations	5	(18)	-	**(13)**
Gross value at December 31, 2018	**12,182**	**6,242**	**-**	**18,424**
Accumulated depreciation at December 31, 2018	**(9,892)**	**(5,364)**	**-**	**(15,256)**
Allowance for the period	(823)	(263)	-	**(1,086)**
Disposal	453	43	-	**496**
Impact of foreign exchange rate fluctuations	-	15	-	**15**
Gross value at December 31, 2018	**(10,262)**	**(5,569)**	**-**	**(15,831)**
Net value at December 31, 2017	**1,478**	**984**	**58**	**2,520**
Gross value at December 31, 2018	**1,920**	**673**	**-**	**2,593**

4.4 – Reconciliation of investments with the statement of cash flows

(In thousands of euros)	December 31, 2018	December 31, 2017 restated
Acquisition of intangible assets	(1,839)	(1,108)
Acquisition of tangible assets	(1,020)	(731)
Change in fixed asset supplier debts	1	3
Total	**(2,858)**	**(1,836)**

4.5 – Non-current financial assets & other non-current assets

(In thousands of euros)	Security deposit	Other	Non-current financial assets	Non-current share of CIR receivables	Other non-current assets
Gross value at December 31, 2017	1,019	350	**1,369**	6,566	**6,566**
Increase	9	29	**38**	953	**953**
Decrease	(227)	-	**(227)**	-	**-**
Currency fluctuations	(3)	-	**(3)**	-	-
Gross value at December 31, 2018	**798**	**379**	**1,177**	**7,519**	**7,519**
Accumulated impairment losses at December 31	-	-	**-**	-	
Allowances for the period	-	-	**-**	-	-
Gross value at December 31, 2018	-	-	**-**	-	**-**
Net value at December 31, 2017	**1,019**	**350**	**1,369**	**6,566**	**6,566**
Gross value at December 31, 2018	**798**	**379**	**1,177**	**7,519**	**7,519**

4.6 – Inventories

(In thousands of euros)	December 31, 2017	Change	Allowance for inventory impairment provision	Writeback of inventory impairment provision	Impact of foreign exchange rate fluctuations	December 31, 2018
Inventories of components	**3,386**	1,700	-	-	6	**086**
Finished product inventories	**5,790**	798	-	-	-	**594**
Gross values	**9,176**	**2,498**	**0**	**0**	**6**	**11,680**
Impairment losses – Components	**(214)**	-	(172)	36	-	**(350)**
Impairment losses – Finished products	**(226)**	-	(14)	143	(1)	**(98)**
Accumulated impairment losses	**(440)**	**0**	**(186)**	**179**	**(1)**	**(448)**
Net value of inventories	**8,736**	**2,498**	**(186)**	**179**	**5**	**11,232**

4.7 – Trade receivables and related accounts

(In thousands of euros)	December 31, 2017	Change	Impact of foreign exchange rate fluctuations	December 31, 2018
Trade receivables and related accounts	21,751	61	(2)	21,810
Accumulated impairment losses	(1,048)	(75)		(1,123)
Total net value of trade receivables and related accounts	**20,703**	**(14)**	**(2)**	**20,687**

The amount of mobilized receivables not yet due corresponding to factoring contracts without any transfer of risks and therefore included in trade receivables and related accounts was €6,602 K.

4.8 – Other current assets

(In thousands of euros)	December 31, 2017	Change	Reclassifications and other changes	December 31, 2018
Forward exchange purchases	-	-	-	-
Derivatives in assets	-	-	-	
Corporate tax, CVAE receivable	96	(52)	3	47
Tax credits (CIR, CII, CICE)	3,323	(1,148)	-	2,175
Other taxes and social security receivable	2,441	952	(16)	3,377
Prepaid expenses	353	88	-	441
Other	162	(2)		160
Gross values	**6,375**	**(162)**	**(13)**	**6,200**
Accumulated impairment losses	(208)	(80)	-	(288)
Net values	**6,167**	**(242)**	**(13)**	**5,912**

4.9 – Cash and cash equivalents

(In thousands of euros)	December 31, 2017	Change	Impact of foreign exchange rate fluctuations	December 31, 2018
Cash	21,316	3,860	(61)	25,115
Cash equivalents	-	-	-	-
Cash and cash equivalents	**21,316**	**3,860**	**(61)**	**25,115**
Bank overdraft facilities	-	-	-	-
Total net cash position	**21,316**	**3,860**	**(61)**	**25,115**

4.10 – Capital and equity instruments

4.10.1 – Share capital and share premiums

As of December 31, 2018, the capital of the parent company, Ekinops S.A., consisted of 21,529,161 fully paid-up common shares with a nominal unit value of €0.50.

Date	Type of operation	Capital	Number of shares created	Nominal value
At December 31, 2016		**€3,682,499**	**7,364,997**	**€0.50**
January-December 2017	Capital increases following exercise of options	€8,755	17,510	€0.50
July 28, 2017	Capital increase with maintained preferential subscription rights	€1,765,680	3,531,360	€0.50
September 29, 2017	Aleph Capital/BPI reserved capital increase	€2,857,143	5,714,286	€0.50
September 29, 2017	Issue of 4,614,594 Ekinops shares with share subscription warrants in exchange for the contribution of 15,373,060 OneAccess shares representing 50% of the shares making up the capital as of that date.	€2,307,297	4,614,594	€0.50
At December 31, 2017		**€10,621,374**	**21,242,747**	**€0.50**
May 18, 2018	Award of bonus shares	€143,207	286,414	€0.50
At December 31, 2018		**€10,764,581**	**21,529,161**	**€0.50**

Note on bonus shares

The allocation of bonus shares over the period stemmed from the decision of the Board of Directors of May 19, 2016, subject to performance and presence conditions. On May 18, 2018, the Board of Directors acknowledged that all the conditions had been met and authorized the definitive allocation of the bonus shares.

Note on the OneAccess earnout

The contract to acquire OneAccess shares provides for an earnout.

The amount of the conditional earnout is determined by reference to the consolidated revenue generated by all “access” products and services over twelve months for the 2018 financial year.

Half of this price adjustment will be paid in new Ekinops S.A. shares and half in cash.

Considering the revenue generated for the 2018 financial year, the Group recognized a debt of €5,028 K (see Note 4.15), payable in cash for €2,549 K and the issue of 403,508 new shares.

4.10.2 – Share-based payments

a) Stock options (OSA)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Ending new potential shares	Strike price (In €)	Remaining contractual life
May 15, 2008	37,718	-	-	(37,718)	0	€6.25	-
March 12, 2009	12,400	-	-	-	12,400	€6.25	0.2 years
September 15, 2011	1,550	-	-	-	1,550	€4.91	2.7 years
February 25, 2013	9,300	-	-	(6,200)	3,100	€5.57	4.2 years
June 19, 2014	242,885	-	-	(31,000)	211,885	€6.55	5.5 years
May 19, 2016	136,649	-	-	(20,150)	116,499	€3.43	7.4 years
Total stock options (OSA)	**440,502**	**-**	**-**	**(95,068)**	**345,434**	N/A	N/A

b) Share subscription warrants (BSA)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Ending new potential shares	Strike price (In €)	Remaining contractual life
September 28, 2007	31,000	-	-	-	31,000	€6.25	1.9 years-
February 25, 2013	0	-	-	-	0	€5.57	5.7 years
June 19, 2014	6,975	-	-	-	6,975	€4.91	0.5 years
Total Share subscription warrants (BSA)	**37,975**	**-**	**-**	**(95,068)**	**37,975**	N/A	N/A

c) Startup warrants (BCE)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Ending new potential shares	Strike price (In €)	Remaining contractual life
June 22, 2010	742,479	-	-	-	742,479	€4.91	1.5 years
October 21, 2010	36,062	-	-	-	36,062	€4.91	1.8 years
May 12, 2011	59,474	-	-	-	59,474	€4.91	2.4 years
December 20, 2012	63,206	-	-	-	63,206	€4.91	2.4 years
February 25, 2013	333,250	-	-	-	333,250	€5.57	4.2 years
Total startup warrants (BCE)	**1,234,471**	**-**	**-**	**-**	**1,234,471**	N/A	N/A

d) Bonus shares awarded

	Starting new potential shares	Awarded during the period	Vested during the period	Canceled or lapsed during the period	Ending new potential shares
May 19, 2016	292,764	-	(286,414)	(6,350)	0
June 13, 2018	-	1,055,000		(50,000)	1,005,000
Total bonus shares awarded (AGA)	**292,764**	**1,055,000**	**(286,414)**	**(56,350)**	**1,005,000**

As mentioned in Note 6.10.1, the bonus shares granted by the Board on May 19, 2016, were definitively vested during the period, at the end of the service period (May 19, 2018) and following the fulfillment of the performance conditions, resulting in an increase in share capital of €143 K with an offsetting entry in reserves.

In addition, at its meeting on June 13, 2018, the Board of Directors approved the regulations of a plan setting out the conditions and criteria for awarding 1,055,000 bonus shares of the Company to certain members of the group's personnel. The acquisition of these shares is subject to performance conditions based on the objective of revenue growth in the coming financial years.

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

	Starting new potential shares	Awarded during the period	Exercised or acquired during the period	Canceled or lapsed during the period	Ending new potential shares	Expense recognized at 12.31.2018 (In K €)	Expense recognized at 12.31.2017 (In K €)
OSA	440,502	-	-	(95,068)	345,434	(38)	(285)
BSA	37,975	-	-	-	37,975	-	(11)
BCE	1,234,471	-	0	0	1,234,471	-	(603)
AGA	292,764	1,055,000	(286,414)	(56,350)	1,005,000	(405)	(585)
GRAND TOTAL	**2,005,712**	**-**	**(286,414)**	**(151,418)**	**2,622,880**	**(443)**	**(1,484)**

4.11 – Financial debt

a) Change in financial debt over the 2018 financial year

(In thousands of euros)	December 31, 2017	Increases	Repayments	(Discounting)/Undiscounting	Other changes	December 31, 2018
Bank loans	454	1,875	-	-	(1,082)	1,247
Bank loans/CIR financing	3,359	1,473	-	-	(1,708)	3,124
Finance lease debts	462	-	-	-	(93)	369
Conditional advances and interest-free loans	2,211	-	-	-	(618)	1,593
Discounting of advances and interest-free loans	(84)	-	-	-	39	(45)
Miscellaneous financial debt	863	72	-	-	(515)	420
Total non-current financial debt	**7,265**	3,420	-	0	(3,977)	**6,708**
Bank loans	536	-	(536)	-	1,082	1,082
Bank loans/CIR financing	1,677	-	(1,677)		1,708	1,708
Finance lease debts	405	-	(416)	-	230	219
Conditional advances and interest-free loans	992	-	(992)	-	618	618
Discounting of advances and interest-free loans	(50)	-	-	50	(39)	(39)
Factoring debt	7,424	31,825	(34,294)	-	-	4,955
Miscellaneous financial debt	281	-	(280)	-	515	516
Total current financial debt	**11,265**	31,825	(38,195)	50	4,114	**9,059**
Total financial debt	**18,530**	35,245	(38,195)	50	137	**15,767**

- "Conditional advances and interest-free loans" correspond to the interest-free loans for innovation from Banque Publique d'Investissement (BPI). These loans do not bear any interest. They are therefore restated as described in the accounting principles and methods (Note 3.3.16): They are valued at amortized cost (using the market rate applicable to each loan at the effective interest rate), and the difference between the valuation at amortized cost of the loan and its nominal value is considered as a subsidy received from the State and spread over the life of the loan.
- Factoring debts correspond to drawdowns under factoring contracts put in place by the Group. Given that these contracts do not transfer credit risk, the financial assets transferred to the Factor are not derecognized and are shown as trade receivables, whereas the drawdowns not yet repaid are included in financial debt.
- The Group may use bank loans to pre-finance the CIR. The repayment of these loans takes place simultaneously with the liquidation of the debt by the tax authorities.

b) Breakdown of financial debt by rate

(In thousands of euros)	Balance at 12.31.2018	Fixed rate	Variable rate
Non-current financial debt	6,708	3,584	3,124
Current financial debt	9,059	2,396	6,663
Total financial debt	**15,767**	**5,980**	**9,787**

4.12 – Information on net debt

Net debt corresponds to current and non-current financial debt minus cash and cash equivalents.

a) Breakdown of net debt by currency

(In thousands of euros)	December 31, 2018	EUR	USD	AUD	Other currencies
Bank loans	2,329	2,329	-	-	-
Bank loans/CIR financing	4,832	4,832			
Finance lease debts	588	588	-	-	-
Conditional advances and interest-free loans	2,211	2,211	-	-	-
Discounting of advances and interest-free loans	(84)	(84)	-	-	-
Factoring debt	4,955	4,955	-	-	-
Miscellaneous financial debt	936	936	-	-	-
Financial debt	**15,767**	15,767	-	-	-
Cash and cash equivalents	(25,115)	(24,680)	(279)	(38)	(118)
Net debt / (Cash and cash equivalents)	**(9,348)**	(8,913)	(279)	(38)	(118)

b) Breakdown of net debt by maturity

(In thousands of euros)	December 31, 2018	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	> 5 years	Discounting
Bank loans	2,329	1,082	633	614	-	-	-	-
Bank loans/CIR financing *	4,832	1,708	1,651	1,473	-	-	-	
Finance lease debts	588	219	127	132	94	16	-	-
Conditional advances and interest-free loans	2,211	618	618	581	394	-	-	-
Discounting of advances and interest-free loans	(84)	(39)	(26)	(15)	(4)	-	-	-
Factoring debt	4,955	4,955	-	-	-	-	-	-
Miscellaneous financial debt	936	516	348	72	-	-	-	-
Financial debt	**15,767**	9,059	3,351	2,857	484	16	-	
Cash and cash equivalents	(25,115)	(25,115)	-	-	-	-	-	
Net debt / (Cash and cash equivalents)	**(9,348)**	(16,056)	3,351	2,857	484	16	-	

4.13 – Provisions

(In thousands of euros)	December 31, 2017	Allowances	Write-back used	Write-back not used	Reclassification	December 31, 2018
Provisions for disputes	214	824	(214)	-		824
Provisions for social and tax risks	530	400	(139)	(41)	(350)	400
Provisions for liabilities and charges – Non-current portion	**744**	**1,224**	**(353)**	**(41)**	**(350)**	**1,224**
Provision for warranty	727	537	(511)	-		753
Provisions for disputes	-			-	100	100
Provisions for social and tax risks	-		60	-	250	310
Provisions for liabilities and charges – Current portion	**727**	**537**	**(451)**	**-**	**350**	**1,163**
Total provisions for liabilities and charges	**1,471**	**1,761**	**(804)**	**(41)**	**-**	**2,387**

4.14 – Employee benefits

a) Change in net commitment recognized on the balance sheet

(In thousands of euros)	December 31, 2018	December 31, 2017
Starting actuarial debt	**2,620**	**394**
Effect of business combinations	-	2,016
Cost of services rendered	271	90
Use (retirement)	(227)	-
Financial cost	33	14
Actuarial losses (gains)	(196)	106
Effect of foreign exchange rate fluctuations	(5)	-
Ending actuarial debt	**2,496**	**2,620**

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

As specified in the accounting rules and methods, all actuarial gains or losses are recognized in equity. The cost of services rendered is recorded as an operating expense, and the financial cost is recorded in other financial income and expenses.

b) Actuarial assumptions

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

Actuarial assumptions	December 31, 2018	December 31, 2017
Retirement age	65 years	65 years
Discount rate	1.57%	1.30%
Employer contribution rates	47.0%	47.0%
Rate of salary increases	2.30%	2.30%
Employee turnover		
< 25 years	*10% - 15%*	*N/A*
25 - 30 years	*10% - 20%*	*5.0% - 9.4%*
30 - 35 years	*20% - 25%*	*5.0% - 15.7%*
35 - 40 years	*15.0%*	*4.5% - 5.0%*
40 - 45 years	*2% - 10%*	*2.0% - 2.2%*
45 - 50 years	*2.00%*	*N/A*
50 - 55 years	*2.00%*	*N/A*
> 55 years	*0.0%*	*0.0% - 2.0%*
Mortality table	TGHF05	TGHF05

c) Sensitivity of the net commitment to the discount rate

The following table examined the sensitivity of the end-of-career compensation plan to the discount rate. Amounts expressed in thousands of euros correspond to the valuation of the actuarial debt at the end of two financial years presented in the event of an increase or decrease in the discount rate:

End-of-career compensation commitment sensitivity analysis (In thousands of euros)	Decrease of 1 point	Decrease of 0.25 points	Increase of 0.25 points	Increase of 1 point
December 31, 2018	**2,760**	**2,558**	**2,436**	**2,270**
December 31, 2017	**2,927**	**2,691**	**2,552**	**2,364**

4.15 – Debts on acquisition of securities

Debts on acquisition of securities recorded as of December 31, 2018, break down as follows:

(In thousands of euros)	December 31, 2017	Earnout estimation revision[1]	Purchase of remaining non-controlling interests[2]	Put options exercised by non-controlling interests	December 31, 2018
Debt relating to earnouts	2,094	2,934	-	-	5,028
Debt relating to share buyback commitments	1,125	-	-	(369)	756
Debt relating to the purchase of remaining non-controlling interests	-	-	450	-	450
Total debts on acquisition of securities	3,219	2,934	450	(369)	6,234

[1] Upward adjustment of the estimate of the earnout for the acquisition of the OneAccess Group, taking into account the performance achieved over the 2018 financial year. The change in fair value of the earnout was recorded on the income statement under "Other operating income and expenses." In addition, all of the debt on acquisition of securities are due in less than one year as of 12.31.2018.

[2] Acquisition at the end of December 2018 of the remaining non-controlling interests, bringing the Group's ownership to 100% at the end of the financial year.

4.16 – Other non-current liabilities

(In thousands of euros)	December 31, 2017	Change	Reclassifications and other changes	December 31, 2018
Discounting – BPI interest-free loans	84	-	(39)	45
Other subsidies	-	-	-	0
Contract liabilities – portion at more than one year	395	-	(328)	67
Total other current liabilities	**479**	**-**	**(367)**	**112**

4.17 – Other current liabilities

(In thousands of euros)	December 31, 2017	Change	Reclassifications and other changes	December 31, 2018
Forward exchange purchases	19	-	7	26
Derivative instrument liabilities	**19**	**-**	**7**	**26**
Trade payables	11,041	2,925	(8)	13,958
Trade payables	**11,041**	**2,925**	**(8)**	**13,958**
Corporate taxes payable	465	343	(11)	797
Corporate taxes payable	**465**	**343**	**(11)**	**797**
Debts on acquisitions of tangible and intangible assets.	7	1	-	8
Taxes and social security contributions payable	10,074	277	6	10,357
Deferred income	1,241	298	328	1,867
Customer advances and credit balances	119	(51)	2	70
Other	-	42	-	42
Total other current liabilities	**11,441**	**567**	**336**	**12,344**

4.18 – Impact of change in working capital requirements

(In thousands of euros)	December 31, 2018	December 31, 2017
Net (Increase) / Decrease in inventories	(2,498)	646
Net (Increase) / Decrease in trade receivables	(61)	(3,155)
Increase (Decrease) in trade payables	2,925	121
Net (Increase) / Decrease in other elements of the working capital requirement related to operations	(297)	(136)
(Increase) / Decrease in working capital requirement	**69**	**(2,524)**

4.19 – Categories of financial assets and liabilities

The following tables show the Group's categories of financial assets and liabilities as of the end of the presented financial years:

a) *Financial assets*

December 31, 2018				
In thousands of euros	Balance sheet value	Amortized cost	Fair value through profit or loss	Fair value
Non-current financial assets	1,177	1,177	-	1,177
Trade receivables and related accounts	20,687	20,687	-	20,687
Other current assets*	160	160	-	160
Cash and cash equivalents	25,115	-	25,115	25,115
Total	**47,139**	**22,024**	**25,115**	**47,139**

** excluding social security contributions and taxes receivables and prepaid expenses*

December 31, 2017				
In thousands of euros	Balance sheet value	Loans and receivables	Assets at fair value through profit or loss	Fair value
Non-current financial assets	1,369	1,369	-	1,369
Trade receivables and related accounts	20,703	20,703	-	20,703
Other current assets*	162	162	-	162
Cash and cash equivalents	21,316	-	21,316	21,316
Total	**43,550**	**22,234**	**21,316**	**43,550**

** excluding social security contributions and taxes receivables and prepaid expenses*

b) *Financial liabilities*

December 31, 2018				
In thousands of euros	Balance sheet value	Amortized cost	Fair value through profit or loss	Fair value
Financial debt	15,767	15,767		15,767
Debts on acquisition of securities	6,234	-	6,234	6,234
Trade payables and related accounts	13,958	13,958	-	13,958
Derivative instrument liabilities	26	-	26	26
Other liabilities*	120	120	-	120
Total	**36,105**	**29,845**	**6,260**	**36,105**

** Excluding taxes and social security contributions payable and deferred income*

December 31, 2017				
In thousands of euros	Balance sheet value	Amortized cost	Fair value through profit or loss	Fair value
Financial debt	18,530	18,530		18,530
Debts on acquisition of securities	3,219	-	3,219	3,219
Trade payables and related accounts	11,041	11,041	-	11,041
Derivative instrument liabilities	19	-	19	19
Other liabilities*	126	126	-	126
Total	**32,935**	**29,697**	**3,238**	**32,935**

** excluding social security contributions and taxes receivables and prepaid expenses*

c) Fair value hierarchy

Financial instruments are presented in three categories according to a hierarchy of fair value determination methods:

- *Level 1:* fair value calculated using rates/prices quoted on an active market for identical assets and liabilities;
- *Level 2:* fair value calculated using valuation techniques based on observable data such as prices of similar assets or liabilities or parameters quoted on an active market;
- *Level 3:* fair value calculated using valuation techniques based in whole or in part on unobservable data such as prices on an inactive market or valuation on the basis of multiples for unlisted securities.

In thousands of euros	Level 1 category	Level 2 category	Level 3 category
Derivative instrument liabilities	-	26	-
Debts on acquisitions of securities	-	-	6,234
Total	**-**	**26**	**6,234**

Financial instruments consist of long-term contracts in US dollars. The fair value of financial assets was valued on the basis of bank valuations.

NOTE 5 – NOTES TO THE INCOME STATEMENT

5.1 – Income from ordinary activities

a) By type

(In thousands of euros)	December 31, 2018	December 31, 2017
Sales of produced goods	79,264	31,685
Sales of produced services	4,958	2,606
Total revenue	**84,222**	**34,291**

b) By geographic region

(In thousands of euros)	December 31, 2018	December 31, 2017
North and South America	9,848	8,422
Europe / Middle East / Africa / Asia-Pacific	74,374	25,869
Total revenue	**84,222**	**34,291**

5.2 – Type of allocated expenditure by function

a) Type of research and development costs

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Payroll expenses	(18,349)	(7,506)	(7,506)
Allowances for amortization/depreciation and provisions	(5,995)	(2,080)	(2,102)
Operational subcontracting and external personnel	(2,420)	(554)	(554)
Rental and lease expenses	(1,284)	(376)	(376)
Supplies, equipment, maintenance	(1,204)	(1,525)	(1,525)
Tax credit	3,124	1,762	1,762
Subsidies	814	328	328
Capitalization of development costs	1,818	1,100	1,100
Allocation of manufacturing costs to costs of sales	5,106	1,726	1,726
Travel expenses	(349)	(163)	(163)
Other	(477)	(380)	(380)
Total research and development costs	**(19,216)**	**(7,668)**	**(7,690)**

b) Type of sales expenses

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Payroll expenses	(12,207)	(5,861)	(5,861)
Outside personnel	(1,540)	(895)	(895)
Business travel and trips	(1,092)	(758)	(758)
Professional fees and consulting	(412)	(286)	(286)
Rental and lease expenses	(538)	(232)	(232)
Supplies, equipment, maintenance	(425)	(273)	(273)
Fairs, promotions, and advertising	(324)	(248)	(248)
Allowances for amortization/depreciation and provisions	(2,804)	(567)	(87)
Other	(196)	(156)	(156)
Total marketing and sales expenses	**(19,538)**	**(9,276)**	**(8,796)**

c) Type of general and administrative expenses

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Payroll expenses – Excluding payments in shares	(3,758)	(2,101)	(2,101)
Payroll expenses – Payments in shares*	(256)	(1,764)	(1,764)
Professional fees and consulting	(1,058)	(334)	(332)
Supplies, equipment, maintenance	(421)	(160)	(160)
Outside personnel	(456)	(139)	(139)
Insurance	(298)	(140)	(140)
Bank charges	(150)	(77)	(77)
Rental and lease expenses	(152)	(102)	(102)
Allowances for amortization/depreciation and provisions	(63)	(108)	(108)
Other	(436)	8	6
Total general and administrative expenses	**(7,049)**	**(4,917)**	**(4,917)**

*including employer's contributions

5.3 – Payroll expenses and Group headcount

a) Breakdown of personnel costs by function

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Salaries and wages	(25,218)	(11,307)	(11,307)
Social security contributions and payroll taxes	(9,053)	(4,072)	(4,072)
Cost of services rendered	(44)	(89)	(89)
Payment in shares	(256)	(1,764)	(1,764)
Total payroll expenses	**(34,570)**	**(17,232)**	**(17,232)**

b) Breakdown of personnel expenses by type

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Total research and development costs	(18,349)	(7,506)	(7,506)
Total marketing and sales expenses	(12,207)	(5,861)	(5,861)
Total general and administrative expenses	(4,014)	(3,865)	(3,865)
Total payroll expenses	**(34,570)**	**(17,232)**	**(17,232)**

c) Group headcount

(In units)	December 31, 2018	December 31, 2017
Salaried personnel	382	380
Seconded personnel	31	39
Total headcount	**413**	**419**

5.4 – Amortization/depreciation and provisions: allowances and writebacks

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Allowances for amortization – Intangible assets	(6,702)	(2,059)	(1,601)
Allowances for amortization – Tangible assets	(1,086)	(639)	(639)
Net allowance for provisions for liabilities and charges of the “Current operating profit (loss)”	(1,071)	(58)	(58)
Cost of services rendered	(48)	(90)	(90)
Subtotal (EBITDA)	**(8,907)**	**(2,846)**	**(2,387)**
IAS 19 financial cost	(33)	(14)	(14)
Subtotal (TFT)	**(8,940)**	**(2,860)**	**(2,400)**
Net allowance for writebacks of provisions on inventories	(7)	796	796
Total allowances for amortization/depreciation and provisions, net of writebacks	**(8,947)**	**(2,064)**	**(1,604)**

5.5 – Other operating income and expenses

Other operating income and expenses mainly consist of expenses directly attributable to the business combination (Note 4.15)

5.6 – Financial profit (loss)

a) Net borrowing cost

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Interest expenses	(159)	(86)	(86)
Effect of undiscounting	(50)	(42)	(42)
Net borrowing cost	**(209)**	**(128)**	**(128)**

b) Other financial income and expenses

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Currency gains (losses)	101	(394)	(394)
Other financial income and expenses	(6)	(24)	(24)
Other financial income and expenses	**95**	**(418)**	**(418)**

5.7 – Taxes

a) Breakdown of tax expense recorded for the presented financial years

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Current income taxes	(710)	(2)	(2)
Change in deferred taxes	888	150	6
Tax expense	**178**	**148**	**4**

b) Tax analysis

(In thousands of euros)	December 31, 2018	December 31, 2017 restated	December 31, 2017
Profit (loss) before taxes	(2,263)	(6,917)	(6,459)
Group theoretical tax rate	*-33.33%*	*-33.33%*	*-33.33%*
Theoretical tax expense at the Group's rate	**754**	**2,306**	**2,153**
Effect of tax credits (CIR, CICE, etc.)	1,041	572	572
Effect of share-based payments	(148)	(495)	(495)
Non-deductible earnouts	(978)	-	-
Other permanent differences	(108)	44	44
Use or recognition of temporary differences previously not recognized	1,689	-	-
Deficits and other net temporary differences not recognized	(2,050)	(2,255)	(2,255)
CVAE and other taxes presented in income taxes	(337)	(74)	(74)
Other		(2)	7
Differences in rates related to foreign tax jurisdictions	315	52	52
Recognized tax expense	**178**	**148**	**4**

c) Deferred taxes

Balance at 12.31.2017 – Reported	**1,565**
- Deferred tax assets	1,565
Net deferred tax liabilities identified as part of the purchase price allocation	(6,266)
Retroactive impacts of the purchase price allocation (intangible amortization and changes in rates in the 2018 finance law)	144
Balance at 12.31.2017 – Restated	**(4,557)**
- Deferred tax assets	106
- Deferred tax liabilities	(4,663)
Change reflected in profit (loss)	888
Change reflected in other comprehensive income	-
Effect of foreign exchange rate fluctuations	25
Balance at 12.31.2018	**(3,644)**
- Deferred tax assets	1,953
- Deferred tax liabilities	(5,597)

The potential tax savings that would result from the application of tax loss carry-forwards, not recognized as of December 31, 2018, represent a total of €24.6 million.

5.8 – Earnings per share

Below is information on earnings and shares used to calculate basic and diluted earnings per share for all activities.

a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit accruing to the Company's shareholders by the weighted average number of common shares outstanding during the year.

In thousands of euros / In units	December 31, 2018	December 31, 2017 restated
Net income attributable to Ekinops SA shareholders	(2,078)	(6,466)
Weighted average number of outstanding shares:	21,408,331	18,836,283
- Weighted average number of common shares	*21,420,873*	*18,844,208*
- Weighted average number of treasury shares	*(12,542)*	*(7,925)*
Basic earnings per share (€/share)	**(0.10)**	**(0.34)**

b) Diluted earnings per share

Deferred equity instruments (BSA, BCE, SO) are considered anti-dilutive because they result in an increase in earnings per share.

NOTE 6 – SEGMENT INFORMATION

The presented information is based on the internal reporting used by Management to evaluate the performance of the various segments. The segment result of reference is the current operating profit (loss). The Group is managed on the basis of a single segment and does not distinguish between autonomous geographical segments.

However, with regard to the monitoring of revenue, the Group distinguishes two main areas: North and South America and Europe / Middle East / Africa / Asia-Pacific. This information is provided in Note 5.1.

NOTE 7 – RELATED-PARTY DISCLOSURES

The amounts of compensation set out below were granted to the CEO and the members of the board of directors of the company. They were recorded as expenses during the presented financial years:

In thousands of euros	December 31, 2018	December 31, 2017 restated
Compensation and benefits in kind	(552)	(597)
Payment in shares	(209)	(624)
Benefits in kind – GSC	(12)	(12)
Total	**(773)**	**(1,233)**

NOTE 8 – EXPOSURES TO FINANCIAL RISKS

8.1 – Interest-rate risk

The Group's exposure to interest fluctuations mainly concerns bank debts remunerated on the basis of the Euribor or the replacement index. The Group is therefore exposed to the risk of interest rate fluctuations. An increase in the Euribor would entail an additional interest expense for the Group.

8.2 – Currency risk

The Group is subject to currency risks arising from purchases from component suppliers and commercial relations with its customers and its subsidiaries located outside the eurozone.

The Group's main currency risk exposures come from the US dollar (USD) and the Australian dollar (AUD).

The Group's net foreign exchange position on currencies as of December 31, 2018, is as follows:

In thousands of euros	Trade receivables (a)	Trade payables (b)	Obligation in foreign currencies (c)	Obligation in foreign currencies (d) = (a) – (b) +/ – (c)	Hedging instruments (e)	Net position after hedging (f) = (d) – (e)
USD	13,892	5,859		8,033	2,630	5,403
AUD	2,423	371		2,052		2,052
Other	-	896		(896)		(896)
TOTAL	**16,315**	**7,126**		**9,189**	**2,630**	**6,559**

To date, hedging transactions (through hedging contracts with different maturities) only involve purchases in US dollars.

The Group is therefore mainly exposed to currency risk from the US dollar (USD). As a result of the translation of these subsidiaries into the reporting currency (euro), a 10% increase or decrease in the US dollar against the euro would have had the following impacts on the consolidated statement of net income and the consolidated statement of changes in shareholders' equity:

In thousands of euros	December 31, 2018	
USD/EUR	**+10%**	**-10%**
Impact on net income	307	(307)
Impact on shareholders' equity	(659)	659

In addition, during 2018, the risk of an imbalance of flows resulted in the following figures: receipts in USD totaled 26.2 million, while total disbursements over the same period represented USD 36.6 million. To limit this risk, the group has established a hedging policy described above.

8.3 – Credit risk

The maximum exposure to credit risk at the end of each financial year is represented by the book amount of the assets presented in the following table:

In thousands of euros	31 December 2018	31 December 2017 restated	31 December 2 017 reported
Non-current financial assets	1,177	1,369	1,369
Other non-current assets	7,519	6,566	6,566
Trade receivables and related accounts	20,687	20,703	20,703
Other current assets	5,912	6,167	6,167
Cash and cash equivalents	25,115	21,316	21,316
Total	**60,410**	**56,121**	**56 1211**

- Receivables related to government subsidies and the research tax credit present a credit risk deemed insignificant in view of the Company's history.
- Credit risk related to cash, cash equivalents, and current financial instruments is not significant in view of the quality of the financial institutions party to the contracts.

With regard to trade receivables, there is a credit risk since a possible loss may occur if a customer fails to honor commitments on time. This credit risk related to receivables is limited due to, in particular, the quality of the Group's aged balance. The following table illustrates the aging of trade receivables and the related provisions for impairment losses:

In thousands of euros	December 31, 2018			December 31, 2017		
	Gross	%	Impairment losses	Gross	%	Impairment losses
Not yet due	16,811	77%	-	16,013	74%	-
Past due for 30 days or less	1,639	8%	-	3,604	17%	-
Past due for 31 to 60 days	825	4%	-	161	1%	-
Past due for 61 to 90 days	461	2%	-	276	1%	-
Past due for 91 to 180 days	951	4%	-	606	3%	-
Past due for more than 180 days	1,121	5%	(1,121)	1,091	5%	(1,048)
Total	**21,808**	**100%**	**(1,121)**	**21,751**	**100%**	**(1,048)**
Net value:			**20,687**			**20,703**

NOTE 9 – OFF-BALANCE SHEET COMMITMENTS

9.1 – Lease commitments

Significant lease commitments are those relating to real estate leases. The table below shows the minimum future payments:

(In thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total
Operating lease – Minimum future payments as of December 31, 2018	572	2,499	827	**3,897**
Operating lease – Minimum future payments as of December 31, 2017	499	2,039	689	**3,226**

9.2 – Other commitments given

The Group subcontracts a large part of the production of its equipment to its partners. Orders for manufacturing finished products are launched on the basis of firm customer orders. In addition, the Group orders components or semi-finished products from these same subcontractors in order to be able to demonstrate commercial responsiveness. The Group therefore has a commitment to take back these inventories up to a certain limit.

The amount of this commitment relating to inventories of components and semi-finished products is estimated at €7.3 million as of December 31, 2018.

9.3 – Financial guarantee

Type	Beneficiary	Amount	End date
Bank guarantee	Customer	AUD 150 K	June 2020
Bank guarantee	Supplier	€900 K	June 2019

NOTE 10 – POST-CLOSING EVENTS

No significant events.

NOTE 11 – EBITDA[1]

The Group has chosen to disclose this aggregate in view of its significance for the analysis of its financial performance but also with regard to the conditions for the final vesting of bonus shares and stock options awarded to the Group's employees.

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

In thousands of euros	December 31, 2018	December 31, 2017 restated	December 31, 2017
Current operating profit (loss)	**1,285**	**(4,352)**	**(3,894)**
Net allowances for amortization, depreciation, and provisions	8,907	2,846	2,387
Payment in shares *	256	1,764	1,764
EBITDA	**10,448**	**257**	**257**

*Including employer's contributions

NOTE 12 – STATUTORY AUDITORS' FEES

In thousands of euros	Statutory audit	Other services	Subtotal
Deloitte	112		**112**
- *of which issuer*	*67*		***67***
KPMG	23		**23**
- *of which issuer*			**-**
Mazars	13		**13**
of which issuer			**-**
ALTONEO	26		**26**
- *of which issuer*	*26*		***26***

[1] *Earnings Before Interest, Taxes, Depreciation and Amortization.*