

sesimagotag

VUSION



Annual Report 2020



FILING OF THE REPORT WITH THE FRENCH FINANCIAL MARKETS AUTHORITY

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This document was prepared by the issuer and is the responsibility of its signatories.

TABLE OF CONTENTS

1. Introduction and presentation of the Group's activities	4
2. Risk factors and uncertainties	46
2.1 Risk factors and uncertainties	49
2.2 Insurance and internal control	64
3. Corporate governance	68
3.1 Management bodies	71
3.2 The Board of Directors	73
3.3 Compensation and benefits	101
3.4 Information likely to have an impact in the event of a public offering	116
4. Non-financial performance report	122
4.1 A word from our Chairman & CEO	124
4.2 Market, business model and challenges	126
4.3 CSR Strategy	128
4.4 Creating sustainable and inclusive value for our stakeholders	131
4.5 Scope and methodology	153
4.6 Report by an independent third party	155
5. Comments on the fiscal year	158
5.1 Analysis of 2020 results	161
5.2 Subsequent events	168
5.3 Outlook	168
5.4 Report on the separate financial statements	169
6. Financial statements	172
6.1 The Group's consolidated financial statements for the fiscal year ended December 31, 2020	174
6.2 Separate financial statements for the year ended December 31, 2020	208
6.3 Statutory Auditors' reports	230
7. Capital and shareholding	240
7.1 Shareholders	244
7.2 Participation des salariés au capita	246
7.3 Stock market data	247
7.4 Relationship with the financial community	248
7.5 Dividends	248
7.6 Share buyback program - Number of shares and share of the capital held by the Company at December 31, 2020	248
7.7 Rapport spécial sur les options	252
7.8 Special report on bonus shares granted	255
7.9 Change in the amount of share capital over the last five years	257
8. General meeting of June 16, 2021	258
8.1 Agenda of the Combined General Meeting of June 16, 2021	261
Within the remit of the Ordinary General Meeting	263
Within the remit of the Extraordinary General Meeting	267
8.2 Draft resolutions and Report of the Board of Directors to the Combined General Meeting of June 16, 2021	279
8.3 Special report of the Statutory Auditors on regulated agreements and commitments	290
9. Statement by the person responsible for the report	294

1

Introduction and
presentation of the
Group's activities

TABLE OF CONTENTS

_About SES-imagotag	6
_Key figures	7
_Strong resilience of the Group's performance in 2020	8
_Message from the Chairman and CEO	10
_Presentation of the Group	14
Global ambition	14
Our story	18
Shareholding	20
Vision & mission	25
Strategy	27
1. Technological leadership, innovation and differentiation	28
2. Geographic expansion and leading position in strategic markets	34
3. Industrial and competitive superiority	36
4. Ecosystem of leading global partners	38
5. Resolute environmental and social CSR policy	40
6. Rigorous governance supporting an ambitious sustainable growth strategy	42

About SES-imagotag

Global leader in digital solutions for physical retail

The Group's mission is to support retailers in their digital transformation by helping them make their physical stores more efficient, automated, data-driven and connected to consumers and suppliers.

SES-imagotag is a global leader in digital solutions for physical retail, with more than 300 food and specialty retailers in Europe, Asia and North America.



Key Figures

Founded in
1992

16
Subsidiaries and sales
offices worldwide

500
employees

22,000
stores

230 million
smart labels

2.5 billion
Cloud interactions every year

€290 million
in revenue

300 customers
in more than 60 countries

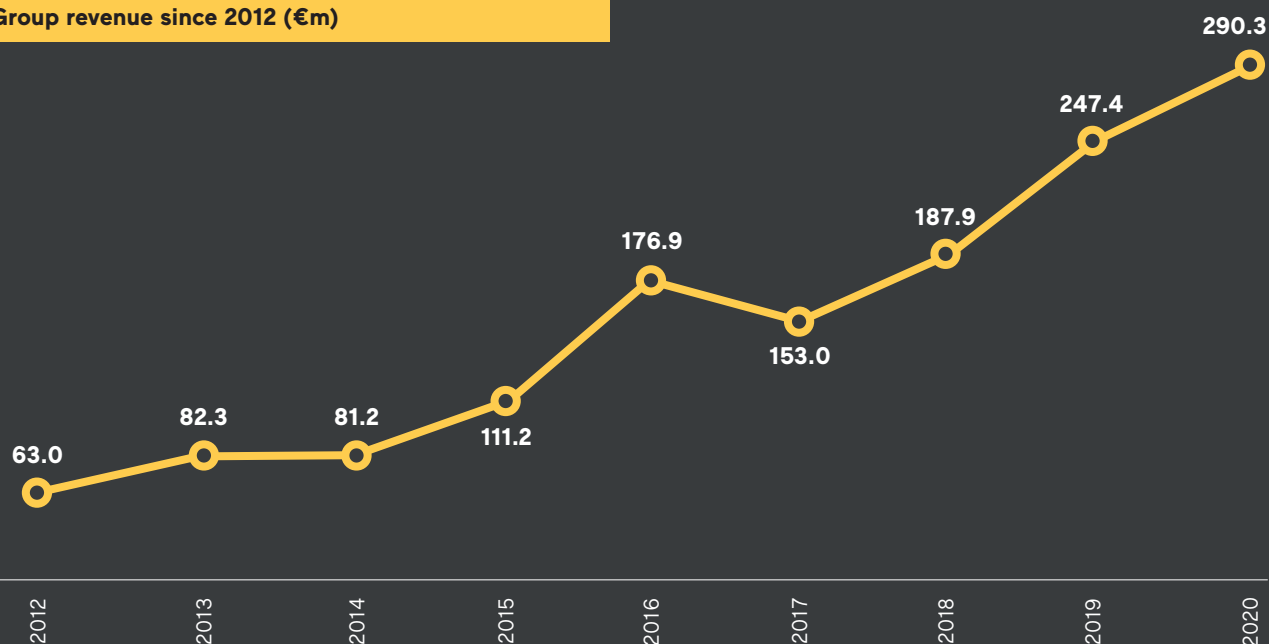
Strong resilience of the Group's performance in 2020

Against an unprecedented backdrop, 2020 and the Covid-19 crisis emphasized more than ever the importance of physical retail in the economy, employment, social interactions and cities. Far from granting victory to e-commerce, this health tragedy has highlighted its limits and the importance of stores at the center of tomorrow's omnichannel retail environment. Furthermore, retailers showed an incredible commitment and resilience throughout the year and across all regions.

With this in mind, the mission of SES-imagotag, which is to defend physical retail by helping it succeed in its digital revolution, is a formidable project for the future, but also a reality that explains the Group's strong resilience to the crisis.

- Revenue grew annually by **+17% to €290 million**
- EBITDA increased **fourfold to €16 million**
- Positive annual net profit in the second half, a strong improvement for the year (**-€7 million vs. -€13 million in 2019**)
- Cash flow restored in the second half (**€88 million** in cash at the end of 2020 and net cash surplus of **+€3m**)
- Continued strong growth expected in 2021 (**>30%**) thanks to the level of orders recorded

Group revenue since 2012 (€m)



Group revenue for 2020

Sales (€m)	2020	2019	Δ
Europe & MEA	206.7	211.7	-2%
France	46.6	67.4	-31%
EMEA	160.1	144.3	+11%
Asia & Americas	83.6	35.8	+133%
Total revenue	290.3	247.5	+17%

Group net finance income (expense) for 2020

€m	FY 2020	FY 2019	Δ
Revenue	290.3	247.6	+17%
Variable costs margin	63.2	50.5	+25%
% of revenue	21.8%	20.4%	+1.4 pts
EBITDA	16.0	4.0	+300%
% of revenue	5%	1.6%	+3.4 pts
Net profit (loss)	(7.6)	(13.1)	-42%
% of revenue	-3%	-5%	+2 pts

Message from the Chairman and CEO



Photo credit: Jennifer Delhotellerie

Thierry Gadou
Chairman and CEO,
SES-imagotag

Twelve months that accelerated the transformation of retail

On January 22, 2020, I landed in Paris from Beijing, after a tour that took me to the United States, South Korea and Taiwan. At that time I did not know that I would not see these countries, and many others, for more than a year. The day before, the first cases of Covid had just been detected in Beijing. The epidemic was spreading rapidly and the question of continuing operations at our production chains in China was already being raised. But that morning I did not yet know that the world was about to face an unprecedented health and economic crisis nor did I know what it would take to demonstrate our resilience.

This pandemic is not yet behind us, far from it, but we can already learn from it to benefit our sector: it has caused a leap forward in the digitization of consumption and retail. Lockdowns, curfews and social distancing suddenly increased the use of the Internet for purchases. In just a few months, consumers took a five-year leap forward in terms of digital maturity, putting a strain on physical retailers, who were forced to adapt to this new catastrophic situation. Some retailers were ready or adapted very quickly and rode the wave, which made their e-commerce and curbside pickup sales surge. Others have suffered and often lost customers, yet all have understood the need to accelerate their digitization.

More than a total victory for e-commerce, this crisis has highlighted the importance of stores and the strength of a hybrid Internet-store model to better serve consumers and meet their numerous expectations, as evidenced by the explosion of the curbside pickup grocery shopping concept, click & collect (C&C) and the astronomical expansion of Instacart in the United States. Stores will be at the heart of tomorrow's omnichannel retail environment and this crisis has demonstrated this.

Stores must also undergo their own digital revolution to remain competitive, integrate seamlessly into digital channels, and become automated so that staff can take

care of customers rather than low value-added tasks (in-store retail is above all rooted in social interactions) and for it to become an environment connected to consumers and to the outside world through data. In short, it must become digital.

This digitization has been our mission at SES-imagotag for almost 30 years. And in this respect, 2020 is a milestone because many innovations have emerged and finally provide answers to operational issues that retailers have been facing for a long time: automatic detection of stock-outs, efficiency of restocking shelves and of preparing pickup orders, planogram compliance, better information for consumers, ease of looking for products in stores, digital on-shelf communication and traffic monetization. The pandemic slowed the introduction of some of these innovations, but at the same time, it increased demand and anticipation for them. The resulting take-up of these innovative new products and services played a key role in the return to strong growth in the second half.

In particular, Captana (shelf monitoring) or VUSION Ads (digital shelf advertising) are currently in operational testing in more than ten retailers across four continents.

Another important area of innovation for the Group was making digital/IoT technologies simpler, more secure and cheaper to use in a retail environment. One concrete example of this is using the Cloud to support retailers, allowing them to eliminate the need for in-store servers and proprietary low-energy communication infrastructure, both of which are costly to install and maintain in the long term.

On these two counts, SES-imagotag has taken a decisive lead on its competitors. We have accelerated the deployment of the Cloud with the management of nearly 4,000 stores and more than twice as many are connected to our Cloud for certain features. The integration of our low power communication protocols into Wi-Fi

access points to eliminate additional infrastructure has progressed considerably thanks to our partnerships with major global equipment manufacturers (Cisco-Meraki, HP-Aruba, Huawei, Mist, Lancom, etc.). Currently, there are thousands of stores that are already able to connect or will soon be able to connect using Wi-Fi infrastructure (infra-less) alone. This is a very important step forward for our customers, but also a key differentiating factor for the VUSION platform.

This constant innovation supporting retail is not only our purpose and mission, but it is also this promise that our customers choose when they decide to work with us, and this explains our growth and our leading position in the market.

Of course, 2020 will have been a year of crisis and a strong contrast between a first half deprived of growth by the paralysis of many projects due to the pandemic, and the net rebound in the second half in terms of revenue (+35%) and orders made (+36%).

In total for 2020, revenue reached €290 million, up +17% driven by strong growth in the United States and Asia. Revenue outside Europe (+133%) represented more than a quarter of total revenue. The slight decrease in Europe (-2%) masks a contrasting situation between regions where projects were severely affected by the health crisis (in France and Southern Europe) and Germany and Northern Europe, which saw strong growth throughout the year. However, it should be noted that there was a significant rebound throughout Europe in the second half, which allows us to anticipate solid growth in Europe for 2021.

Order intake reached a record level of €455 million for 2020, up +35% compared to 2019 and, above all, in line with the trend anticipated before the Covid-19 crisis. The rebound during the second half is explained by a catch-up effect of investments initially planned by the brands but slowed down or temporarily postponed due to the pandemic.

Other good news from the second half came in the form of a sharp improvement in profitability, both in gross margin, EBITDA, and net profit. This performance perfectly illustrates the three drivers that are at the heart of our business model and our VUSION strategic plan:

1. Continuous improvement of the Opex ratio;
2. Increase in the share of Cloud revenue, high value-added services and solutions; and
3. Improvement of industrial competitiveness and optimization of purchasing. In total for 2020, and despite the impact of the crisis during the first half of the year, our profitability improved sharply on a full-year basis compared to 2019 thanks to positive results in the second half.

On another positive financial note, the cash position improved significantly, returning to a net positive level after a significant deterioration in WCR in the middle of the year at the height of the pandemic's impacts.

We also stepped up our efforts in terms of social and environmental responsibility in 2020: we reduced CO₂ emissions related to sea and air transportation by more than 60% and accelerated our Second Life eco-design and circular economy approach associated with our VUSION range. All these important projects are detailed in our CSR report. Lastly, SES-imagotag's membership in the United Nations Global Compact program completes a year of responsible commitment and is a natural extension of the roadmap for positive retail.

In the midst of a pandemic, the Company's primary responsibility is obviously to protect its employees. We quickly rolled out prevention and remote working measures worldwide, and these were rigorously applied.

Outlook

On the one hand, we are approaching 2021 with necessary caution, which the pandemic's persistence and the global shortage of electronic components justify, but also with great confidence that there is a light at the end of the tunnel and the strengthened determination of retailers to accelerate their digitization thanks to our solutions.

Our order backlog and the portfolio of business opportunities are at an all-time high, which confirms the Group's expectations to catch up with the trajectory of the VUSION strategic plan with a one-year delay, i.e. a revenue target of around €400 million for 2021 and around €800 million by 2023. The current tension in the markets for semiconductors and other electronic components does not currently undermine this objective but will undoubtedly remain an issue that we will monitor closely in the coming months. Finally, I would like to recognize and thank our teams for their tenacity and commitment to serving our customers throughout the year.



In 2020, SES-imagotag took a decisive lead over its competitors. We accelerated the Cloud's deployment with the management of nearly 4,000 stores.

Presentation of the Group

Global ambition

SES (Store Electronic Systems) was founded almost 30 years ago, in 1992, by an entrepreneur from a family of retailers in the north of France who grew up in his parents' supermarkets and wanted to – when the family group was sold – bring technological innovations to a sector that greatly needed them. The Company's origins explain one of the major differences of SES-imagotag in the market: extensive knowledge of the retail business, its processes and its challenges, and a strong operability of the solutions developed by the Company, the smallest details of which are designed to ensure that the solutions are fully operational in the field under the difficult daily conditions facing the retail business.

From the outset, SES distinguished itself by its technological lead and strong cost competitiveness, which explains its success first in France and then abroad.

As of 2012 and starting with the launch of the "i3" strategic plan (International, Innovation, and Industrialization), the Company embarked on a series of acquisitions aimed at completing the technological portfolio and accelerating internationalization.

- **2014:** Imagotag (Austria), a fast-growing start-up that enabled SES (which became SES-imagotag), on the one hand, to capitalize on HF radio and e-Paper technologies, and, on the other hand, to take a strong leadership position in Germany and Central Europe.
- **2016:** PDi – Pervasive Display Inc. (Taiwan), the leading company in the engineering of e-Paper displays, which allowed SES-imagotag to become the most advanced company in the field of e-Paper.
- **2017:** Findbox (Germany), a start-up specializing in IoT, artificial intelligence and computer vision applied to the retail and logistics sector. This also decisive acquisition allowed SES-imagotag to develop the Captana solution to monitor aisle shelves in real time and automatically detect stock-outs. This is one of its most important innovations in recent years and was recently launched after three years of R&D and operational development in collaboration with pilot brands.
- **2018:** Market Hub (Great Britain/Ireland), a start-up specializing in AI and Data Analytics for retail, in which SES-imagotag has gradually increased its share capital to 60% with an agreement to increase its share to 100% by **2023**. This acquisition enriched the software platform and proved to be decisive for conquering the English and Irish markets.

Key stages in the acceleration of SES-imagotag's international development as of 2012 (the "i3" plan):

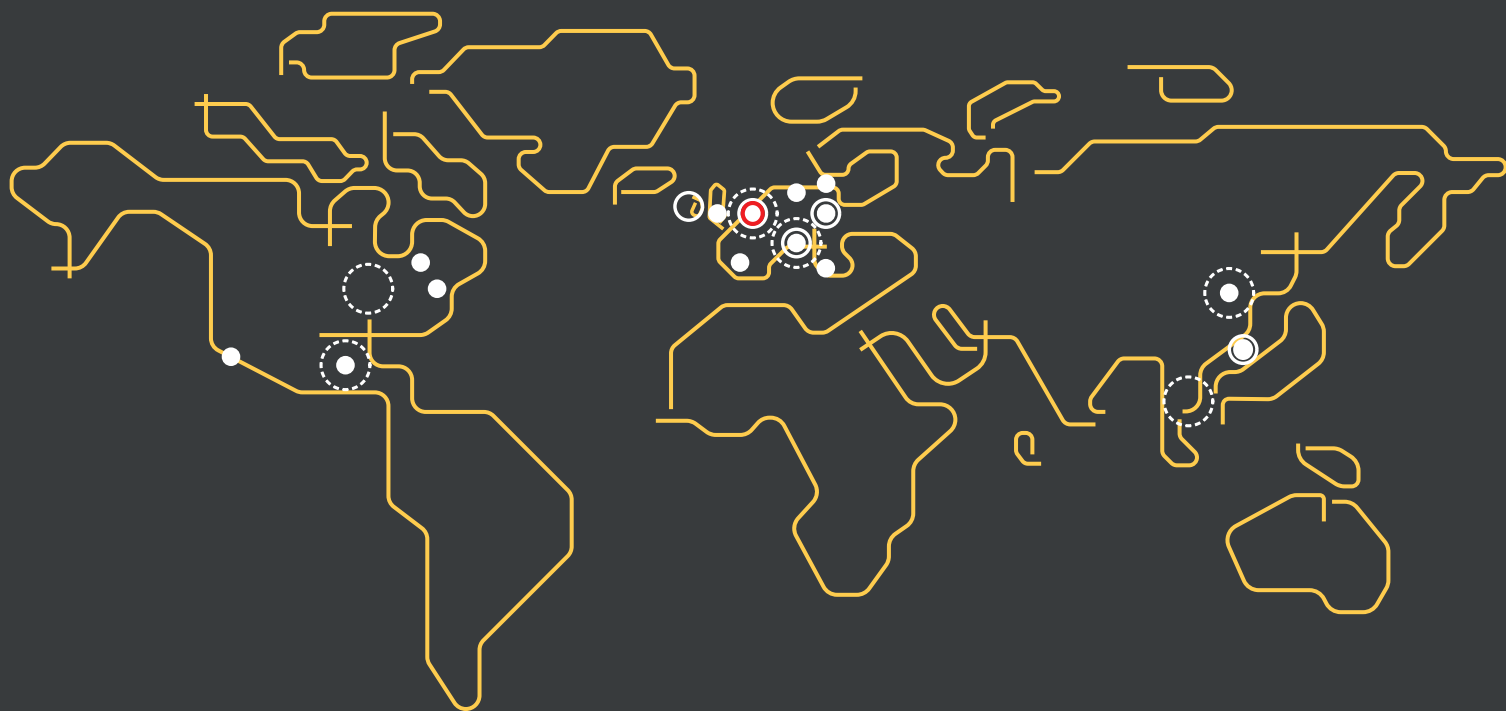
- **2012–2017:** acceleration in Europe and creation of subsidiaries in Mexico, Canada and Singapore.
- SES-imagotag became the world leader in **2013**.
- **2017:** creation of the subsidiary in the United States and strategic partnership with Panasonic in Japan.
- **2018:** creation of a subsidiary in China as a joint venture with BOE and JDD and announcement of the VUSION **2023** plan.

In **2020**, SES-imagotag is a truly global company with around 80% of its revenue generated internationally, of which two-thirds are in Europe and one-third in Asia and the Americas.

Today, the Group has 15 subsidiaries and its own sales representative offices, as well as more than 50 international partners.

For nearly 30 years, SES-imagotag has been supporting the growth of its long-standing customers (Leclerc, Intermarché, Système U, Auchan, Monoprix, Carrefour, etc.) as well as numerous international brands (Media Markt, Saturn, Jysk, Kiwi, Dansk, Fairprice, Muticedi, Spar, PAM, Rewe, T-Mobile, Coop, Euronics), i.e. a total of more than 300 distributors worldwide.





Group's headquarters

Europe: France



Logistics

Europe: France and Austria

Americas: United States and Mexico

Asia: China and Vietnam



Subsidiaries and sales representative offices

Europe: France, Austria, Germany, Denmark, Spain, Italy, the Netherlands, the United Kingdom and Sweden

Americas: United States, Canada and Mexico

Asia: China, Singapore, Taiwan PRC and Japan



Research and Development Centers

IoT: France, Austria, Germany and Taiwan PRC

Software: France, Germany and Ireland

Our story

1992

- Creation of SES

1993

- First store equipped

2000

- One million electronic shelf labels (ESLs) installed

2002

- First international contract

2006

- SES listed on the Paris stock exchange

2007

- Presence in Asia and Latin America

2011

- New G-tag and S-tag + labels

2012

- G-tag +, NFC-tag (LSA and Equipmag awards) and new Jeegy 2.0 software
- Geographic expansion (Sweden, the United Kingdom, Australia, North America)
- More than 6,700 stores equipped
- First connected store

2013

- SES operating in more than 52 countries
- 700 connected stores (NFC) equipped

2014

- Strategic alliance with imagotag GmbH (Austria)
- First digital model of the connected store (3D store) in partnership with Atos
- Launch of PPS, the award-winning (Equipmag) product positioning system
- First store equipped with color labels
- More than 9,000 stores equipped, including more than 1,000 connected stores

2015

- Largest contract in the history of electronic labeling (€98 million, 1,000 stores)
- Revenue of over €110 million
- First store with a fully connected shopping experience, awarded with an LSA Innovation Award
- Launch of Jeegy S
- More than 10,000 stores equipped

2016

- SES becomes SES-imagotag
- Revenue in excess of €175 million
- The Casino group chooses SES-imagotag to modernize its stores
- SES-imagotag signs an exclusive contract with JYSK Nordic
- Sephora chose SES-imagotag for its stores in France
- Acquisition of Findbox GMBH and Pervasive Displays Inc. (PDi)
- Launch of the all-Cloud offering

2017

- Alliance with BOE Technology Group
- Launch of the VUSION Retail IoT platform
- Intermarché and Casino choose SES-imagotag as their supplier of electronic labels
- Dixons Carphone Nordic chooses SES-imagotag for a full Cloud deployment in its stores
- SES-imagotag wins the LSA 2107 Awards
- SES-imagotag wins the "Best Use of In-Store Technology" award at the Singapore Seamless Asia Fair

2020

2018

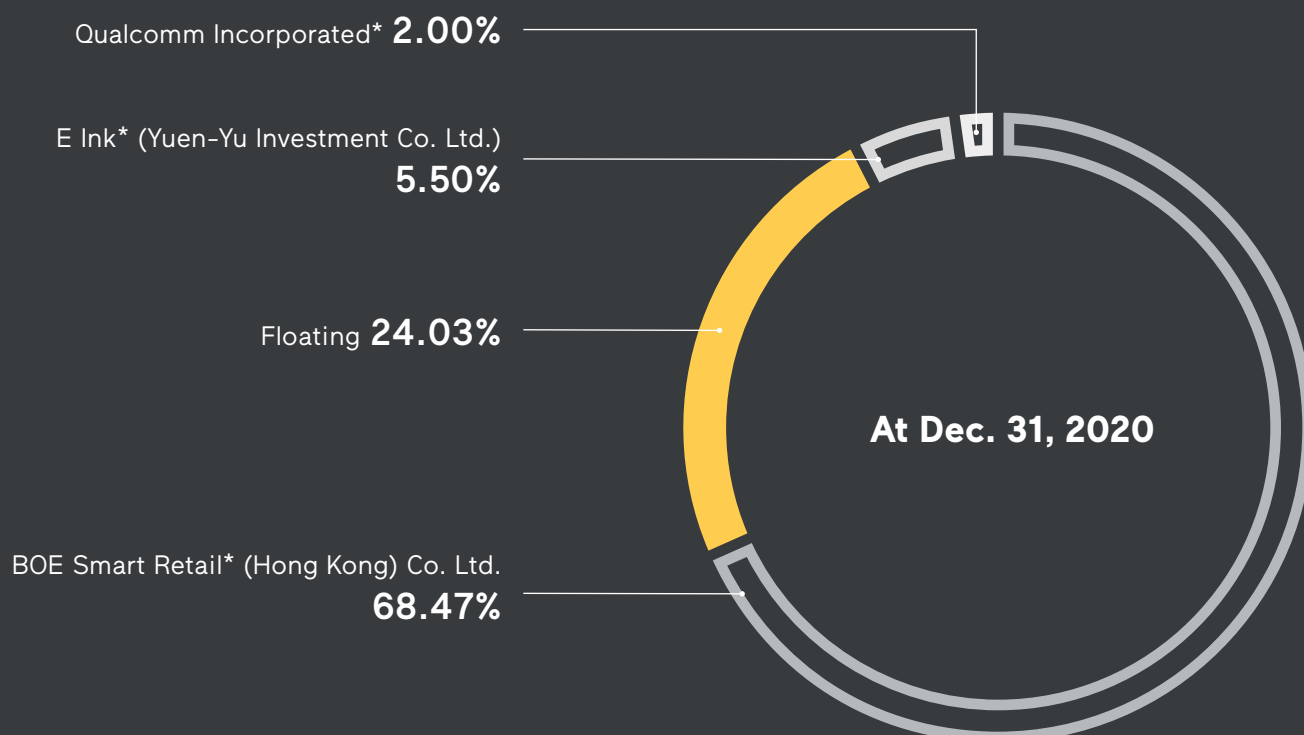
- Presentation of the new VUSION 2022 strategic plan
- Strategic collaboration between E Ink and SES-imagotag
- Euronics chooses SES-imagotag to digitize its stores
- Dixons Carphone Nordic continues its deployment in Scandinavia with SES-imagotag
- Sharaf CEO chooses SES-imagotag, the first electronic label deployment in the Middle East
- Red Dot Awards recognize the design of VUSION labels

2019

- SES-imagotag creates an International Advisory Board for sustainable and transparent retail that protects consumers
- SES-imagotag, BOE and JD Digits announce a partnership in China
- Qualcomm Technologies invests in SES-imagotag
- SES-imagotag wins a major contract in the United States
- Coop chooses SES-imagotag to equip its stores with electronic VUSION labels
- JULA, the Scandinavian leader in DIY stores, chooses SES-imagotag
- Euronics extends its partnership with SES-imagotag to deploy 400 stores in Italy
- SES-imagotag and Cisco present a cutting-edge IoT infrastructure for brick and mortar stores

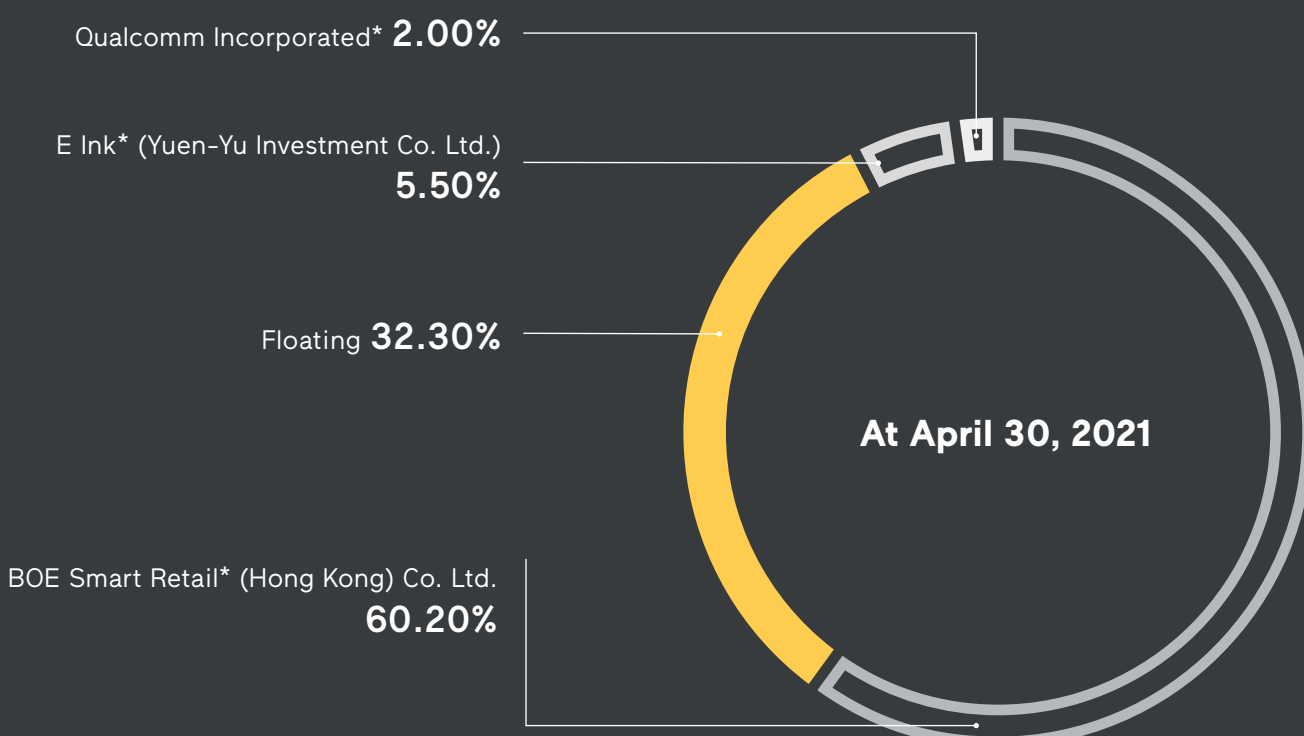
- SES-imagotag announces a strategic partnership with Qualcomm Technologies to develop IoT solutions for the next-generation of retail
- REMA 1000, the Scandinavian food market leader chose SES-imagotag to digitize its 650 stores
- SES-imagotag announced a plan to continue serving its customers in March during the Covid-19 crisis
- SES-imagotag was a gold partner of LSA Live 2020
- Kesko, Scandinavian leader in brick and mortar retail, selected SES-imagotag
- Conference with Microsoft on the potential of the VUSION Cloud platform for brick and mortar stores
- SES-imagotag wins the LSA "Sustainable Development" award thanks to its recyclable electronic labels
- Record number of orders in the fourth quarter (€202 million)

Shareholding



On April 8, 2021** BOE Smart Retail HK, the holding company controlled by BOE and majority shareholder of SES-imagotag, sold 1.3 million ordinary shares of SES-imagotag SA, bringing its stake to 60.2%. The transaction, carried out by way of an accelerated placement with institutional investors, was carried out at a price of €44 per share.

This transaction was carried out with the sole aim of increasing the liquidity of SES-imagotag shares and broadening the shareholder base to include new investors. The free float increased by 34%, from 24% to 32% of the Company's share capital, as presented below.



* Strategic shareholders

** For more information, please see the press release of April 9, 2021 "SES-imagotag: Increase in Free Float".

The SES-imagotag Group is listed on the Paris stock exchange.

Its three main shareholders are the Chinese technology group BOE*, SESIM, the French holding company owned by the management and employees of SES-imagotag, and E Ink, the owner of the global patents for e-Paper technology.

The investments of BOE and SESIM (management) are brought together in a joint holding company based in Hong Kong, a financial vehicle that holds the shares of SES-imagotag (69%) and is itself 80% owned by BOE and 20% by SESIM. By 2023, it is expected that BOE and SESIM will once again become direct shareholders of SES-imagotag.

BOE and SES-imagotag have formed a long-term partnership that aims to develop synergies in three areas:

1. Constructing the world's largest factory of electronic shelf labels (ESLs) in Chongqing (capacity of 150 million units per year) and the only one completely integrated from e-Paper film to the final label;
2. Taking over the Chinese market of digital solutions for brick and mortar retail through the joint venture that was created as well as in cooperation with the company JDD (the technological entity of the Chinese e-commerce leader);
3. Developing new display technologies for stores.

In 2019, the American company **Qualcomm** acquired a stake in SES-imagotag when it signed a strategic partnership aimed at developing the next generation of IoT connectivity solutions for retail.

Free float (around 25%) is made up of numerous investment funds, family offices and individuals in France, Germany, Switzerland, Austria, the United Kingdom, the United States and Japan.

An entrepreneurial and long-term vision

The strong participation of management and employees in the Company's capital guarantees an entrepreneurial and long-term vision, as well as an alignment of interests between shareholders and management. As mentioned above, under the agreements with BOE, management chose in the end to remain a direct shareholder of SES-imagotag (as opposed to receiving cash compensation when the holding company was dissolved), reflecting its trust and long-term commitment in SES-imagotag.

Shareholder value creation

A solid and sustainable company

Beyond its unique shareholder strength and the long-term support of a major global manufacturer, SES-imagotag has a solid financial position with, at the end of December 2020, equity of €165 million, a cash position of €80 million, and a low net debt ratio of 13% of equity. This solid situation, combined with a positive stock market performance, guarantees the Company's long-term investment and financing capacity.

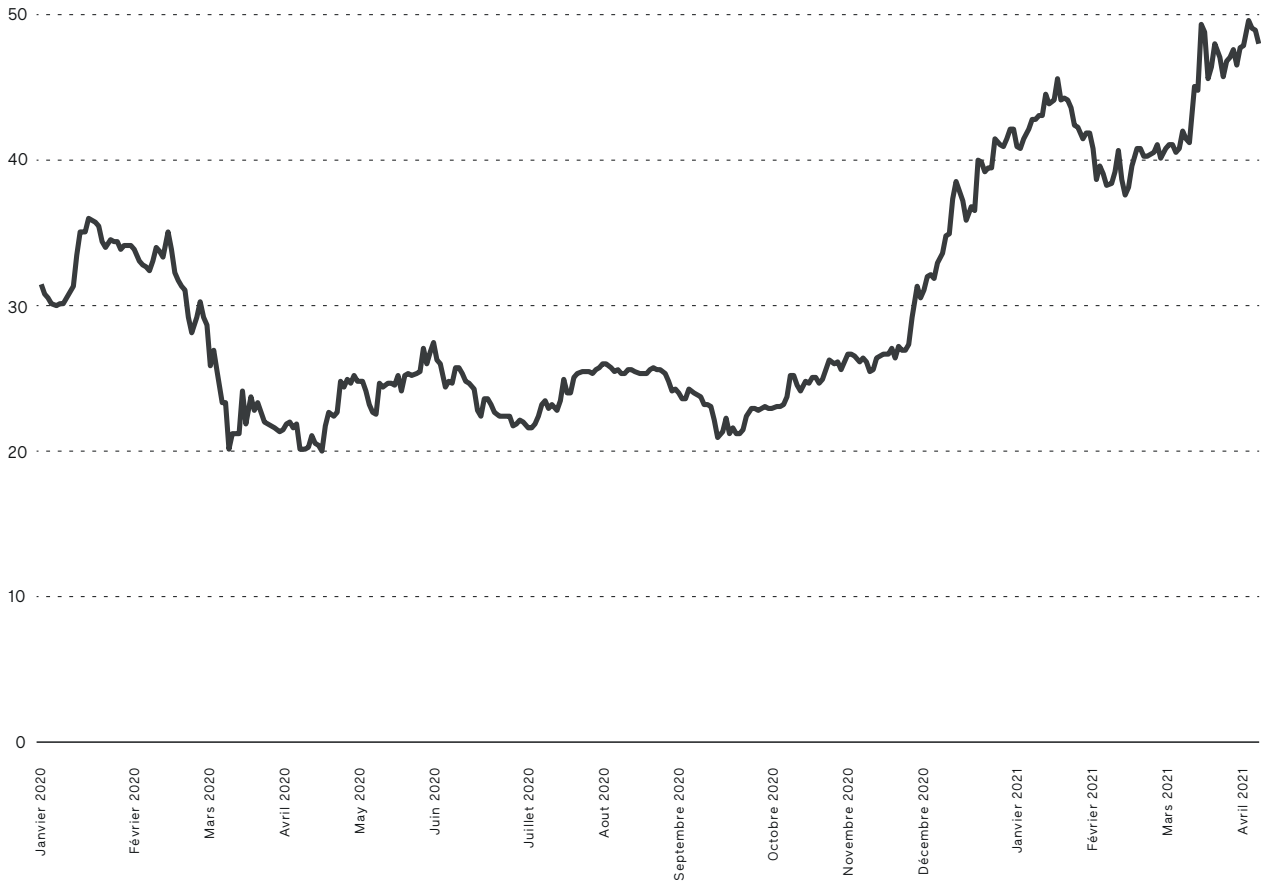
The overall performance of the Company also depends on its performance in the capital market. The Group intends to remain listed on the stock market and is committed to creating value for investors:

- Search for long-term growth potential (through innovation and geographic expansion)
- Development of a high-performance business model to constantly improve recurrence and profitability, based on:
 - The increase in the recurring revenue mix from high value-added solutions on the installed base of digital labels (itself growing rapidly thanks to the expansion-based policy)
 - The continuous improvement of the operating ratio (expenses as a % of revenue) thanks to the effects of scale, the achievement of critical mass in new regions, and productivity gains linked to the digitization of the Company's processes
 - The continuous optimization of industrial costs
 - Improvement in the liquidity of the SES-imagotag share through a free float increase
- Search for international investors (Europe, the Americas, Asia)

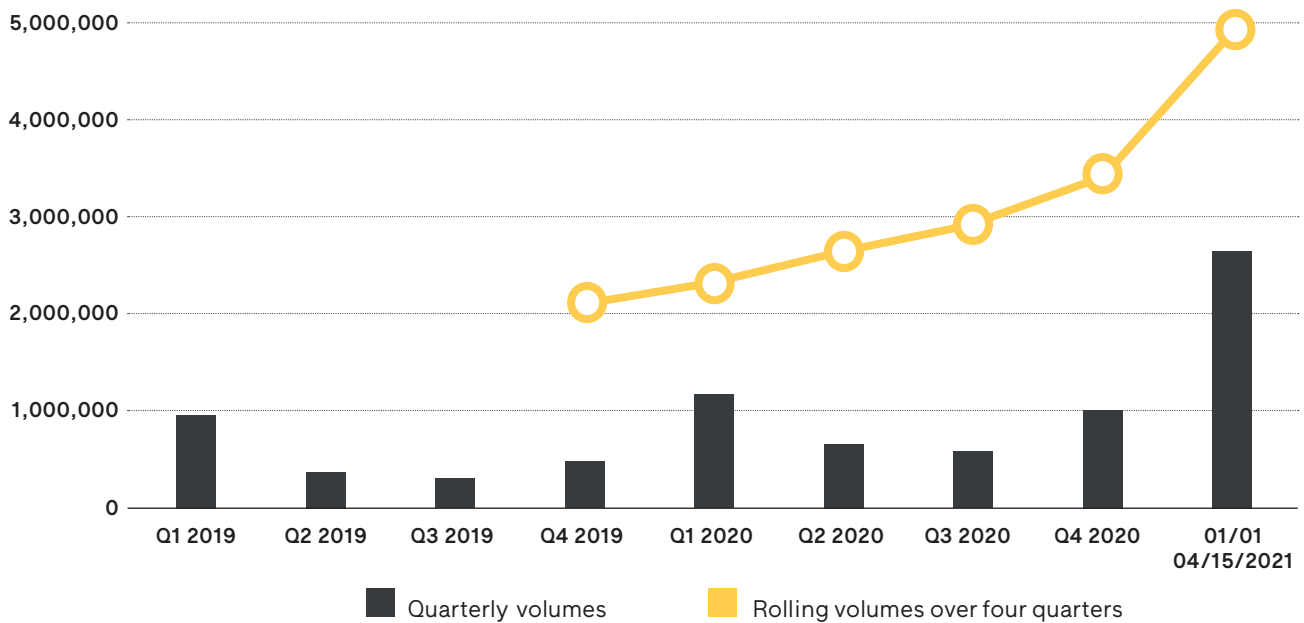
* BOE is the world leader in semiconductor displays and IoT solutions with close to \$20 billion in fast-growing revenue. BOE's largest customers include Apple, Dell, HP, Samsung and LG. Its capitalization on the Shenzhen Stock Exchange is approximately \$30 billion.

Stock market information

SES-imagotag share price (EPA: SESL) between January 1, 2020 and April 29, 2021



Volumes traded



Dividend distribution policy

The Company does not plan to distribute dividends for the 2020 fiscal year.

2021 financial calendar

Event	Date
2020 FY Sales	January 26, 2021
2020 FY Results	March 31, 2021
2021 Q1 Sales	April 28, 2021
Annual general meeting	June 16, 2021
2021 H1 Sales	July 29, 2021
2021 H1 Results	September 29, 2021
2021 Q3 Sales	October 28, 2021





Vision & Mission

Technology supporting retailers, consumers and brands

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

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

As the world's leading in-store retail technology player, **SES-imagotag's primary objective is implementing retailers' digital transformation.**



Strategy

SES-imagotag's market: the digitization of physical retail

SES-imagotag specializes in smart and connected digital labels and IoT solutions for retail.

The market for electronic labels is booming. With an estimated potential of around 10 billion units and a current penetration rate of less than 5% (around 500 million electronic labels), the annual growth of the market in the coming years is expected at around 30%-40%, reaching around €3 billion within five years. In addition to this market, there is a market for other digital solutions such as shelf monitoring and stock-out detection, which is estimated to be worth €1 to €2 billion within the next five years.

The Group has formalized its strategy and its development ambition in the "VUSION-22" five-year plan presented to the market in May 2018. Following the Covid-19 crisis and its temporary effect on the market, the objectives of the plan have been postponed by one year to 2023. In financial terms, the VUSION-23 plan's objective, in this regard, is for SES-imagotag to generate revenue of €800 million and achieve EBITDA of more than 15%.

These main priorities of our strategy are detailed in the following paragraphs.

The strategy implemented to achieve the objectives of the VUSION-23 plan is based on several key priorities:

1. Technology leadership, innovation and differentiation

2. Geographic expansion and leading position in strategic markets

3. Industrial and competitive superiority

4. Leading global partner ecosystem

5. Ambitious environmental and social CSR policy

6. Rigorous governance supporting an ambitious sustainable growth strategy

1

Technology leadership, innovation and differentiation

SES-imagotag is recognized worldwide for its cutting-edge technology, particularly in terms of highly reliable and very low-power communication protocol, e-Paper and TFT digital display technologies for in-store retail, and IoT Cloud solutions featuring high scalability and security (smart labels, sensors and connected cameras), artificial intelligence applied to image recognition, and collaborative online services.

The Group invests around 6-7% of its revenue in R&D (software, hardware, IT, industrialization). This major innovation effort employs around a hundred engineers and technicians in five specialized research centers (software/Cloud, display, radio and IoT, computer vision) located in France, Germany, Austria, Taiwan and China.

This major R&D effort is guided by the ambition to provide the best possible response to the increasingly demanding requirements of the retail sector:

- Absolute reliability of prices
- Increased responsiveness of adjustment and multi-channel synchronization
- Commercial and marketing performance and quality of on-shelf displays
- Interactivity with consumers and improvement of the in-store experience
- Accuracy, quality and responsiveness in inventory management and linear availability
- In-store employee productivity and focus on motivating and value-added tasks
- Development of e-commerce and in-store order preparation
- Drastic reduction in operating costs
- Growing cybersecurity challenges related to the digitization of points of sale

The result of several years of development and consolidation of technological start-ups (Imagotag, Market Hub, Findbox, PDi), the VUSION platform

effectively responds to these challenges.

The VUSION platform

In 2018, SES-imagotag launched the VUSION Retail IoT Cloud platform to help retailers accelerate their digital transition and transform their physical stores into true digital, automated and data-driven environments connected to consumers and suppliers.

- VUSION improves the agility and accuracy of prices, ensures the omnichannel synchronization of prices, product information and marketing campaigns.
- VUSION optimizes the productivity and accuracy of order preparation and the restocking of products on shelves.
- VUSION eases the workload of in-store staff by automating low value-added processes and allows them to focus on customer service and merchandising.
- VUSION monitors the shelves in real time and connects them to the Cloud, providing precise, real-time information on the availability of products on the shelves, their location and compliance with merchandising plans, while reducing inventories, stock-outs and waste.
- Lastly, VUSION provides consumers with better, more transparent and reliable product information, as well as a smooth shopping experience thanks to product search, in-store guidance and pay-per-label features.

VUSION: Cutting-edge technology protected by an active intellectual property policy

An industrial Cloud and high availability. Developed in partnership with Microsoft Azure, the VUSION platform helps large retailers benefit from all the “elastic” power of the Cloud to deploy very quickly and manage a large number of stores and digital labels over time at a much lower cost than any other architecture and with peak performance.

For example, the ability to simultaneously update all prices for a retailer that has 1,000 stores (the “Black Friday” scenario for 10 million ESLs), guaranteed in less than two hours.

The SES-imagotag Cloud is already an industrial success, now with 4,000 stores and nearly 20 million labels fully managed in the VUSION Cloud and nearly 50 million connected to the Cloud for certain applications (asset management) or in the process of being migrated.

In accordance with GDPR legislation, all teams with access to and working on the Cloud operating in European stores are located entirely in Europe.

A highly secure and ultra-efficient communication protocol.

The V:IoT transmission technology developed by SES-imagotag is based on highly secure electronic chips produced by two recognized semiconductor giants (Texas Instruments and Silicon Labs) associated with a protocol (firmware) enabling very fast transmission speeds (hypermarkets can be updated in under an hour) with very low energy consumption. Each tag has a unique, tamper-proof encryption key and end-to-end transactions are secure. The V:IoT protocol guarantees that there will be no interference with other HF/Wi-Fi networks.

An in-store infrastructure that is both extremely light and robust. Servers and Core Appliances are no longer required in stores, eliminating any single point of failure (SPOF). The only active elements are the Access Points (AP), which are mutually redundant. Each ESL is “seen”

by several APs, guaranteeing that hardware failures in stores have no effect on operations. Redundancy and the absence of a SPOF thus contribute to the solution's maximum availability.

Pooling of ESL and Wi-Fi infrastructure.

SES-imagotag has established close partnerships with Cisco-Meraki, Aruba, Mist (Juniper), Extreme Networks and Huawei, enabling the integration of SES's V:IoT protocol on their Wi-Fi devices, eliminating the additional costs related to cabling, the installation, maintenance and operation of infrastructure specific to electronic labels. Skills are also pooled with those already required to operate Wi-Fi. As a result, operating and investment costs are significantly reduced.

Unrivalled expertise in color e-Paper technology. Since the acquisition of PDI in Taiwan in 2016, SES-imagotag has been the pioneer of color e-Paper developments in close collaboration with our partner (and shareholder) E Ink, and carried out the vast majority of deployments using BWR (Red) and BWY (yellow) labels, which helped major retailers to effectively and efficiently distribute their commercial and promotional policies.

The widest range of e-Paper graphic labels comprising 20 formats, including labels for extreme environments (for freezers and resistant to liquids, perfumes, and high temperatures).

NFC technology embedded in all ESLs: As the NFC function becomes more widespread on smartphones, the ability to digitize in-store customer journeys using interactive electronic labels will provide customers with detailed, personalized, geolocated and relevant information.

A high-speed and multi-color flashing light with the widest angle (180°) and the greatest visibility distance for genuine and truly effective visual assistance for picking up (“pick to light”) and restocking merchandise.

The EasyLock security system is tried and tested in the market with more than 100 million ESLs now secured in stores.

SES-imagotag specializes in smart and connected digital labels and IoT solutions for in-store retail.





The smart Eco-Design ensures that the electronic labels designed by the Group can be easily repaired and recycled. Since 2016, more than 4.2 million ESLs have been collected and refurbished, with an increase of +30% and +24% respectively between 2020 and 2019. This program and all of the Group's eco-design efforts are detailed in the CSR report found in this document.

High value-added solutions for stores and central teams:

- **V:Studio:** configuration management software and management rules that allow teams to collaborate (marketing/merchandising/IT, etc.) to easily and intuitively create label templates and display scenarios and to ensure they are deployed across the entire or part of the network in just a few clicks.
- **V:Manager:** a monitoring solution for central teams to manage deployments, maintenance and proactive store support.
- **V:OptiPick:** a solution for optimizing picking (pick-to-light) and restocking (put-to-light), increasing productivity by 20% to 30% and generating 5% of additional revenue for each shopping cart.
- **V:Link:** the solution that accurately geolocates products in stores, guaranteeing precise positioning on shelves during the ESL management process, and has numerous applications: reporting of the actual planogram of each store at all times, guidance and product search (shopper), optimized in-store picking, etc.

Ambitious technological roadmap to support our customers in their competitiveness and store performance challenges over the long term.

The choice of a technological partner for the modernization of stores should be considered for the long term, and not as a one-off choice. Digitization investments are significant, their sustainability is a

key component of their total cost of ownership (TCO), as is their scalability and backward compatibility of subsequent innovations.

Innovation and the constant search for new store improvement solutions are at the heart of SES-imagotag's priorities and explain the longevity of its relationship with its customers, some of whom are completely renewing technology for the third time and are always at the forefront of innovation.

In 2018, SES-imagotag launched its new VUSION platform, marking its major shift towards the Cloud (server-less), the embedded IoT protocol (infra-less) and applications using labels for picking, restocking, inventory management, digital on-shelf marketing, monitoring, predictive management, etc.

Several major innovations enriched the VUSION platform in 2020:

- **V:Ads** is a collaborative platform between retailers and brands or marketing agencies to develop, distribute and manage digital advertising campaigns on labels and digital media, as well as on smartphones and in stores – as close as possible to the products and the act of purchasing – and therefore monetize sizeable and highly qualified traffic at points of sale. Monoprix was the first brand to deploy this platform on a large scale.

Thanks to the digital solution installed on shelves in every department and the VUSION Ads platform, brands can launch a digital campaign in 100 stores in just a few clicks and reach a highly qualified target directly at the point of purchase. Already 900 campaigns have been carried out with an average uplift of +13%, and with an ultra-competitive CPM. This is a phygital revolution!

- **V:Rail:** in order to enhance the V:Ads platform beyond e-Paper supports, SES-imagotag developed a range of video screens (LCD) for premium end displays and furniture. After numerous pilots around the world in 2019, the V:Rail solution was taken to market in 2020.

V:Captana, following the acquisition of Findbox in Germany and after several years of R&D, SES-imagotag finalized the development of a revolutionary solution to monitor shelves in real time and automatically detect stock-outs, based on an artificial intelligence solution powered by miniature wireless cameras managed by the Cloud and synchronized with digital labels. This “plug & play” solution does not require any wiring or installation and allows for the large-scale and very low-cost deployment of a technology with a strong impact on inventory optimization and linear availability. Only a few months after its launch, more than 15 brands worldwide are already in an operational pilot phase.

In 2021 and 2022, the intensification of innovation will result in new major advances that will bolster SES-imagotag's leading position.

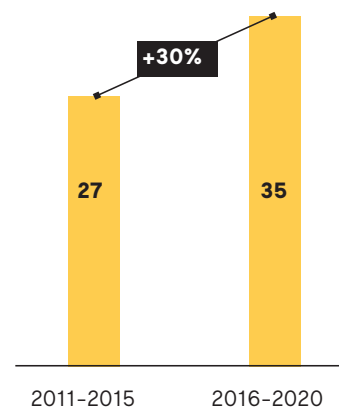
Intellectual property.

Innovation supporting retail has been the mission and DNA of SES-imagotag since its creation nearly 30 years ago by a retailer passionate about technology. Since the beginning of the decade, innovations have picked up pace: the first geolocated label, the first NFC smart label, the first color labels, the first cloud platform, the first “infra-less” integration (Cisco), the realogram, detection of stock-outs, pay-to-tag, etc. R&D expenses have been constantly increasing in recent years, and explain the Company's position as the undisputed world leader and its strong global market share (around 50%);

SES-imagotag supports this activity with a rigorous patent filing policy to secure its customers' long-term investments and protect them - given the size of the patent portfolio in the IoT field - from possible intellectual property appeals when the market becomes a mass market.

The Group has more than 420 active patents in 16 countries, divided into 91 different families that cover all of SES-imagotag's technological expertise (displays, IoT, radio, artificial intelligence, etc.).

Number of patent families filed by SES-imagotag since 2011



2

Geographic expansion and leading position in strategic markets

Global presence.

In 2020, SES-imagotag was a truly global company with around 80% of its revenue generated internationally, of which two-thirds are in Europe and one-third in Asia and the Americas.

SES-imagotag is the only player in its sector to have strengthened its international presence through its numerous subsidiaries (in the United States, Canada, Mexico, China, Taiwan, Hong Kong, Singapore, Germany, United Kingdom, Austria, Italy, Spain, the Netherlands, and Denmark) and its sales representative offices (Japan), in addition to its network of international strategic partners.

SES-imagotag's objective is to be both the world leader (with a market share currently estimated at around 50%) and leader in all of its priority markets, as it has high potential. Its priority target is currently the top 300 global retailers, but the Group is also developing, through a specific product offering and partnerships, a strategy dedicated to small and medium-sized retail chains, which will be an important driver of long-term profitable growth.

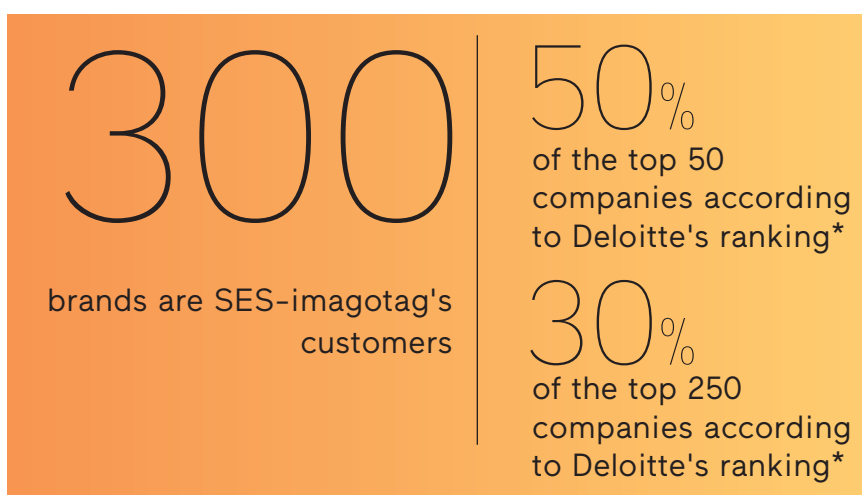
Leading references

SES-imagotag has more than 300 major distribution groups among its customers, half of which are in the Top 50 worldwide (according to Deloitte's ranking) and around 30% in the Top 250.

In particular, SES-imagotag works with the most successful global retailers, leaders in their respective markets, such as Walmart, Edeka, Rewe, Casino, Leclerc, Colruyt, Coop, Dansk, Spar, MediaMarkt-Saturn, etc.

Over the last five years, SES-imagotag's customers have grown twice as fast as the sector average.

SES-imagotag stands out for its exceptional references in terms of **large-scale deployment**, with more than a dozen brands that have equipped more than 1,000 stores with the SES-imagotag solution.



* Deloitte Top 250 Global Powers of Retailing 2020 Ranking



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3

Industrial and competitive superiority

Thanks to its long-term strategic partnership with BOE, SES-imagotag has been able to develop the first global mega-factory of digital labels, largely automated and above all vertically integrated (film-to-ESL).

In addition, the Group has developed an efficient industrial base in Vietnam with its partner Jabil, in particular to serve the American market, and is working on an industrial system located in North America. SES-imagotag combines this industrial advantage with its advantage of scale, thanks to its position as world leader and its high market share, to guarantee its customers the highest level of competitiveness and quality.

High quality of design and industrialization:

- **Quality of components:** SES-imagotag chooses components that are strictly selected for their performance and homogeneous quality, and only works with well-known and very financially sound companies to avoid any risk of supply disruption and therefore component changes. **Component safety:** The safety of the solution proposed by SES-imagotag also involves the intrinsic safety included in its components, for example the integrated circuits (IC) supplied by Texas Instruments and Silicon Labs, which use a unique and dynamic encryption key for each ESL and guarantee end-to-end security of all information.
- **Industrial tests:** 25% of SES-imagotag production equipment investments are made in test equipment. Radio and electronic tests, shock and vibration resistance tests, aging in climatic chambers, LED tests, etc.
- **Product quality certifications** by major organizations such as TÜV for the battery consumption profile, the light emission power of LEDs, etc.

All ESLs are tested individually at the end of the production chain (50 functional and technical test points)

Best TCO* on the market.

The total cost of ownership of an electronic label solution must be assessed in relation to the cost of acquiring the equipment, as well as its durability, its maintenance cost

and the cost of the radio and IT infrastructure required to operate it at a target level of performance (speed and reliability).

The SES-imagotag VUSION solution optimizes all of these cost items and guarantees the best TCO on the market:

- The best prices on the market for a premium quality label;
- Another significant source of savings, the Cloud reduces IT infrastructure costs for operations and maintenance, while offering a much higher rate of service and much more flexibility and responsiveness for the implementation of changes;
- The integration of the V:IoT protocol in Wi-Fi equipment makes it possible to pool Wi-Fi and ESL infrastructures, making our solution literally "infra-less", which also generates significant savings in Capex (AP acquisition costs and cabling costs) and Opex (maintenance costs for a single infrastructure instead of two and easier operation/supervision);
- The EasyLock mounting system provides the best protection for ESLs on the market and will reduce breakage, loss and theft by about 3% per year compared to a traditional solution.

In total, the VUSION solution has a TCO that is at least 25% lower than any other solution on the current market.

* Total cost of ownership is the cost of purchasing an asset plus operating costs over its useful life.



4

Leading global partner ecosystem

For several years, the Group has been strengthening its cooperation-based connections with its partners (Microsoft, Qualcomm, SAP, E Ink, Aruba, Cisco-Meraki, Huawei, Lancom, Mist, Panasonic, Proximus, T-Systems, Telefónica, etc.).

This powerful global ecosystem of technology and business partners facilitates and accelerates the adoption of SES-imagotag's digital solutions by retailers worldwide.





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Les cafés Starbucks
maintenant chez vous

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votre produit



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3€
39

5

Resolute environmental and social CSR policy

The mission of SES-imagotag is to help the digital transformation of physical retail; it must benefit as many stores as possible around the world, but also consumers by meeting the highest standards to satisfy and protect them. This digitization must also benefit the economy and society at large: better meet consumer expectations, stimulate employment, build better cities (by curbing the erosion of stores), produce less waste, increase food traceability and security, and finance the transition to more sustainable agriculture.

These challenges have been presented and structured in our roadmap for positive retail:

- Make physical stores a digital asset first;
- Facilitate the adoption of technology by democratizing the Internet of Things;
- Enable strong collaboration across the entire value chain to maximize synergies between the various players (retailers, manufacturers, farmers, etc.);
- Guarantee the protection, integrity and confidentiality of data; Make the digital transformation of retail a waste-free, carbon-free and sustainable process;
- Communicate our vision at scale. In 2019, the Group announced its roadmap for positive retail and the creation of a group of Ambassadors to represent and champion our cause, whose members are shown opposite:



Members of the SES-imagotag International Advisory Board



Peter Brabeck-Letmathe (Chairman), Chairman Emeritus and former Chairman and CEO of Nestlé, Vice-Chairman of the World Economic Forum, Member of the Boards of Directors of Liberty F1 and Salt. Former member of the Boards of Directors of Roche, L'Oréal, Crédit Suisse and Exxon Mobil.

"Physical retailers must adapt quickly to the new digital world and SES-imagotag is an ideal partner to support them, as well as the brands, in order to make the most of the fourth industrial revolution."



Dr Viviane Reding, Member of the European Parliament, three times European Commissioner and former Vice-President of the European Commission, which enshrines the right to data protection (GDPR) in the European Constitution.



Franck Moison, former Vice-Chairman of Colgate Palmolive with a career in consumer goods; member of the Boards of Directors of UPS, Hanes Brands, Somalogic, from the Business School of Georgetown University and EDHEC (France).



Yanshun Chen, Chairman and CEO of BOE Technology, the global leader in semiconductor displays and IoT solutions for the manufacturing, in-store retail, energy and healthcare sectors.



Dr h.c. Candace Johnson, Serial-entrepreneur in the satellite industry, co-founder of SES*, Loral-Teleport Europe, Europe Online, Pacific/OWNSAT, Vice-President of NorthStar Earth and Space, Chair of the Advisory Board of Seraphim Space, Member of the Executive Board of the ICC (International Chamber of Commerce). Founding President of the German Association of Private Telecommunications Operators (VATM) and the Global Network of Women in Telecommunications (GTWN). Co-founder of the Global Board Ready Women (GBRW) initiative. Former Chairwoman of EBAN (European Business Angels Network).



Hélène Ploix, Chairwoman of the Investment Committee of Pechel Industries; non-executive chairwoman of Genesis Emerging Markets Fund Ltd, a company listed on the LSE; former Special Advisor to the French Prime Minister and Executive Director of the International Monetary Fund (IMF) and the World Bank; former Deputy Chief Executive Officer of Caisse des Dépôts et Consignations; former member of the Boards of Directors of BNP Paribas, Publicis and Lafarge. Member of the French Academy of Technology.

* One of the main satellite owners and operators in the world, listed on the Euronext stock exchange (SESG)

6

Rigorous governance supporting an ambitious sustainable growth strategy

The Group pursues a rigorous and high value-added corporate governance approach, which is presented in detail in this report and whose key points are as follows:

- The Group's activity is overseen by a Board of Directors, chaired by Mr. Thierry Gadou, whose main mission is to define the Group's strategic priorities while ensuring long-term sustainable value creation by considering the social and environmental challenges of its activities;
- Corporate governance also comprises an Audit Committee chaired by Ms. H       Ploix and a Nomination and Remuneration Committee chaired by Ms. Candace Johnson;
- The roles of Chief Executive Officer and Chairman are not separate due to:
 1. The desire to continue pursuing the strategy driven by the Chairman and CEO for nearly ten years,
 2. The desire to continue the dialogue with the market, and
 3. The relationship of trust between the Chairman and CEO and the management of the majority shareholder and the other strategic shareholders;
- Important governance principles:
 - Annual review of regulated agreements entered into and authorized in previous years, in particular to ensure compliance regarding competitiveness and fairness of shareholder and supplier relations,

Group policy concerning professional and pay equality based on inter-professional gender equality indicators. The CSR policy is subject to strengthened governance with: 1) detailed monitoring of the diversity and gender balance policy by the Nomination and Remuneration Committee, whose powers will be extended to the

CSR policy as a whole, starting in 2021; and 2) high value-added oversight by the International Advisory Committee, some members of which are internationally recognized and prominent authorities on CSR policy and governance.







2

Risk factors and uncertainties

Table of contents

2.1 Risk factors and uncertainties	49
2.1.1 Strategic risks	50
2.1.2 Operational and technical risks	53
2.1.3. Legal and compliance risks	58
2.1.4 Financial risks	62
2.2 Insurance and internal control	64
2.2.1 Insurance policy	64
2.2.2 Internal control and risk management	64

2.1 Risk factors and uncertainties

This chapter presents the significant risks to which the Group considers itself exposed. However, other risks may exist or arise of which the Group is not aware or whose occurrence is not considered, at that date, to have a material adverse effect on the Group and its business, financial position, assets, results, outlook or the Company's share price. The mapping of the risks identified is summarized below:

Type of risks identified

Strategic

Economic conditions

The Group's development

Competitive environment

Technological changes

Acquisitions

Supplier shareholder

Operational

Safety and security, cybersecurity and data privacy

Customer dependency

Quality

Supplier dependency

Life cycle/Obsolescence

HR/Management

Corruption/Ethics

Health risk

Legal and compliance

Intellectual property

Regulations

Taxation

Accounting standards

Ongoing litigation and investigations

Financial

Liquidity

Exchange rate

Interest rate

Counterparty

Before purchasing Company shares, investors are invited to examine all of the information contained in this annual report, including the risk factors described below. These risks are, at the registration date of this annual report, those which the Company believes could have a material adverse effect on the Group and its business, financial position, results, outlook and share price, and which are important for making investment decisions.

However, we draw investors' attention to the fact that the list of risks presented below is not exhaustive and that other risks may or may not exist that are unknown or whose occurrence is not considered as likely have a material adverse effect on the Group and its business, financial position, results or outlook at the registration date of the this annual report. The *Audit Committee* assesses the risks that may have consequences for the Group's business, as well as the appropriateness of the procedures implemented. The *Audit Committee's* findings and conclusions are presented to the Board of Directors, which approves the main risk factors included in this report.

2.1.1 Strategic risks

2.1.1.1. Risks associated with economic conditions and their developments

Changes in demand for the Group's products are generally linked to changes in the macro-economic conditions, in particular to changes in gross domestic product in the countries where the Group markets and sells its products and services: recessions and deflation can dampen demand.

In addition, the introduction or increase of customs barriers and other trade restrictions by some countries, such as the measures announced in the spring of 2018 by the United States government, could cause a slowdown in world trade. This could adversely affect the growth of the global economy and, consequently, the Group's business. Moreover, insofar as almost all of the Group's products are assembled by External Manufacturing Services (EMSs) located in China, the increase in customs barriers could lead to a contraction in exports of the Group's products to the United States.

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

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

Global economic risk management: The Group constantly monitors global economic conditions (economic growth, inflation, exchange rates, borrowing rates, customs barriers, etc.). Each of the subsidiaries is also a source of information for their respective business regions. The Group is developing a diversified portfolio of countries and geographical regions to optimize its overall growth, reduce its regional dependence and improve its risk profile. This strategy proved its relevance during the health crisis: as some regions remained very dynamic and others were severely affected by the crisis, the Group managed to maintain strong overall growth.

Management of the risk of trade restrictions (customs barriers or specific taxes, etc.): The Group has a global network of specialist correspondents (lawyers and tax specialists) who help it understand regulatory changes likely to have an impact on the Group's business.

In the specific case of customs duties applied in the United States on products manufactured in China, the Group has products intended for export to the United States assembled by its subcontractor located in Vietnam.

2.1.1.2 Risks related to the Group's development strategy

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

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

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

Risk management related to the Group's development strategy: In order to limit this risk, the Finance Department produces monthly performance analyses and periodic forecasts, and regularly informs the Board of Directors of performance, possible deviations from the budget trajectory and corrective measures implemented by management.

2.1.1.3. Risks related to the competitive environment

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

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

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

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

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

Active and global competitive intelligence. Ongoing efforts to improve industrial competitiveness and reduce costs, in particular based on strong purchasing expertise and a leadership strategy regarding market share maximizing economies of scale.

Significant investments in R&D and innovation (see next section) that aim to establish strong differentiation and add value, reinforced by an active policy in terms of filing and defending our intellectual property.

A strategy of differentiation through services.

Lastly, the Group is developing close ties, particularly in terms of capital, with key players in the value chain, in order to deepen its cooperation and converge its interests with these key players.

2.1.1.4. Risks related to technological developments

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

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

Lastly, the Group ensures that the rights of third parties are respected by carrying out prior art searches and monitoring its portfolio when deemed necessary. It follows developments in claims and litigation resulting from these actions, in cooperation with specialized advisors.

2.1.1.5. Risks related to acquisitions

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

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

Risk management: The newly acquired companies are subject to an integration process which is based partly on key issues identified during due diligence, and partly

on standard internal control processes (audit of internal control information systems, delegations of authority, correspondence tables between the local chart of accounts and the Group's, etc.). The Group also strives to ensure the loyalty of the management teams of the acquired companies, a key factor in expected value creation, by offering them financial incentives linked to the achievement of objectives.

2.1.1.6. Risks related to relations with shareholder partners

The Group's shareholders include companies that are also suppliers and technological or industrial partners. BOE, its main supplier and industrial partner, is also the Group's majority shareholder. As such, BOE exercises decisive influence over the Company in that it alone has control over the Board of Directors and a sufficient number of voting rights to adopt all the resolutions submitted to the Ordinary General Meeting of the Company's shareholders. It is possible that the interests and objectives of BOE do not always converge with those of the Company or those of its other shareholders.

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

Risk management: When the partners are also shareholders, governance takes the form of an audit and review of regulated and current agreements between interested parties, in order to preserve the competitiveness of business and industrial agreements in relation to economic market conditions. In addition, the Group applies a competitive intelligence and multiple-sourcing policy to protect its interests.

2.1.2 Operational and technical risks

2.1.2.1. Risks related to safety and security, cybersecurity and data privacy

The physical security of the Group's facilities (offices and warehouses) is guaranteed by private access entrances reserved for badge holders and by filtering visitors, which involves checking them at facility entrances. The safety of our storage facilities is subject to annual safety questionnaires (particularly regarding fire hazards).

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

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

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

Management of the risk related to information system security: As part of its transformation towards the distribution of digital solutions, the Group has implemented a series of measures to protect its various solutions. This encompasses, but is not limited to, the use of firewalls, identity managers (MFA), and systems. The Information Systems Department is responsible for securing the networks and systems, on the one hand, and the applications necessary for the continuity of the Group's business, on the other, and regularly performs intrusion tests and backs up data. In addition, the Group has implemented measures to guarantee the security of its information systems, adapted to the risks identified and aligned with the requirements of ISO 27001. In conjunc-

tion with its internal control and security policy, these organizational, functional, technical and legal security measures are subject to annual checks.

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

2.1.2.2 Risks related to customer dependency

Although the Group's revenue is distributed among a large number of customers, some of them account for a substantial portion of its revenue. For the year ended December 31, 2020, the Group's top ten customers accounted for nearly 54% of the Group's consolidated revenue and the Group's largest customer accounted for around 10% of the Group's consolidated revenue. The loss or contraction of the business of one or more of these customers, a concentration of players in the sector in which they operate, or the default of one of these customers, could reduce revenue by the same amount, which could have a material adverse effect on the Group's business, financial position, results or outlook.

Management of the risk related to customer dependency: In order to limit this risk, the Group seeks to maintain a diversified portfolio of customers and to have a large installed equipment base, enabling it to regularly generate a portion of its revenue from the renewal and maintenance of electronic labels carried out by its customers.

2.1.2.3 Risks related to defective products and services

The Group may occasionally be confronted with a manufacturing or operating defect or an assembly of defective components in any of the Group's products and systems.

If necessary, this could lead to liability claims of varying importance that could damage the Group's reputation and have significant financial consequences. In this context, the Group has been, may or may be required to carry out recall campaigns or to adapt or replace the equipment in question.

These complaints may harm the reputation and quality image of the products concerned and thus damage the image and reputation of the Group. In addition, the costs and financial consequences associated with these claims are likely to have a material adverse effect on the Group's business, results, financial position and ability to achieve its objectives.

Risk management: Upstream from the production of any new product reference, the Group's R&D and Industrial Purchasing Departments write precise technical design descriptions, then the Group's Quality Department takes over in post-production in order to monitor customer comments, benefiting from the first batch deliveries of these new product references.

2.1.2.4. Risks related to dependency with regard to suppliers, industrial partners/EMSs, and the supply and cost of components and screens

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

demic. Any delay or interruption in the production of the Group's products could have a material adverse effect on its business, results, financial position or its ability to achieve its objectives.

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

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

The Group also relies on a good supply of electronic components and screens in order to carry out industrial scheduling with these EMSs. The failure of one or more component or screen suppliers, including as a result of social movements, unexpected stock-outs, quality defects, export restrictions or sanctions, health crises, and more generally, any disruption in supply, in particular due to tensions on the supply of electronic components, as a result of the strong growth in the electronic goods sector in general, could affect the Group's production capacities or incur additional costs that have a detrimental impact on its business, results, financial position or outlook.

Any substantial increase in the cost of components, due in particular to a contraction in supply or a concentration of the Group's suppliers, could have a material adverse effect on the Group's business, financial position, results and outlook if the latter is not able to pass it on to its customers within a reasonable period of time.

Risk management related to the supply of components: As the risk of a shortage of electronic components or screens is a clearly identified risk in the electronics industry, the Group is particularly vigilant in monitoring

its industrial forecasts , and ensures at regular intervals during “Pipe Reviews” that they are consistent by cross-referencing them with business forecasts, the objective of which is to prevent any risk of a shortage of components.

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

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

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

2.1.2.5 Risks related to obsolescence and inventory impairment

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

The risks to which these large inventories are exposed lie both in a potential production forecast error, taken in advance of sales forecasts, which could lead to unnecessary over-stocking, and also lie in the acceleration of technology innovations that could lead to an inventory of product references that have become obsolete. This

would result in a substantial depreciation of the value of our inventories.

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

2.1.2.6. Risks related to human resources

SES-imagotag is a growing and diversifying Group, offering new ways of using display solutions, managing stores and using available data on prices and products. The Group’s VUSION strategic plan for 2022 aims to make the Group a leader in omnichannel electronic signage solutions. In this regard and in the context of a competitive and evolving technological industry, attracting, developing and retaining the necessary skills is a key issue.

- The Group must also be able to respond to a series of qualitative and quantitative challenges in terms of talent management services. This category now includes two major solutions which were also launched at the :strengthen its pool of skills, particularly technical (and especially in the field of software engineering) needed to support growth and enable the delivery of new value-added services on a global scale;
- identify, attract, train, retain and motivate qualified personnel;
- build leadership capabilities at all levels to support its continued growth and transformation;
- on-board new employees effectively, particularly in the context of acquisitions.

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

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

- a people review to precisely define the needs for new skills with regard to the current pool of skills;
- the development of an employer brand and the strengthening of its strike force in terms of recruitment (with, for example, increased use of social media);
- an e-learning platform;
- retention and recognition of performance in the form of long-term Group compensation plans or specific compensation plans in the event of acquisitions.

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

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

Several long-term compensation plans have been approved in recent years in order to retain key talent.

2.1.2.7. Risks related to management teams

The Group's success depends to a certain extent on the continuity and skills of its management team built around Mr. Thierry Gadou. In the event of an accident or the departure of one or more of these executives or other key employees, their replacement could be difficult and could adversely affect the Group's operational performance. More generally, competition for the recruit-

ment of senior executives is fierce and the number of qualified candidates is limited. The Group may not be able to retain some of its executives or key personnel, or in the future, attract and retain senior executives and key employees. In addition, in the event that its executives or other key employees join a competitor or create a competing business, the Group could lose some of its know-how and the risk of losing customers could increase. These circumstances could have a material adverse effect on the Group's business, financial position, results and outlook.

Risk management: Since 2012, the Group has been pursuing a policy to retain management teams through free share plans (which have provided good stability for the management team). In addition, the development of a succession plan is being considered, under the aegis of the Nomination and Remuneration Committee.

2.1.2.8. Risks related to corruption and ethics

In the course of its business, the Group may be exposed to risks related to corruption, particularly in some of the emerging countries in which it operates. The Group ensures that all of its employees act in accordance with applicable laws and regulations and the values of integrity and respect for internal and external standards that form the basis of its culture.

However, it cannot guarantee that its employees, suppliers, subcontractors or other business partners will comply with the strict requirements to which it is subject or the regulations in force.

Any behavior that contradicts these values or regulations, despite the Group's efforts, could seriously engage the Group's liability and have repercussions on its reputation, which could have a material adverse effect on its business, financial position, results or outlook.

Risk management: A code of business ethics and conduct is in place. It includes and formalizes rules regarding behavior expected across the Group from all employees, suppliers and subcontractors, and our network of partner-distributors. This document is an important tool for maintaining the quality of the control environment within the Group. It is available on the e-learning platform for our employees.

2.1.2.9. Health risks

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

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

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

The operational teams still on duty (logistics) were equipped with FFP2 masks and were trained in social distancing rules and protective measures.

2.1.3. Legal and compliance risks

2.1.3.1. Risks related to intellectual property

The risk that the Group faces in terms of intellectual property is the risk of suffered or active counterfeiting. Counterfeiting infringements may be committed by third parties against products, copyrights or patented industrial processes. These actions are likely to have an immediate effect on the Group's revenue and results and may harm the reputation and, where applicable, the quality of the products concerned.

The Group could be unintentionally guilty of counterfeiting, particularly when it comes to the risk related to the period during which patent applications are not made public. Patent applications filed by third parties and known only at the time of their publication could affect ongoing developments or even products recently launched on the market given increasingly short development time frames. This situation would force the Group to modify the product by increasing the project's research and development costs, or to negotiate rights to use the patented item. In either case, the project margin would be affected. The Group may also be subject to claims from patent trolls, particularly in the United States and Russia and in the field of new technologies. The occurrence of counterfeiting, of which the Group is the victim or which is attributable to it, could have a substantial adverse effect on its reputation, business, financial position, results and outlook.

From a financial perspective, in view of the risk analysis carried out at the registration date of this annual report and in accordance with applicable accounting standards, no provision has been recognized in the consolidated financial statements at December 31, 2020.

Risk management: The Group ensures compliance with the rights of third parties by systematically carrying out prior art searches for patents and trademarks, and monitors its intellectual property portfolio with the assistance of external consultants. The Group has filed 420 patents corresponding to 91 patent families, and 14 new patent families are in the process of being filed.

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

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

The Group ensures compliance with the safety standards inherent to its equipment (in particular CE marking, marking for substances of concern, as part of the REACH regulation for our lithium batteries, OHSAS standards). All of these standards are monitored by the Group's Quality Department.

The Group chose to sign industrial partnerships with leading subcontractors, particularly in Asia, all of which adhere to the principles of the United Nations Global Compact or meet the necessary certifications for an excellent level of labor and environmental practices, as well as with a demonstrated requirement for safe working conditions for their employees.

The environmental risks related to the Group's business are mainly due to increasingly restrictive environmental laws and regulations.

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

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

Despite the procedures put in place by the Group and despite the fact that the risks of harming the environment are not limited to the scope of the Group's busi-

ness, it is not able to guarantee hedging against the environmental risk and could encounter difficulties in performing its activities in the event one of them occurs. In this scenario, it could have an adverse effect on the Group's business, results, financial position and its ability to achieve its objectives.

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

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

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

Risk management related to the effects of climate change and environmental regulations:

Management of risks related to production methods.

For its direct supply of strategic components, the Group relies on a global ecosystem of leading players in their respective fields of expertise (special electronic chips, customized TFT/LCD screens and e-Paper, etc.). Most of these players pay particular attention to social and environmental responsibility initiatives. Several of them are members of the United Nations Global Compact.

Risks related to electrical and electronic waste treatment methods.

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

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

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

Our Non-Financial Performance Report details our environmental risk management.

2.1.3.3. Risks related to taxation and tax developments

The Group is subject to complex and changing tax legislation in the various countries in which it operates. Due to its international activity, it is subject to transfer pricing rules, which can be particularly complex and are subject to different interpretations. Changes in tax legislation could have a material adverse effect on its tax position, its effective tax rate or the amount of taxes and other mandatory deductions to which it is subject, as well as its reporting obligations.

In addition, the tax regulations of the various countries in which the Group operates may be subject to a wide variety of interpretations. Therefore, the Group cannot guarantee that the relevant tax authorities will agree with its

interpretation of the applicable legislation. In addition, tax laws and regulations or other mandatory deductions may be amended and the interpretation and application made by the relevant jurisdictions or authorities may change, in particular in the context of joint initiatives taken in the past internationally or in Europe (the OECD, G20, European Union). In particular, the current incorporation into French tax legislation: (i) the principles established by the OECD on tax base erosion and profit shifting (BEPS); (ii) the multilateral convention for the implementation of measures relating to tax treaties to prevent BEPS dated June 7, 2017; (iii) the rules provided for by the Council Directive of July 12, 2016 establishing rules against tax evasion practices directly affecting the functioning of the internal market (the Anti-Tax Avoidance Directive, or ATAD); and (iv) provisions provided for in the proposed directive aimed at establishing a common consolidated corporate tax base (CCCTB) could increase the tax burden on the Group. A challenge to the Group's tax situation by the relevant authorities could lead the Group to pay additional taxes, potentially significant adjustments and fines, or an increase in the costs of its products or services for the purpose of collecting these taxes, which may result in the Group paying additional taxes, which could in turn have a material adverse effect on its business, results, financial position and outlook.

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

2.1.3.4. Risks related to changes in IFRS

The Group's consolidated financial statements are prepared and presented in accordance with IFRS (International Financial Reporting Standards). Any change in these accounting standards could have a substantial impact on the presentation of the Group's results and financial position. Certain IFRS standards have been recently revised by the International Accounting Standards Board (IASB). IFRS 16 "Leases", mandatory from January 1, 2019, which replaces IAS 17 "Leases" and related interpretations, was applied for the first time by the Group in the financial statements closed on June 30, 2019. The impact on the annual financial statements and the procedures for applying this standard are detailed in the notes to the consolidated financial statements.

In addition to this new standard, the IASB may in the future adopt new changes or additions to IFRS that the Group must adopt and that could significantly impact the presentation of its results and its financial position.

2.1.3.5. Risks related to ongoing litigation and investigations

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

Tax litigation

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

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

Business and employment-related litigation

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

As of December 31, 2020, the Group has set aside provisions for business and employee-related disputes, as described in Note 10 to the consolidated financial statements included in this report. As of the date of this annual report, the Group is not aware of any other governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are ongoing, or in which

the Group is threatened) that could have or have had a material effect on the Company or Group's financial position or profitability.

Insurance coverage litigation

Two fires occurred in our German subsidiary's storage facilities. It turned out that the damaged site (Ettenheim) was not covered because, on the proposal of our insurance broker, the coverage chosen to cover the damage to Group property was a Master coverage policy in difference in conditions and difference in limits (DIC/DIL), in addition to local policies for each of the entities. However, no analysis of the proper combination of local policies with the Master policy was carried out by the broker or the insurer, which would have made it possible to identify the insufficient combination between the local and overall coverage.

A summons against the broker is in progress, as the Group believes that their duty to advise was not fulfilled. The replacement value of the assets destroyed amounts to €1.4 million.

2.1.4 Financial risks

2.1.4.1. Liquidity risk

Liquidity risk is the risk of not having the necessary funds to meet commitments when they fall due. It concerns, on the one hand, the risk that assets cannot be sold quickly under satisfactory conditions if necessary, and, on the other hand, the risk of early repayment of liabilities or the inability to access credit at satisfactory conditions.

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

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

With regard to financial liabilities, the bulk of the Group's indebtedness consists of two bonds totaling a nominal amount of €40 million and €10 million respectively maturing in 2023 and 2025, bearing interest at a fixed rate of 3.5% for the €40 million tranche and at a rate of 4.5% for the €10 million tranche, which may be increased according to the debt ratios observed.

The bonds provide that the latter would become payable if the consolidated debt ratio, meaning the ratio between net financial debt and the gross operating surplus, decreased to below 3.5.

At December 31, 2020, the Group complied with the consolidated debt ratio, which is the ratio of net financial debt to EBITDA of less than 3.5. The impact of the recognition of the lease liability, following the application of IFRS 16 on January 1, 2019, is excluded from the definition of financial debt, for the purpose of calculating the financial ratios.

See also **Note 11** to the Group's consolidated financial statements.

Risk management: the Group regularly explains its strategy to financial investors as well as the resources necessary for its implementation, in order to be able to call on private placements or to carry out capital increases (public offering) and thus have financial resources.

2.1.4.2. Risks related to interest rates

At the date of this annual report, the bulk of the Group's debt consisted of borrowings bearing interest at a fixed rate of 3.5% per year. As a result, the Group's exposure to interest rate fluctuations is limited at the date of this annual report.

2.1.4.3. Risks related to exchange rates

The Group is highly exposed to fluctuations in the euro/US dollar exchange rate, as a large part of its sales are denominated in euros, and a majority (around 80%) of its component and production costs are denominated in US dollars. As a result, upward movements in the US dollar automatically increase the cost of sales in euros. Such changes could have a material adverse effect on the Group's business, results, financial position or outlook (see also Note 29 to the consolidated financial statements).

Risk management: In addition to currency hedging policies, several measures have been put in place to reduce this exposure in the coming years, notably: price adjustment clauses in customer contracts in euros, development of sales in the dollar zone (international expansion plan and cash pooling in US dollars). In order to anticipate and manage cash flow changes, forecasts are prepared on a regular basis and a cash centralization system in euros and US dollars has been set up for the main European subsidiaries.

2.1.4.4. Credit and/or counterparty risk

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

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

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

2.2 Insurance and internal control

2.2.1 Insurance policy

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

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

- civil liability;
- cybercrime;
- fraud;
- damage to property;
- goods transported;
- civil liability of corporate officers.

2.2.2 Internal control and risk management

Risk management is intended to provide reasonable assurance regarding:

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

The Company refers to the AMF reference framework adapted to medium and small caps (referred to as

VaMP's in French) published by the AMF in 2008. In general terms, one of the objectives of the internal control system is to prevent and control the risks resulting from the Group's activity and the risks of error or fraud, particularly in accounting.

This general objective is achieved thanks to the work of the Finance Department, the audit firms and the Audit Committee.

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

The Executive Committee which meets once a quarter in order to define the main strategic priorities, report on the global competitive situation and take stock of the R&D roadmap. This Committee therefore addresses the risks related to the business sector and the competition, both in terms of prices and technologies.

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

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

Management (trade, finance and supply chain) meets weekly to analyze the portfolio of business opportunities, the likelihood of completion and the potential timing of

these achievements in order to ensure the adequate supply of finished products and solutions required by the market. In addition, a weekly review of major contracts takes place in order to preserve the profitability of the latter, the sale price to be proposed according to the costs to be incurred by the Company. These managerial meetings therefore ensure that business volumes and profitability are properly anticipated.

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

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

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

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

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

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

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

This is how:

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

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

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

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

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

- Legal assistance for transactions, on all types of regulations, drafting and updating of standard contracts (purchase of goods and services, conditions of sale, promotional operations, etc.), management of the law firms consulted, management of pre-litigation disputes and litigation;
- Protection of intellectual property rights in collaboration with the R&D Departments for patents and marketing for trademarks (legal watch);
- Coordination of the Group's insurance program, allowing for the alignment of the insurance program with the Group's activities;
- Participation in the Group's acquisition strategy;
- Tax and customs aspects are monitored and procedures are drafted and reviewed by the Legal and Tax Departments: justification of the tax schemes chosen, customs classifications, etc.;
- Aspects relating to environmental regulations are dealt with in close collaboration with the operational departments responsible for the eco-design of products, packaging and used equipment recovery processes.

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

3

Corporate governance

Table of contents

3.1 Management bodies	71
3.2 The Board of Directors	73
3.2.1 Composition and functioning of the Board of Directors	73
3.2.2 Responsibilities and work of the Board of Directors	80
3.2.3 Board Committees	83
3.2.4 Conflicts of interest	88
3.2.5 Deposits, advances and guarantees	88
3.2.6 Procedure for assessing current agreements entered into under normal conditions	88
3.2.7 Regulated agreements and agreements between, on the one hand, a corporate officer or a shareholder and, on the other hand, a controlled company within the meaning of Article L.233-3 of the French Commercial Code	90
3.2.8 Table of delegations	98
3.2.9 General Meetings and Specific Methods by Which Shareholders Participate	100
3.3 Compensation and benefits	101
3.3.1 Principles for setting compensation	101
3.3.2 Information mentioned in Article L.22-10-9 I of the French Commercial Code relating to compensation for 2020 paid to executive and non-executive corporate officers in respect of their term	103
3.3.3 Compensation policy for 2021	110
3.4 Information likely to have an impact in the event of a public offering	116

Dear shareholders,

In accordance with the provisions of the last paragraph of Article L.225-37 of the French Commercial Code, this report of the Board of Directors, for the fiscal year ended December 31, 2020, presents information relating to the various aspects of the functioning of the Company's governing and management bodies, and in particular the composition of the Board, the application of the principle of balanced representation of women and men on the Board, the conditions for preparing and organizing the work of the Board of Directors as well as General Management's operating methods and the limitations placed by the Board of Directors on the powers of the Chairman and CEO (Articles L.225-37-4 and L.22-10-10 of the French Commercial Code).

This report also contains information relating to the compensation policy and the compensation paid to corporate officers for the previous fiscal year pursuant to Articles L.22-10-8 and L.22-10-9 respectively of the French Commercial Code, as amended by the French Pacte Law of May 22, 2019 (after recoding pursuant to Order no. 2020-1142 of September 16, 2020).

This report also informs you of the specific terms and conditions relating to shareholder participation in General Meetings and of the current delegations of authority granted by the General Meeting in the area of capital increases, as well as the list of all of the offices and positions held in any company by each corporate officer, regulated agreements entered into directly or indirectly, as well as a procedure for evaluating current agreements entered into under normal conditions (Articles L.225-37-4 and L.22-10-10 of the French Commercial Code).

Lastly, this report lists and sets out the information concerning the elements likely to have an impact in the event of a public offering in accordance with Article L.22-10-11 of the French Commercial Code (after recoding pursuant to Order no. 2020-1142 of September 16, 2020).

This report was approved by the Board of Directors on March 29, 2021.

Corporate Governance Statement

The Company pursues a corporate governance approach.

It should be noted that the Company adopted a charter on December 12, 2005, which came into force on February 2, 2006 (hereinafter "the Corporate Governance Charter" or "the Charter") which constitutes the internal rules of the Board of Directors and refer to the Corporate Governance Code drawn up by the professional organizations.

The Company is guided by the AFEP-MEDEF Code of Corporate Governance of Listed Companies (revised in January 2020), which constitutes the Corporate Governance Code to which it refers for the preparation of the corporate governance report pursuant to Article L.225-37 of the French Commercial Code.

The AFEP-MEDEF Code is available on the MEDEF website (<http://www.medef.com>).

The Company considers that, barring justified exceptions in the summary table below, the Company complies with the current AFEP-MEDEF Code.

At the date of publication of this report and in accordance with the "apply or explain" rule in accordance with Article L.22-10-10 4° of the French Commercial Code and Article 27.1 of the AFEP-MEDEF Code, the Company specifies the reasons why the provisions of the AFEP-MEDEF Code set out below have been rejected:

Dismissed AFEP-MEDEF recommendations

Communication with shareholders

Articles 4.5 and 4.6: "Each listed company has reliable procedures for identifying, monitoring and evaluating its commitments and risks, and provides shareholders and investors with relevant information in this area.

To this end, it is necessary to: (...)

- publish the ratings attributed to the company by the financial rating agencies as well as any changes that occurred during the fiscal year."

Justification

The financial rating set by the Banque De France each year is based on the separate statements of SES-imagotag SA and not on the consolidated financial statements of the SES-imagotag Group. The Group considers that this rating does not reflect the health of the Group as a whole and therefore does not publish it.

3.1 Management bodies

In accordance with Article L.225-51-1 of the French Commercial Code, the Company's General Management is assumed, under its responsibility, either by the Chairman of the Board of Directors or by another natural person nominated by the Board of Directors and with the title of CEO. Under the conditions defined by the Articles of Association, the Board of Directors chooses between these two General Management operating methods.

In accordance with Article L.225-37-4, 4° of the French Commercial Code, it is specified that General Management is assumed by the Chairman of the Board of Directors.

a. Chairman and CEO

In the best interest of the Company, the Board of Directors has decided that the General Management of the Company is exercised by the Chairman of the Board of Directors. The duties of Chairman of the Board of Directors and CEO are therefore combined, but with the greatest respect for the respective prerogatives of the various corporate bodies.

This governance method corresponds to the Company's operating and organizational methods.

In accordance with the provisions of the French New Economic Regulations Law (called the NRE Law in French), the possibility of separating the functions of Chairman of the Board of Directors from those of CEO is provided for in the Company's Articles of Association.

I.- Nominations

At its meeting of January 13, 2012, the Board of Directors nominated Mr. Thierry Gadou as CEO with immediate effect and for an indefinite period.

At its meeting of January 18, 2012, and in accordance with Article 12 of the Company's Articles of Association, the Board of Directors nominated Mr. Thierry Gadou as Chairman of the Board of Directors for the duration of his term of office as a director. As the Chairman is eligible for re-election (Article 12 of the Company's Articles of Association), the Board of Directors renewed Mr. Thierry Gadou's term as Chairman of the Board of Directors every three years; the last time at its meeting of June 29, 2020 for the duration of his term of office as a director, i.e. until the end of the annual Ordinary General Meeting called to approve the financial statements for the fiscal year 2022 and to be held before June 29, 2023.

The General Meeting of June 29, 2020 renewed the term of office of Mr. Thierry Gadou for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements for the 2022 fiscal year and to be held in 2023.

In his capacity as executive corporate officer, Mr. Thierry Gadou does not hold any other directorships in listed companies outside his Group, including foreign ones.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors has set a minimum number of shares that Mr. Thierry Gadou must hold in registered form until the end of his duties.

Indeed, the Board of Directors meeting of December 21, 2017 noting the importance of the investment made by Mr. Thierry Gadou both in cash and in shares of the Company and the holding commitments made in this context, decided to modify the number of free shares to be held (directly) by the latter, until the end of his duties as Chairman and CEO, to 20,000 shares.

II.- Mission

The duties of the Chairman of the Board of Directors are to:

- Approve the documents prepared by the Company's internal services;
- Organize and direct the work of the Board of Directors;
- Ensure that the directors are able to fulfill their duties and ensure that they have the information and documents they need to perform their duties;
- Ensure that the representatives of the employee representative bodies are regularly convened and have the information and documents they need to successfully perform their duties.

The CEO is vested with the broadest powers to act in all circumstances on behalf of the Company. They exercise their powers within the limits of the corporate purpose and subject to the powers expressly granted by law to Shareholder Meetings and the Board of Directors.

They represent the Company in its dealings with third parties. The Company is bound even by the actions of the CEO that do not fall within the corporate purpose, unless it proves that the third party knew that the act exceeded this purpose or that it could not ignore it given the circumstances, it being excluded that only the publication of the Articles of Association is sufficient to constitute this proof.

III.- Limitations

In accordance with Article L.22-10-10 3° of the French Commercial Code, it should be noted that the limitations to the powers of the Company's Chairman and CEO, as decided on June 11, 2008 by the Board of Directors, as an internal measure that does not apply to third parties, regarding the following actions, operations and commitments that must receive prior approval from the Board of Directors, are:

- creation of deposits, advances and guarantees;
- approval of the objectives, the budget for the following year and the financial resources required to achieve it, for the Company and its subsidiaries;
- decisions to acquire or dispose of assets or an equity interest in the Company or its subsidiaries by any means whatsoever;
- plans to enter into partnerships and strategic alliances by the Company and/or its subsidiaries;
- any investment in excess of €500,000 per year (other than those provided for in the Company's annual budget);
- decisions to sell buildings and equity interests;
- transactions or compromises in the event of litigation relating to disputes likely to significantly impact the activity of the Company or its subsidiaries.

b. The Executive Committee

I.- Composition

Under the responsibility of the Chairman and CEO, the Executive Committee was composed of 11 members as of December 31, 2020:

- BOTTINE Philippe
- DEMOURES Pierre
- DUBREUIL Pascale
- FOURCY Sebastien
- GADOU Thierry
- HANZEK Fritz
- LEMAITRE Thierry
- MOOSBURGER Michael
- NOEL Marianne
- ROESSL Andreas
- UNMÜSSIG Michael

I.- Gender Diversity Policy

Article L.22-10-10 2° of the French Commercial Code requires the inclusion of gender diversity targets within the governing bodies, in particular the Executive Committee, as well as the results in terms of gender diversity in the top 10% of high-responsibility positions.

The gender balance structure within the Executive Committee (two women for nine men) reflects the imbalance inherent to the Group's research and business sectors (engineering, R&D, sales, etc.). However, SES-imagotag makes diversity and professional equality at all levels of its organization a development focus through its human resources policy and its corporate social responsibility policy: 83% of men and 17% of women are represented in the top 10% of high-responsibility positions within the Company. In addition to a pro-active recruitment strategy to

improve this ratio, in 2021 the Group intends to conduct an internal career acceleration program for women identified as being able to access, in the short or medium term, the top 10% of high-responsibility positions. Through a sponsorship program by the members of the Executive Committee themselves, as well as individual development

plans, the Company intends to increase its rate from 17% to 20% as of 2021 and even higher in subsequent years. A “Diversity Community” will also be created and run in order to carry out concrete actions to promote Diversity & Inclusion more generally within the Company.

3.2 The Board of Directors

3.2.1 Composition and functioning of the Board of Directors

Changes in the composition of the Board of Directors and Committees during the fiscal year

Composition approved on Dec. 31, 2020	Departures	Nominations	Renewals
	June 29, 2020	June 29, 2020	June 29, 2020
Board of Directors	Ms. Xiangshun YIN Mr. Renaud VAILLANT Mr. Linfeng JING	Ms. Cenhui HE Mr. Franck MOISON Mr. Gang CHENG	Mr. Thierry GADOU Mr. Xiangjun YAO Mrs. Candace JOHNSON
Audit Committee	Ms. Xiangshun YIN Mr. Renaud VAILLANT Mrs. Candace JOHNSON	Ms. Cenhui HE Mr. Franck MOISON	Ms. Hélène PLOIX
Nomination and Remuneration Committee	Mr. Renaud VAILLANT	Mr. Franck MOISON	Ms. Hélène PLOIX Mr. Xiangjun YAO Mrs. Candace JOHNSON

At December 31, 2020, the Board was composed of nine directors, including three independent directors, and one non-voting member. The Company therefore complies with the AFEP-MEDEF Code recommendation specifying that the proportion of independent directors must be at least one-third.

First and last name	Age	Nationality	Independent	Initial nomination date	End date of current term	Seniority on the Board
Monsieur hierry GADOU	54	french	no	January 18, 2012 by co-optation and ratified by the OGM of March 1, 2012	2023 OGM	8 years and 11 months
Monsieur Xiangjun YAO	43	chinese	no	December 20, 2017 by co-optation and ratified by the OGM of February 6, 2018	2023 OGM	3 years
Madame Cenhui HE	33	chinese	no	OGM of June 29, 2020	2023 OGM	6 months
Madame Candace JOHNSON	68	american	yes	August 31, 2012 by co-optation and ratified by the 2013 OGM	2023 OGM	8 years and 6 months
Madame Hélène PLOIX	76	french	yes	OGM of February 6, 2018	2021 OGM	2 years and 10 months
Monsieur Franck MOISON	67	french	yes	OGM of June 29, 2020	2023 OGM	6 months
Monsieur Feng BAI	44	chinese	no	OGM of February 6, 2018	2021 OGM	2 years and 10 months
Monsieur Gang CHENG	38	chinese	no	May 12, 2020 by co-optation and ratified by the OGM of June 29, 2020	2021 OGM	6 months
Madame Fangqi YE	51	chinese	no	OGM of February 6, 2018	2021 OGM	2 years and 10 months
Monsieur Johnson LEE	43	chinese	censeur	Board meeting of June 22, 2018	Board meeting following the 2021 OGM	2 years and 6 months

Table of terms of office and positions held in the Company by every corporate officer during 2020

(Article L.225-37-4, 1° of the French Commercial Code).

Name	Corporate office held and term of that office in the Company	Other offices and positions held by the corporate officer during the financial year
Mr. Thierry GADOU 54 years French	Chairman and CEO Until the annual Ordinary General meeting approving the financial statements for the year ending December 31, 2022 and to be held in 2023	BOE Smart Retail (Hong Kong) Co, Director SESIM SA, France, Chairman of the Board of Directors Market Hub Technologies Ltd, Director
Mr. Xiangjun YAO 43 years Chinese	Director Until the annual Ordinary General meeting approving the financial statements for the year ending December 31, 2022 and to be held in 2023	BOE Technology Co, Ltd, Beijing, P.R.C., Executive Vice President; BOE Smart Retail (Hong Kong) Co, Chairman of the Board BOE Art Cloud Technology Co., LTD, Chairman of the Board of Directors
Ms. Cenhui HE 33 years Chinese	Director Until the annual Ordinary General meeting approving the financial statements for the year ending December 31, 2022 and to be held in 2023	BOE Technology Group Co, Ltd, Beijing, PRC, Department Manager of Budgeting management department; BOE Smart Retail (Hong Kong) Co, Director
Ms. Candace JOHNSON 68 years American	Independent director Until the annual Ordinary General meeting approving the financial statements for the year ending December 31, 2022 and to be held in, 2023	NorthStar Earth and Space, Montreal Canada, Vice Chair of the Board; Seraphim Space Capital, UK, Chair Corporate Advisory Board; OWNSAT Oceania Women's Network Satellite, Singapore, Director;
Ms. Hélène PLOIX 76 years French	Independent director Until the annual Ordinary General meeting approving the financial statements for the year ended December 31, 2020 and to be held in 2021.	FSH Conseil SAS, France, Chairwoman Genesis Emerging Markets Fund Limited, Guernsey, listed company, Chairwoman Ferring SA, Switzerland, Director; Sogama Crédit associatif, France, Chairwoman; Hélène Ploix SARL, France, Manager; Hélène Marie Joseph SARL, France, Manager.
Mr. Franck MOISON 67 years French	Independent director Until the annual Ordinary General meeting approving the financial statements for the year ending December 31, 2022 and to be held in 2023	Member of the Board of Directors of UPS; Hanes Brands; Somalogic; School of Business (Georgetown University) EDHEC; French American Foundation in New York.
Mr. Feng BAI 44 years Chinese	Director Until the annual Ordinary General meeting approving the financial statements for the year ended December 31, 2020 and to be held in 2021.	Smart Retail SBU with the BOE Technology Co, Ltd Group, Beijing, PRC, Co CEO; BOE Smart Retail (Hong Kong) Co, Director
Mr. Gang CHENG 38 years Chinese	Director Until the annual Ordinary General meeting approving the financial statements for the year ended December 31, 2020 and to be held in 2021.	BOE Technology Group Co, Ltd, Beijing, PRC, Vice President, Deputy Chief Manufacturing center BOE Smart Retail (Hong Kong) Co, Director
Ms. Fangqi YE 51 years Chinese	Director Until the annual Ordinary General meeting approving the financial statements for the year ended December 31, 2020 and to be held in 2021.	BOE Technology Co, Ltd, Beijing, PRC, Deputy Chief Investment Officer; BOE Smart Retail (Hong Kong) Co, Director
Mr. Johnson LEE 43 years Chinese	Non-voting member Until June 2021.	E Ink Holdings Inc, Chairman. Linfinity Corp. (Tokyo, Japan) Chairman of the Board of Directors; Hydix Technologies (South Korea), Chairman of the Board of Directors; TOC (Yangzhou, Jiangsu, China), Chairman of the Board of Directors

A/ The Chairman

In accordance with the Company's Articles of Association, the Chairman of the Board of Directors is nominated by the Board of Directors from among its members, for a term set by the Board of Directors and which may not, in any event, exceed the term of their duties as a director. The Chairman is eligible for re-election (Article 12 of the Articles of Association).

B/ Directors

I.- Nominations

In accordance with the AFEP-MEDEF Corporate Governance Code, the members of the Board of Directors are nominated by the General Meeting of Shareholders for a term of three years.

The duties of the directors end following of the Ordinary General Meeting called to approve the financial statements for the previous fiscal year and held in the year in which their term of office expires (Article 11 of the Articles of Association). During their directorships, directors are nominated, renewed or dismissed by the Ordinary General Meeting. They are always eligible for re-election.

However, in the event of vacancies due to the death or resignation of one or more directors, the Board of Directors may, between two General Meetings, make provisional nominations under the conditions provided for by law. Provisional nominations made by the Board of Directors are subject to ratification at the next General Meeting. Directors nominated to replace other directors only exercise their duties during the remaining term of office of their predecessor.

II.- Renewal

The Board of Directors of May 12, 2020 took note of:

- The resignation of Mr. Linfeng Jing with immediate effect, and has decided to nominate, on a provisional basis and with immediate effect, Mr. Gang Cheng as a director to replace Mr. Linfeng Jing, who resigned, for the duration of the latter's term of office or until the Ordinary General Meeting called to approve the Company's financial statements at December 31, 2020, to be held in 2021;

- the decision of Ms. Xiangshun Yin to waive the renewal of her term as director;

- the departure of Mr. Renaud Vaillant, who has reached the limit of twelve years as an independent director.

The Ordinary General Meeting held on June 29, 2020 thereby:

- ratified the term of office of Mr. Gang Cheng (25th Resolution) until the Ordinary General Meeting called to approve the Company's financial statements at December 31, 2020, to be held in 2021;
- nominated Ms. Cenhui He for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements for the 2022 fiscal year and to be held in 2023;
- nominated Mr. Franck Moison as an independent director for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements for the 2022 fiscal year and to be held in 2023;
- renewed the term of office of Mr. Thierry Gadou for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements for the 2022 fiscal year and to be held in 2023;
- renewed the term of office of Mr. Xiangjun Yao for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements for the 2022 fiscal year and to be held in 2023;
- renewed the term of office as independent director of Ms. Candace Johnson for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements for the 2022 fiscal year and to be held in 2023.

Under these conditions, it is proposed that the General Meeting of June 16, 2021 renew, for a period of three years or until the Ordinary General Meeting called to approve the 2023 financial statements and to be held in 2024, the terms of office of the following directors:

- Mr. Feng Bai as director;

- Ms. Fangqi Ye as director;
- Mr. Gang Cheng as director;
- Ms. Hélène Ploix as independent director.

III.- Directors' Independence

In accordance with Article 9.3 of the AFEP-MEDEF Code, the proportion of independent directors represents at least one third of the members of the Board of Directors.

As a reminder, the recommendations of the AFEP-MEDEF Code in assessing the independence of its directors are as follows:

- not be or have been over the previous five years:
 - an employee or executive corporate officer of the Company,
 - an employee, executive corporate officer or director of a company that the Company consolidates,
 - an employee, executive corporate officer or director of the Company's parent company or of a company consolidated by this parent company;
- not be an executive corporate officer of a company in which the Company directly or indirectly holds a directorship or in which an employee nominated as such or an executive corporate officer of the Company is currently or has been a director in the past five years;
- not be a customer, supplier, business banker, or investment banker:
 - significant to the Company or its Group,
 - or for which the Company or its Group represents a substantial portion of its business;
- not have a close family tie with a corporate officer;
- not have been a Statutory Auditor of the Company during the previous five years;
- not have been a director of the Company for more

than twelve years;

- the status of independent director is lost after twelve years;
- a non-executive corporate officer cannot be considered independent if they receive variable compensation in cash or securities or any compensation linked to the performance of the Company or the Group;
- directors representing major shareholders of the Company or its parent company may be considered as independent if these shareholders do not participate in the control of the Company. However, beyond a threshold of 10% of the share capital or voting rights, the Board, on the basis of a report by the Nomination Committee, systematically examines the qualification of independence, taking into account the composition of the Company's share capital and the existence of a potential conflict of interest.

The three independent directors in office at December 31, 2020 fulfill all the independence criteria stipulated by the AFEP-MEDEF Corporate Governance Code.

Criteria/Independent Directors	Candace Johnson	Hélène Ploix	Franck Moison
Criteria 1: Employee and corporate officer during the previous five years	✓	✓	✓
Criteria 2: Cross directorships	✓	✓	✓
Criteria 3: Significant business-related relationships	✓	✓	✓
Criteria 4: Family ties	✓	✓	✓
Criteria 5: Statutory Auditor	✓	✓	✓
Criteria 6: Length of directorship greater than 12 years	✓	✓	✓
Criteria 7: Non-executive corporate officer status	✓	✓	✓
Criteria 8: Significant shareholder status	✓	✓	✓

(1) In this table, ✓ indicates that an independence criterion is met and X indicates that an independence criterion is not met

IV.- Diversity Policy applied to members of the Board of Directors and the principle of balanced representation of women and men on the Board of Directors

It is specified in accordance with the provisions of Law no. 2011-103 of January 27, 2011 regarding the balanced representation of women and men on boards of directors and supervisory boards and workplace equality, and in accordance with amended Article L.225-17 of the French Commercial Code, the Board of Directors must be composed in an effort to achieve a balanced representation of women and men.

To this end, Articles L.225-18-1 and L.22-10-3 of the French Commercial Code stipulate that:

- the proportion of directors of each gender may not be less than 40%, and
- when the Board of Directors is composed of no more than eight members, the difference between the number of directors of each gender may not be greater than two, without threshold conditions for companies whose shares are admitted to trading on a regulated market.

It is specified that the composition of the Board of Directors complies with the legal provisions relating to the balanced representation of women and men on boards of directors and supervisory boards and professional equality.

In fact, during the 2020 fiscal year, the composition of the Company's Board of Directors, with five men and four women, complied with these provisions.

In addition, and in accordance with Article 22-10-10 2° of the French Commercial Code and Article 6.2 of the AFEP-MEDEF Code, the Company has adopted a diversity policy applied to the members of the Board of Directors with regard to criteria such as age, gender, nationality or qualifications and professional experience of each member.

This diversity policy aims to: (i) ensure the complementarity of the skills of the Directors; (ii) maintain an adequate level of independence of the Board with regard to the structure of its shareholding. It also places particular

emphasis on diversity within the Board of Directors and its committees.

In addition, the main qualities expected of a Director are experience with regard to the Company, personal commitment to the work of the Board, understanding of the economic and financial world, the ability to work together while respecting each other's opinions, the courage to potentially assert a minority point of view, the sense of responsibility towards shareholders and other stakeholders, and integrity.

The nomination of new directors and the renewal of some of them by the Ordinary General Meeting of June 29, 2020 further enriched the diversity of the Board, particularly with regard to age and professional skills.

Over the course of the past fiscal year, the profiles of the directors therefore reflect diversity on several levels and comply with the diversity policy adopted by the Company:

- the age of the members of the Board (including the non-voting member) ranges from 33 to 76 years for an average age of 51.7 years;
- a variety of experiences including creating companies and investment funds, holding management roles or chairing international groups or operational units at international groups in the fields of technology, CPG marketing, finance, etc.
- in addition, the various nationalities brought together on this Board make it possible to analyze the issues submitted from a cultural or geopolitical angle that intersects with Asian, European, and North American points of view;
- lastly, the male/female ratio also ensures gender diversity with the presence of four women out of nine members.

Each profile of the members of the Board of Directors is summarized in the table at the beginning of this chapter.

C/ Non-voting Board members

At its meeting of December 21, 2017, the Board of Directors acknowledged the resignation of Mr. Bertrand Hainguerlot from his duties as non-voting member.

As part of the strategic alliance with E Ink and its equity investment in the Company, the Company has undertaken to nominate a non-voting member selected by E Ink to the Board of Directors.

In accordance with this commitment, the Board of Directors meeting of June 22, 2018 nominated Mr. Johnson Lee, Chairman of E Ink, and named by E Ink, as a non-voting member on the Board of Directors for a term of three years, i.e. until June 2021.

The Annual General Meeting of June 28, 2011 decided to amend the Company's Articles of Association in order to allow for the nomination of non-voting members on the Board of Directors. The Articles of Association provide that the Board of Directors may nominate one or more non-voting members, chosen from among the shareholders, whether natural or legal persons, or from outside them.

The non-voting members carry out a general and permanent assignment to assist the Board of Directors. However, they may not, under any circumstances, interfere in the management of the Company, nor replace its legal bodies. Non-voting members may take part in Board meetings as observers in an advisory capacity. As part of their duties, the non-voting members may present observations to the Board of Directors when they deem it necessary.

Their term of office is set by the Board of Directors and may not exceed three years. Non-voting members are always eligible for re-election. The Board of Directors may, at any time, terminate their term of office without having to justify their decision. In the event of the death, resignation or termination of office of a non-voting member for any other reason, the Board of Directors may replace them for the remainder of their term of office.

3.2.2 Responsibilities and work of the Board of Directors

I.- Responsibilities of the Board of Directors

It has the powers granted to it by law, the Company's Articles of Association (in particular Article 11-6) and the Corporate Governance Charter.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors acts in all circumstances in the corporate interest of the Company and strives to promote the creation of long-term value by considering the social and environmental challenges of its activities. It proposes, if necessary, any changes to the Articles of Association that it considers appropriate.

The Board's primary responsibility is to define strategic guidelines.

In accordance with the law, it has the following main responsibilities: it nominates and dismisses the executive corporate officers, sets their compensation, chooses its organizational and governance methods, controls management and ensures the quality of the information provided to shareholders and the markets.

The Board is informed of market developments, the competitive environment and the main challenges facing the Company, including in the area of social and environmental responsibility. It regularly examines, in line with the strategy it has defined, the opportunities and risks such as financial, legal, operational, social and environmental risks, as well as the measures taken as a result. To this end, it receives all the information necessary to fulfill its responsibilities, in particular for executive corporate officers.

The Board of Directors has set up two committees whose role is to assist the directors in their thought processes:

- The Audit Committee,
- the Nomination and Remuneration Committee.

II.- Main work of the Board of Directors

Pursuant to Article L.22-10-10 1° of the French Commercial Code, the conditions for the preparation and organization of the Board's main work carried out during the 2020 fiscal year are set out below.

Organization of Board meetings and attendance at meetings

In accordance with Article 11-2 of the Company's Articles of Association, the Board of Directors is convened by the Chairman by any means, and in case of an urgency, at least five days in advance.

In addition to the Board's mandatory meetings (closing of the annual and half-yearly financial statements), there are also meetings that are held for business purposes.

During the 2020 fiscal year, the Company's Board of Directors met as often as necessary and held 13 meetings. The attendance rate of directors at meetings was over 95% on average.

The Board of Directors met to discuss the following topics:

Regarding financial information, the budget and financial commitments:

- approval of press releases;
- review and approval of the annual financial statements closed on December 31, 2019;
- proposed allocation of profit (loss);
- dividend distribution policy;
- authorization of deposits, advances and guarantees to be granted by SES-imagotag;

- implementation of the share buyback program upon delegation of authority by the General Meeting and authorization given to the Chairman and CEO to sign a liquidity agreement (General Meeting of June 29, 2020, 14th Resolution);
- approval of the annual financial statements for 2019 and the 2020 half-year financial statements and drafting of the half-year activity report;
- presentation of the 2020 third-quarter results and drafting of the forecast documents provided for in Articles L.232-2 et seq. of the French Commercial Code;
- review of financial presentations and press releases.

• **In terms of compensation:**

- implementation of a free share plan pursuant to the delegation of authority granted to the Board of Directors (General Meeting of June 29, 2020 – 24th Resolution) for the purpose of allocating free of charge, on one or more occasions, in accordance with Articles L.225-197-1 et seq. of the French Commercial Code, existing shares or shares to be issued, with cancellation of shareholders' preferential subscription rights, in favor of certain employees and corporate officers of the Company and its related companies;
- approval of the compensation of Mr. Thierry Gadou in his capacity as Chairman and CEO on the recommendation of the Remuneration Committee;
- distribution of the amount allocated to independent directors in respect of their activities for 2020.

Regarding governance:

- approval of the minutes of the various Boards;
- convening of meetings and determination of the agenda and draft resolutions to be presented to the meetings;

- the Company's policy on professional equality and pay based on gender equality indicators;
- annual review of regulated agreements entered into and authorized during previous fiscal years, the execution of which was continued during the 2020 fiscal year (Article L.225-40-1 of the French Commercial Code).
- The Board regularly heard from the Statutory Auditors as well as the reports on the work of the two standing committees of the Board of Directors, namely the Audit Committee and the Nomination and Remuneration Committee.

The Statutory Auditors are invited to all meetings of the Board of Directors which examine or approve the annual or half-year financial statements.

The meetings of the Board of Directors were chaired by the Chairman of the Board.

The representatives of the working council have nominated as representatives to the Board of Directors for 2020:

- Mr. Cédric Noblet; and
- Mr. Jérôme Cheval.

Meeting Minutes

The minutes of each meeting are drawn up by the Secretary of the Board nominated at each meeting, then approved by the Chairman, who has them and the attendance sheet signed, or submits them to the next Board meeting for approval. They are transcribed in the register of minutes after they are signed by the Chairman and a director.

Board Information

During Board meetings, the directors receive, in due time, all the documents and information necessary for the performance of their duties. Outside Board meetings, the directors regularly receive all important information about the Company.

To ensure the presence of directors, a schedule of Board meetings is set at the beginning of the year.

Board's assessment

Article 10 of the AFEP-MEDEF Code recommends that the Board of Directors assess its ability to meet the expectations of the shareholders who have given it the mandate to manage the Company by periodically reviewing its composition, organization and operations.

In an effort to comply with this recommendation, the Board, on the proposal of the Nomination and Remuneration Committee, prepared a questionnaire for all directors.

This questionnaire meets the following three objectives:

- review the Board's operating procedures;
- verify that important issues are properly prepared and discussed;
- assess the actual contribution of each director to the work of the Board.

The objective is then to

1. identify any shortcomings that could hinder the effectiveness of the Board of Directors and put in place solutions aimed at optimizing its operations;
2. ensure that directors are aware of their individual and collective contribution.

Starting in 2021, then at regular intervals, the objective is to carry out a formal assessment, conducted by the Chairwoman of the Nomination and Remuneration Committee.

Shareholders will be informed of the performance of the assessments and, where applicable, the follow-up given to them in the corporate governance report.

Compensation paid to independent directors for their work

In accordance with the decision of the General Meeting of June 29, 2020 (12th Resolution), the total annual amount of compensation was set at €50,000 for the fiscal year ended on December 31, 2020.

In accordance with Articles L.225-45 and L.22-10-14 of the French Commercial Code, the Board of Directors distributed this annual fixed sum among the independent directors. An equal portion of this amount was allocated to independent directors subject to compliance with a condition of attendance at Board meetings.

In compensation for his work during the first half of 2020, Mr. Renaud Vaillant received a gross sum of €8,500, broken down into a fixed part representing an amount of €3,000 and a variable part representing an amount of €5,500, in respect of his term of office ending on June 29, 2020.

As compensation for his work during the second half of 2020, Mr. Franck Moison received a gross sum of €10,000, broken down into a fixed portion representing €3,000 and a variable portion representing €7,000 in respect of his term of office beginning on June 29, 2020.

In compensation for her work, Ms. Candace Johnson received an annual gross amount of €19,666, broken down into a fixed portion representing €6,000 and a variable portion representing €13,666.

3.2.3 Board Committees

a. Composition and Responsibilities of the Audit Committee

Pursuant to Article L.823-19 of the French Commercial Code, in particular, the Company created a committee specializing in monitoring issues relating to the preparation and control of accounting and financial information.

The Company is guided by the AFEP-MEDEF Corporate Governance Code revised in January 2020 and the recommendations of the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) on the Audit Committee.

The internal rules of this specialized committee were approved by the Board of Directors at its meeting of December 18, 2013.

I.- Composition

First and last name (*)	Independent	Audit Committee
Ms. Hélène Ploix	yes	Chairwoman
Mr. Franck Moison	yes	Member
Ms. Cenhui He	no	Member

(*) at December 31, 2020

As the Audit Committee is an offshoot of the Board of Directors, its members are nominated by the Board of Directors on the proposal of the Nomination and Remuneration Committee and from among the directors, excluding those in management positions.

In addition, at least one of the members of the Audit Committee must have specific financial or accounting expertise and be independent.

In accordance with the AFEP-MEDEF Code, the Audit Committee is composed of at least two-thirds of inde-

pendent directors and does not include any executive corporate officers.

The term of office of the members of the Audit Committee coincides with that of their term of office as director.

No specific compensation is provided for the duties performed by the members of the Board of Directors within the framework of the Audit Committee. It should be noted that the Audit Committee was composed as follows at December 31, 2020:

Chairwoman (since June 29, 2020 to replace Ms. Xiangshun Yin): Ms. Hélène Ploix (independent director);

Mr. Franck Moison (independent director) replacing Mr. Renaud Vaillant since June 29, 2020;

Ms. Cenhui He (director) since June 29, 2020.

This composition therefore meets the aforementioned recommendations.

II.- Responsibilities

In accordance with Article L.823-19 of the French Commercial Code, this Committee is notably responsible for monitoring:

- the process of preparing financial information;
- the effectiveness of internal control and risk management systems;
- the statutory audit of the annual financial statements and, where applicable, the consolidated financial statements by the Statutory Auditors;
- the approval of services other than the certification of the financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors.

The AFEP-MEDEF Corporate Governance Code specifies that the Audit Committee's main task is to:

- review the financial statements and ensuring the relevance and consistency of the accounting methods adopted for the preparation of the Company's consolidated and separate financial statements;
- monitor the process of preparing financial information;
- monitor the effectiveness of internal control and risk management systems.

The responsibilities the Audit Committee are therefore as follows:

Tasks relating to the preparation of financial information

- monitoring the process of preparing accounting and financial information, both historical (periodic information) and forecast;
- monitoring the process for preparing press releases when the annual and half-year financial statements and quarterly information are published;
- verifying the accounting translation of significant events or complex transactions that have an impact on the Company's financial statements;
- ensuring that corrective actions are implemented in the event of a malfunction in the process of preparing financial information.

Tasks relating to the control and review of the consolidated and separate financial statements

- examining the annual and half-year financial statements of the Company and the related reports before they are approved by the Board of Directors;
- preparing the review of the half-year and annual separate financial statements and the consolidated financial statements by the Board of Directors;
- ensure compliance with legal and regulatory obligations in terms of accounting and financial information;

- ensure that the accounting methods adopted for the preparation of the consolidated and separate financial statements are relevant and uniform.

Responsibilities relating to the independence and objectivity of the Statutory Auditors

- examining the risks that could compromise the independence and objectivity of the Statutory Auditors and, where applicable, the protective measures taken to mitigate these risks;
- meeting with the Statutory Auditors for each accounting close and as many times as it deems appropriate;
- requiring that the Statutory Auditors provide it each year with the following:
 - their declaration of independence;
 - the amount of fees paid to the Statutory Auditors network by the companies controlled by the Company or the entity that controls it, for services other than the certification of the financial statements;
 - information on the services performed for the certification of the financial statements.

Tasks relating to internal control and risk management

- ensuring the existence of internal control and risk management systems and their deployment;
- examining the effectiveness of the internal control and risk management procedures and therefore obtaining an understanding of the results of the internal audit and/or the external audit carried out on these issues, in order to ensure that, in the event of identified malfunctions, appropriate action plans have been put in place and feedback has been given;
- assessing the extent of any malfunctions or weaknesses communicated to it and informing the Board of Directors, if applicable.

III.- Operations

In accordance with the principle of independence, the members of the Audit Committee attend Committee meetings on their own. The Chairman and CEO may attend Committee meetings at the invitation of the Chairman of the Audit Committee.

The Chief Financial Officer (and possibly their main assistants), the head of internal audit, the external auditors or any other person deemed necessary may participate in the meetings of the Audit Committee.

The Audit Committee meets at least twice a year in March and September, concerning the annual financial statements, the half-year financial statements and the management forecasts, respectively, and as often as it deems necessary.

Meetings are held either at the registered office or at any other location indicated in the notice of meeting. Notices of meeting are made by any written means (letter, fax, email). The Committee may still validly deliberate, even in the absence of a notice of meeting, if all its members are present or represented.

An agenda is sent, except in an emergency, at least five days before the meeting of this Committee.

The Audit Committee prepares specific minutes for each of its meetings, signed by its Chairman and at least one of its members. These minutes accurately reflect the discussions and deliberations that take place during each of its meetings. The minutes of the Board of Directors include a summary of the work of the Audit Committee and report on the opinions and recommendations of the Audit Committee.

Over the past twelve months, the Committee has met on the following dates:

- April 2, 2020 then June 5, 2020: Review of the 2019 separate financial statements, management planning documentation, recommendations to the Board of Directors on the preparation of the annual activity report;
- September 22, 2020: Review of the 2020 half-year financial statements, recommendations to the Board of Directors on the preparation of the half-year activity report and the procedure for assessing current agreements;

- March 25, 2021: Procedure for assessing current agreements and review of the 2020 annual financial statements.

b. Composition and responsibilities of the Nomination and Remuneration Committee

Rules of procedure for this specialized committee were approved by the Board of Directors at its meeting of March 29, 2021.

I.- Composition

First and last name *	Independent	Nomination and Remuneration Committee
Ms. Candace Johnson	yes	Chairwoman
Ms. Hélène Ploix	yes	Member
Mr. Franck Moison	yes	Member
Mr. Xiangjun Yao	no	Member

(*) at December 31, 2020

In accordance with the AFEP-MEDEF Code, the Nomination and Remuneration Committee is composed mainly of independent directors and does not include any executive corporate officers. Likewise, the Chairwoman of this Committee is indeed an independent director with regard to the criteria of the AFEP-MEDEF Code.

At December 31, 2020, the Nomination and Remuneration Committee was composed of four members including three independent directors:

- Chairman (since June 29, 2020 to replace Mr. Renaud Vaillant): Ms. Candace Johnson (independent director);
- Mr. Franck Moison since June 29, 2020 (independent director);

- Mr. Xiangjun Yao (director);
- Ms. Hélène Ploix (independent director).

This composition therefore meets the above-mentioned recommendations.

II.- Responsibilities

The Committee is responsible for advising and making recommendations on the nomination and compensation of the members of the Board of Directors, the Chairman and CEO, and executives, as well as on the Company's overall compensation policy in accordance with legal requirements and the provisions of the AFEP-MEDEF Code.

The responsibilities of the Nomination and Compensation Committee are therefore as follows:

Tasks related to nominations

The Committee must assess and recommend or propose the following to the Board of Directors:

- The succession plan for the Chairman and CEO;
- Appointment and dismissal of any other director or member of the Executive Committee, on the proposal of the Chairman and CEO;
- Composition (including nomination and renewal) and functioning of the Board of Directors and Committees through an assessment of needs and defined selection criteria, once a year;
- Nomination of new directors, including in the event of a vacancy. In particular, the Committee organizes an appropriate procedure for selecting independent directors and carries out its own independent research on potential candidates before contacting them;
- Director succession plan;
- Compliance by the Company with corporate governance principles, in particular with regard to the compensation policy for directors;

- Definition of the "independence" of the Company and the list of independent directors to be included in the annual report of each company;

- Nomination of the members of the Audit Committee from among the directors, with the exception of those holding management positions.

Tasks relating to compensation

The Committee ensures that compensation promotes the performance and competitiveness of the Company, ensures its growth and the achievement of the strategic plan. It is therefore responsible for reviewing and recommending the following to the Board of Directors:

- Compensation of the Chairman and CEO: fixed, variable, and any allocation of stock options or performance shares, as well as compensation and benefits of any kind (including pensions and termination benefits) which are also paid to them by the Company. The Committee reviews and defines the rules for determining the variable portion, ensuring that it is consistent with the assessment of the Chairman and CEO's annual performance and the Company's strategy;
- Assessment of the annual performance of the Chairman and CEO and determination of their compensation for approval by the Board;
- Compensation of the Company's directors: in particular, the Committee must examine and define the rules for determining the variable portion, ensure that it is consistent with the annual assessment of the directors' performance and the Company's strategy, and then annually assess the implementation of these rules;
- Executive Committee compensation policy, including fixed, variable and long-term incentives, and its criteria and conditions for granting, as well as the Company's general policy on long-term incentive plans, including timing and frequency of granting, and long-term incentive plans to be offered, including proposed beneficiaries, once a year.

The Committee must also propose and recommend to the Board of Directors to approve a formal process to assess its how it operates (composition, organization and operations).

III.- Operations

The Committee meets at the request of its Chairman at least twice a year in order to prepare the recommendations/proposals for the Annual General Meeting of Shareholders and, in any event, before any Board of Directors meeting whose agenda contains an item relating to the Committee's responsibilities.

In addition, each member may propose a meeting if they deem it necessary to discuss specific issues.

The Committee shall be convened with reasonable notice or without delay in the event of an emergency, by any means, including verbally. A quorum of at least half of the members present is required for a Committee meeting, including two independent members.

The Chairman of the Committee nominates a Committee Secretary.

Documents relating to meeting agenda items must be provided to members sufficiently in advance of the meeting.

The Chairman and CEO of the Company may attend all or part of the meetings, except when issues concerning the Chairman and CEO are discussed.

Other persons invited by the Committee may also be present, in particular the Group's Human Resources Director.

Meetings of the Committee may be held in person, by telephone or by videoconference, using any means of exchanging documents (mail or electronic transfer), which makes it possible to send the agenda and preliminary documents to the members, to establish the list of participants, which allows members to exchange their opinions and draw up the Committee's recommendations, proposals and conclusions.

The recommendations, proposals and conclusions of the Committee are decided by a majority of its members present and each member has one vote. In the event of a tie, the Chairman's vote prevails.

The minutes of meetings are prepared by the Committee Secretary for approval by the Chairman of the Committee and the other members of the Committee. Once approved, the Secretary keeps the minutes of the Committee meetings.

During the last twelve months, the Committee met on March 23, 2020, April 27, 2020, June 29, 2020, September 22, 2020, January 18, 2021, March 24, 2021 and April 19, 2021.

3.2.4 Conflicts of interest

To the Company's knowledge, at the date this report was filed there were no potential conflicts of interest between the duties to the Company, the members of the Board of Directors and the Chairman and CEO and their private interests.

3.2.5 Deposits, advances and guarantees

In accordance with Article L.225-35 of the French Commercial Code, deposits, advances and guarantees in the name of the Company may only be granted after obtaining the prior authorization of the Board of Directors, which may set an annual total amount or per commitment below which its authorization is not required.

However, the Law on the Simplification of Company Law of July 19, 2019 relaxed the conditions for granting guarantees by a parent company to the subsidiaries it controls

within the meaning of paragraph II of Article L.233-16 of the French Commercial Code. Indeed, the Board of Directors may now authorize, on a global and annual basis, and without limits on amounts, deposits, advances and guarantees to ensure the commitments made by the aforementioned companies.

A summary of these advances, deposits and guarantees is provided in Note 19 to the separate financial statements.

3.2.6 Procedure for assessing current agreements entered into under normal conditions

Pursuant to Article L.22-10-10 6° of the French Commercial Code, this report describes the procedure implemented by the Company to regularly assess whether agreements relating to ordinary transactions entered into under normal conditions meet these conditions.

The Group has extended the review scope for all agreements entered into between related parties, whether or not they are unrestricted or regulated.

To this end, a procedure has been established to:

- Qualify the so-called "free" agreements;
- Formalize an internal procedure to regularly assess whether these free agreements continue to meet these conditions;
- Evoke the regulatory framework applicable to regulated agreements and provide details on the method used to qualify them.
- The procedure for qualifying and assessing agreements is as follows:
 - Exhaustively look into the persons concerned;
 - Gather prior information from the Finance Department and the Legal Department before entering into and qualifying agreements;
 - Perform annual assessments/reassessments of free agreements;

- Perform the control procedure for regulated agreements.

It is specified that persons directly or indirectly interested in one of these agreements cannot participate in this assessment.

The persons in charge are as follows:

- The Finance and Legal Departments are responsible for examining agreements on a case-by-case basis and proposing their qualification;
- Each year, the Finance and Legal Departments review the free agreements in force and issue conclusions.

These conclusions are presented to the Audit Committee, which must issue an opinion on the implementation of the procedure, its results and any observations.

The procedure will consist, during the two Audit Committees in charge of examining the half-year closings, examining the list of third-party transactions and agreements, verifying that they comply with the principle of the duration of the law and the principles set out by the OECD on Base Erosion and Profit Shifting (BEPS).

At the meeting to approve the financial statements, the Board of Directors is informed by the Audit Committee on the implementation of the procedure and draws the necessary conclusions.

The criteria used by the Group to assess that the current agreements have been entered into under normal conditions are as follows:

For each type of agreement, the Group has defined criteria for assessing the “current purpose” and the “normal terms and conditions” of the agreement;

The Group justifies these criteria on the basis of market practices and the principles and rules in force (e.g.: the OECD, etc.).

The main agreements considered as current in the Group are as follows:

- Shared administrative services;
- Financing transactions;

- Licensing of intellectual property rights;
- Facilities granted by an entity.

3.2.7 Regulated agreements and agreements between, on the one hand, a corporate officer or a shareholder and, on the other hand, a controlled company within the meaning of Article L.233-3 of the French Commercial Code

3.2.7.1 Agreements submitted for the approval of the General Meeting

I.- Agreements authorized and entered into during the previous fiscal year

Amendments and memoranda of understanding related to the supply and industrial subcontracting agreement ("Master Service Agreement") with Chongqing BOE Smart Electronics System Co, Ltd.

A supply and industrial subcontracting agreement ("Master Service Agreement") was signed with Chongqing BOE Smart Electronics System Co, Ltd on August 18, 2019, covering the production, assembly, testing and packaging of finished products (electronic labels).

Three new agreements were signed in 2020:

- i. Amendment of the Incoterms (Incoterm is now FCA) and the term of the so-called "MSA" agreement: according to the terms of the amendment, a renewal for a period of three years from January 26, 2020, and at the end of this period, tacit renewal for an indefinite period (unless the contract is terminated at any time with a notice period of 30 days): authorization of the Board of Directors of May 12, 2020;
- ii. Memorandum of understanding introducing the possibility of a discount of 6% conditional on a minimum purchase quantity of 26 million units produced: authorized by the Board of Directors at its meeting of June 29, 2020;
- iii. Memorandum of understanding introducing a price increase from April 2020: authorized by the Board of Directors at its meeting of June 29, 2020.

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of the Company and indirectly related to the company Chongqing BOE Smart Electronics System Co, Ltd.
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: Chongqing BOE Smart Electronics System Co, Ltd

Terms and conditions: purchases by SES-imagotag SA in the amount of \$169,396 thousand in 2020

Signature and effective dates:

- signed on July 20, 2020 with an effective date of January 26, 2020 for a period of three years;
- signed on July 14, 2020 with an effective date on January 1, 2020 until December 31, 2020

- signed on July 14, 2020 for an effective date on January 1, 2020 until December 31, 2020

Nature and purpose, terms and conditions and reasons justifying its interest for the Company: the prior authorizations of the Board of Directors meeting of May 12, 2020 and June 29, 2020 do not include “in extenso” the reasons justifying the interest for the Company, due to an omission. The reasons justifying the interest stem from the supply contract (the “MSA”) authorized at the Board meeting of October 23, 2018. This supply and industrial subcontracting contract allows the Company to have an integrated digital label plant of critical size, which will increase the competitiveness of the products sold and marketed by the Group.

II.- Agreements not previously authorized

None

3.2.7.2 Agreements already approved by the General Meeting

Lastly, and in accordance with the provisions of Article R.225-30 of the French Commercial Code, we remind you that the agreements listed below authorized by the Company’s Board of Directors during previous years continued during the year ended December 31, 2020.

I.- Agreements approved during prior fiscal years whose application continued during the previous fiscal year

Industrial Supply and Subcontracting Agreement (“Master Service Agreement”)

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of the Company and indirectly related to the company Chongqing BOE Smart Electronics System Co, Ltd.
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: Chongqing BOE Smart Electronics System Co, Ltd

Signature and effective dates: signature on August 18, 2019, effective date on January 26, 2018

Nature and purpose: production, assembly, testing and packaging of finished products (electronic labels)

Terms and conditions: purchases by SES-imagotag SA of \$169,396 thousand in 2020

Reasons justifying its interest for the Company: this industrial supply and subcontracting contract provides the Company with an integrated digital label factory of critical size, which will increase the competitiveness of the products sold and marketed by the Group.

Subscription of the Chairman and CEO of the Company to the GSC corporate officer unemployment insurance

Person concerned:

Mr. Thierry Gadou, CEO since January 13, 2012 and Chairman of the Board of Directors since January 18, 2012 (prior authorization of the Board of Directors on January 13, 2012).

Nature and purpose: subscription by the Company of a GSC corporate officer unemployment insurance agreement for the benefit of Mr. Thierry Gadou

Amount: expense of €19 thousand

II.- Agreements approved during prior fiscal years that were not applied during the previous fiscal year:

Renewal of the resolution of the Board of Directors of January 13, 2012 concerning the severance payment for Mr. Thierry Gadou in the event of termination of his duties as CEO

Person concerned:

Mr. Thierry Gadou, CEO since January 13, 2012 and Chairman of the Board of Directors since January 18, 2012

Nature and purpose: payment of compensation in the event of termination of his duties as CEO (prior authorization of the Board of Directors of January 13, 2012 and approval by the General Meeting of March 1, 2012) and renewal and update of the authorization of a compensation for termination of the duties of CEO in the event of a change in control (prior authorization of the Board of Directors of March 10, 2017 and approval by the General Meeting of the June 22, 2018)

Terms and conditions and reasons justifying its interest for the Company: this severance payment is subject to

the achievement of performance criteria corresponding to the achievement of 75% of the quantitative objectives set for the bonus for the year preceding that of the termination of the duties of CEO.

Severance payment for Mr. Thierry Gadou in the event of termination of his duties as CEO

Person concerned: Mr. Thierry Gadou, CEO since January 13, 2012 and Chairman of the Board of Directors since January 18, 2012

Nature and purpose: payment of compensation in the event of termination of his duties as CEO (prior authorization of the Board of Directors of January 13, 2012 and approval by the General Meeting of March 1, 2012)

Compensation in respect of the non-complete clause for Mr. Thierry Gadou

Person concerned: Mr. Thierry Gadou, Chairman and CEO of the Company since January 18, 2012

Nature and purpose: payment of compensation in respect of the non-compete clause (prior authorization by the Board of Directors on January 13, 2012 and approved by the General Meeting of March 1, 2012).

III.- Agreements approved during the previous fiscal year

The agreements and commitments below, already approved by the General Meeting of June 29, 2020, based on the Statutory Auditors' special report of June 8, 2020, were implemented during the previous fiscal year.

Partnership in China

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of your Company and indirectly linked to BOE Intelligent IoT Technology Co, Ltd.
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.

- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co. Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: BOE Intelligent IOT Technology Co, Ltd.

Nature and purpose: The BOE Digital Technology Co, Ltd. was established in China in July 2019 by the Company, BOE Intelligent IOT Technology Co, Ltd. (a subsidiary of the BOE group) and Suqian Xin Dong Teng Commercial Services Co., Ltd (a subsidiary of the JD Digits group), holding respectively 51%, 15% and 34% of the share capital of this joint venture. The investment made by your Company to set up this joint venture amounted to USD 15.3 million. This agreement was authorized by the Board of Directors on April 24, 2019.

Reasons justifying its interest for the Company: the objective of this partnership is to enable the Company to accelerate its penetration of the Chinese market by facilitating access to a vast ecosystem of digital innovation, to major brands, retailers close to the JD Digits Group, as well as to its powerful network of shareholders and investments.

Electronic label supply agreement

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of the Company and indirectly holding 15% of the Chinese joint venture BOE Digital Technology Co, Ltd. (via its subsidiary BOE Intelligent IoT Technology Co, Ltd.).
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.

- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co. Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: BOE Digital Technology Co, Ltd

Signature and effective dates: October 16, 2019

Nature and purpose: Supply agreement for finished products (electronic labels) between SES-imagotag SA and BOE Digital Technology Co, Ltd, for an initial term of two years.

Terms and conditions: an amount of \$113 thousand in sales by SES-imagotag SA in 2020.

An amount of \$812 thousand in purchases by SES-imagotag SA in 2020.

Reasons justifying its interest for the Company: Supply of additional products for all finished products (notably electronic labels) not manufactured in the Chongqing plant.

Exclusivity agreement

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of the Company and indirectly related to the company Chongqing BOE Smart Electronics System Co, Ltd.
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.

- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co. Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: Chongqing BOE Smart Electronics System Co, Ltd

Signature and effective dates: July 1, 2019

Nature and purpose: Exclusivity agreement on three production lines at the Chongqing plant, signed on July 1, 2019 for a period of 4.5 years (prior authorization by the Board of Directors on May 24, 2019).

Terms and conditions: The total amount of the exclusivity right recognized for 2019 amounted to €14.7 million. The total amount of the contract was paid in 2020.

Reasons justifying its interest for the Company: securing industrial production, subcontracted by the Company to the Chongqing plant. Projected volumes over the next five years indicate that the Company will not use the entire production capacity currently installed by the plant. In order to ensure the exclusivity of the production capacity of Chongqing BOE Smart Electronics System Co., Ltd, the Company decided to enter into an exclusivity agreement whose value was estimated by comparing the assumed production capacity utilization rate at a utilization rate of 100%.

The agreements and commitments below, already approved by the General Meeting of June 29, 2020, following the special report of the Statutory Auditors of June 8, 2020, were not applicable during the previous fiscal year.

Technology license agreement

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of the Company and indirectly holding 15% of the Chinese joint venture BOE Digital Technology Co., Ltd. (via its subsidiary BOE Intelligent IoT Technology Co., Ltd.).
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: BOE Digital Technology Co, Ltd

Signature and effective dates: being signed

Nature and purpose: Technology license being signed for an initial period of two years. This agreement was authorized in advance by the Board of Directors on October 24, 2019.

This technology license, proportionate to the revenue from the sale of electronic labels and related services, is intended to enable the use of the historical intellectual property of the entities of the SES-imagotag Group for the purposes of using, copying, reproducing, and developing this intellectual property in order to manufacture, sell, distribute, and sub-license products and solutions on mainland China.

This license also grants the right to make industrial arrangements directly with the Chongqing plant.

Terms and conditions: €0 thousand received by SES-imagotag SA in technology fees.

Reasons justifying its interest for the Company: the purpose of this license agreement is to compensate the use of the intellectual property used by BOE Digital Technology Co., Ltd in order to:

- obtain supplies directly from the Chongqing plant,
- implement SES-imagotag solutions using existing software developed by the European entities of the SES-imagotag Group.

Management fees agreement: support service agreement

Persons concerned:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of the Company and indirectly holding 15% of the Chinese joint venture BOE Digital Technology Co., Ltd. (via its subsidiary BOE Intelligent IoT Technology Co., Ltd.).
- Mr. Thierry Gadou, Chairman and CEO and director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Contracting entity: BOE Digital Technology Co., Ltd

Signature and effective dates: September 1, 2019

Nature and purpose: Re-invoicing of support costs in-

curred to assist BOE Digital Technology Co., Ltd, (prior authorization of the Board of Directors of 24 October 2019) for an initial period of two years.

Terms and conditions: €0 thousand received by SES-imagotag SA in the form of re-invoicing of services.

Reasons justifying its interest for the Company: the purpose of the re-invoicing agreement is to pool expertise and set the procedures for re-invoicing overheads: nature of costs and keys for distributing these costs.

Declassification of agreements:

Certain agreements have been classified as regulated agreements in previous years, although they relate to ordinary transactions concluded under normal conditions.

The declassification of these agreements was approved by the Board of Directors at its meeting of April 26, 2021 and concerns the following agreements:

- Loan agreement with PDi Digital GmbH (joint venture with the Bossard AG group)
- Technology licensing agreement with PDi Digital GmbH (joint venture with the Bossard AG group)
- Treasury agreement with Market Hub Technologies Ltd
- Services agreement with the company Market Hub Technologies Ltd

3.2.7.3 Agreements entered into between, on the one hand, a corporate officer or shareholder and, on the other hand, a controlled company within the meaning of Article L.233-3 of the French Commercial Code

In accordance with Article L.225-37-4, 2° of the French Commercial Code, this report specifies that no agreement exists between, either directly or through a third party, one of the corporate officers or one of the shareholders with more than 10% of the voting rights, on the one hand, and another company controlled by the first within the meaning of Article L.233-3 of the French Commercial Code (with the exception of agreements relating to ordinary transactions entered into under normal conditions).

3.2.8 Table of delegations

Table of delegations of authority granted to the Board of Directors (Article L.225-37-4, 3° of the French Commercial Code)

Description of authorization	Date of the General Meeting	Duration/Expiration date for allocation of options
Authorization to reduce the share capital in accordance with the provisions of Article L.225-209 of the French Commercial Code	EGM May 24, 2019 11 th Resolution	26 months until July 24, 2021
	EGM June 29, 2020 15 th Resolution	26 mois jusqu'au 29 aout 2022
Capital increase through the issue of shares without preferential subscription rights, and shares and/or debt securities giving access to new shares	EGM June 22, 2018 12 th Resolution	26 months until August 22, 2020
Authorization to carry out a share buyback program	EGM May 24, 2019 7 th Resolution	18 months until November 24, 2020
	EGM June 29, 2020 14 th Resolution	18 months until December 29, 2021
Capital increase through the issue of shares as compensation of contributions in kind not exceeding 10% if the share capital	EGM June 22, 2018 13 th Resolution	26 months until August 22, 2020
Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums or any other amount that can be legally capitalized	EGM June 29, 2020 16 th Resolution	26 months until August 29, 2022
Delegation of authority to the Board of Directors to increase the share capital through the issue, with preferential subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to subscribe to the allocation of debt securities and/or marketable securities giving access to equity securities to be issued	EGM June 29, 2020 17 th Resolution	26 months until August 29, 2022
Delegation of authority to the Board of Directors to increase the share capital through the issue, without preferential subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to subscribe to the allocation of debt securities and/or marketable securities giving access to equity securities to be issued, within the framework of a public offering	EGM June 29, 2020 18 th Resolution	26 months until August 29, 2022
Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving the right to subscribe to the allocation of debt securities and/or marketable securities giving access to capital to be issued through private placements referred to in Article L.411-2 II of the French Monetary and Financial Code	EGM June 29, 2020 19 th Resolution	26 months until August 29, 2022
Authorization to the Board of Directors in the event of an issue without preferential subscription rights, by public offerings or by private placements referred to in Article L.411-2-II of the French Monetary and Financial Code, to set the issue price according to the terms and conditions set by the General Meeting, up to a limit of 10% of the share capital per year	EGM June 29, 2020 20 th Resolution	26 months until August 29, 2022
Authorization granted to the Board of Directors to increase the amount of issues with or without preferential subscription rights	EGM June 29, 2020 21 st Resolution	26 months until August 29, 2022
Delegation of authority to the Board of Directors to increase the share capital through the issue of shares and/or equity securities giving access to other equity securities and/or giving the right to subscribe to the allocation of debt securities and/or marketable securities giving access to equity securities to be issued as compensation for contributions in kind	EGM June 29, 2020 22 nd Resolution	26 months until August 29, 2022
Delegation of authority to the Board of Directors to allocate existing or new shares to be issued free of charge, without preferential subscription rights for shareholders, in favor of certain employees and corporate officers of the Company and the companies associated with it	EGM June 29, 2020 24 th Resolution	38 months until August 29, 2023

The delegations approved at the General Meeting of June 29, 2020 are subject respectively to:

- a) a maximum nominal overall limit for capital increases of fifteen million seven hundred and fifty thousand euros (€15,750,000);
- b) a maximum nominal overall ceiling for debt securities of one hundred million (€100,000,000).

Maximum amount of the authorization	Use and/or observations made by the Board of Directors
Within the limit of 10% of the share capital per 24-month period	None
Within the limit of 10% of the share capital per 24-month period	None
100,000,000 €	None
Maximum purchase price per share: €50 per share, excluding fees and commissions	On May 24, 2019, the Board authorized the Chairman and CEO to renew or enter into any new liquidity agreement
Maximum purchase price per share: €50 per share, excluding fees and commissions	On June 29, 2020, the Board authorized the Chairman and CEO to renew or enter into any new liquidity agreement
€2,600,000, it being specified that the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal limit of €13,000,000	None
3,100,000 €	None
For capital increases: €15,750,000 For debt security issues: €100,000,000	None
For capital increases: €6,300,000 For debt security issues: €100,000,000	None
For increases of €3,100,000 For debt security issues: €100,000,000	None
For capital increases: 10% of the share capital per period of 12 months	None
For capital increases: €15,750,000 For debt security issues: €100,000,000	None
For capital increases: 10% of the share capital For debt security issues: €100,000,000	None
945,000 €	On June 29, 2020, the Board decided to allocate 95,600 performance shares to employees who were not executive corporate officers

3.2.9 General Meetings and Specific Methods by Which Shareholders Participate

Pursuant to Article L.22-10-10 5° of the French Commercial Code, this report specifies the specific terms and conditions relating to the participation of shareholders in General Meetings set out in Articles 16 to 25 of the Company's Articles of Association.

General Meetings are convened in the manner and within the time limits set by the legal and regulatory provisions in force.

All shareholders have the right to information, communication and consultation under the terms and conditions provided for by the legal and regulatory provisions. The Company's Articles of Association as well as general information about the Company are available on the Company's website in order to provide more information to shareholders (www.ses-imagotag.com).

The General Meeting is chaired by Mr. Thierry Gadou, Chairman of the Board of Directors, who proposes to set up a committee consisting of a Chairman and two presiding members. The Chairman proposes to the shareholders with the largest number of votes to take on the duties of the presiding members.

The General Meeting is a forum for decision-making in the areas determined by the law. The Company is committed to ensuring that it is also a privileged moment of communication with its shareholders.

Minutes are drawn up as soon as possible after the General Meeting is held and no later than four months after the meeting is held.

In accordance with the last paragraph of Article L.225-123 of the French Commercial Code introduced by the law of March 29, 2014 known as the "Florange Law", and on the Board of Directors' initiative, the Extraordinary General Meeting of May 21, 2014 decided that no share of the Company may be granted double voting rights. Article 9.3 of the Company's Articles of Association has been amended accordingly.

In accordance with Article L.225-271 of the French Commercial Code introduced by the law of June 14, 2013 on job security, Article L.225-23 of the French Commercial Code, and on the Board of Directors' initiative, the Extraordinary General Meeting of June 23, 2016 amended the Articles of Association to determine the procedures for appointing directors representing employees and to include provisions relating to employee shareholder representatives (Article 11 of the Company's Articles of Association).

In accordance with Article R.225-85 of the Code resulting from Decree no. 2014-1466 of December 8, 2014 and on the Board of Directors' initiative, the Extraordinary General Meeting of June 23, 2016 decided to harmonize Article 20 of the Company's Articles of Association with the French record date regime.

Lastly, in accordance with Article L.823-1 of the French Commercial Code resulting from Law no. 2016-1691 of December 9, 2016, and on the Board of Directors' initiative, the Extraordinary General Meeting of June 23, 2017 amended Article 26 of the Company's Articles of Association in order to harmonize it with the new rules for the appointment of Statutory Auditors and, in particular, the removal of the obligation to appoint one or more alternate Statutory Auditors when the Statutory Auditor is not a natural person or a sole proprietorship.

3.3 Compensation and benefits

In accordance with the provisions of Articles L.22-10-8 and L.22-10-9 of the French Commercial Code, we report on, notably in the form of tables as presented below, the total amount of compensation and benefits of all kinds

paid to each of the Company's corporate officers during 2020 or allocated in respect of the same year, as well as the corporate officer compensation policy for 2021.

3.3.1 Principles for setting compensation

It is the responsibility of the Board of Directors to set the amount of compensation for executive corporate officers. To do this, the Board of Directors relies on the opinions and recommendations of the Nomination and Remuneration Committee.

In addition, the Company expressly refers in substance to the AFEP-MEDEF Corporate Governance Code supplemented and clarified by the recommendations on the compensation of executive and non-executive corporate officers of listed companies, revised in January 2020. The Company must publish the components of the compensation of executives and corporate officers in accordance with the law and the AFEP-MEDEF recommendations.

Thus, to set the level of compensation for executive corporate officers, the Committee and the Board take into account and rigorously apply the following principles:

- **Comprehensiveness:** all the components of compensation must be considered:

- Balance between compensation components:

- each element of compensation must be clearly justified and correspond to the Company's corporate interest;

- **Comparability:** this compensation must be assessed in the context of a business line and the reference market. If the market is a benchmark, it cannot be the only one because the compensation of an executive

corporate officer depends on the responsibility assumed, the results obtained and the work performed. It may also depend on the nature of the assignments entrusted to it or specific situations (for example, the recovery of a company in difficulty);

- **Consistency:** the compensation of the executive corporate officer must be determined in accordance with that of the other executives and employees of the Company;
- **Intelligibility of rules:** rules must be simple, stable and transparent. The performance criteria used must correspond to the Company's objectives, be demanding, explicit and, to the extent possible, sustainable;
- **Measurement:** the calculation of the components of the compensation must respond to a fair balance between the corporate interests of the Company, market practices, the performance of the managers, and the other stakeholders of the Company.
- These principles apply to all elements of compensation, including long-term and exceptional compensation.

Eleven tables are proposed by the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) in its recommendation on the information to be provided in the registration documents concerning compensation paid to corporate officers. The recommendation expressly states that "issuers use the tables laid out hereinafter or other table templates, provided that the information given remains the same."

Information relating to share subscription or purchase options granted during the fiscal year to each executive corporate officer (Table 4), and information relating to share subscription or purchase options exercised by each executive corporate officer during the fiscal year (Table 5), those relating to the history of share subscription or purchase options (Table 8), and those relating to share subscription or purchase options granted to the top ten employees who are not corporate officers and options exercised by them (Table 9), are contained in the sections entitled "Special report on stock options."

Information relating to the allocation of free performance shares and their availability is included in the chapters "Special report on stock options" and "Special report on bonus shares allocated."

Consequently, the Company has adopted the following presentation, which provides an exhaustive description of the compensation paid to the corresponding executive corporate officers and corporate officers:

- a table giving information equivalent to the information contained in Table 2 of the AMF nomenclature: "Table summarizing the compensation of each executive corporate officer";
- the information contained in Table 3 of the AMF nomenclature relating to the compensation received by non-executive corporate officers;
- the information contained in Table 10 of the AMF nomenclature relating to the history of bonus share allocations to corporate officers;
- and the information contained in Table 11 of the AMF nomenclature relating to the position of the executive corporate officer with regard to the AFEP-MEDEF Code.

Table 10 – History of bonus shares allocations to corporate officers

Total number of shares
granted to corporate officers

Thierry Gadou	139,069	80,000
---------------	---------	--------

Date of acquisition of shares	2016 tranche: vesting of 50% of the shares on February 21, 2017	Vesting on the date of achievement of the alternative conditions (in advance) on December 21, 2017
	2017 tranche: vesting (in advance) of 50% of the shares on March 2, 2018	
End of retention period	March 2, 2018	December 21, 2018
Number of shares definitively allocated at December 31, 2020	139,069	80,000
Cumulative number of shares canceled or lapsed at December 31, 2020	0	0
Remaining bonus shares at December 31, 2020	0	0

3.3.2 Information mentioned in Article L.22-10-9 I of the French Commercial Code relating to compensation for 2020 paid to executive and non-executive corporate officers in respect of their term

In accordance with the provisions of Article L.22-10-9 I of the French Commercial Code, we present the following information:

1° Total compensation and benefits of any kind, distinguishing between fixed, variable and exceptional items, including in the form of equity securities, debt securities or securities giving access to the share capital or giving the right to subscribe to the allocation of debt securities of the Company or companies referred to in Articles L.228-13 and L.228-93, paid in respect of the term of office during the previous fiscal year, or allocated for a term office held during the same fiscal year, indicating the main conditions for exercising the rights, in particular the price and date of exercise and any modification of these conditions

Compensation of Mr. Thierry Gadou in his capacity as Chairman and CEO

On the basis of the recommendations of the Remuneration Committee, which met on March 23, 2020, the fixed compensation of the Chairman and CEO was set at €320,000, supplemented by a variable compensation of €200,000, split into two tranches:

- a quantitative portion for a maximum budget of €150,000
- a qualitative portion for a maximum of €50,000, it being specified that it may be increased if the scale and difficulty of the projects to be carried out during the year justify it.

The Compensation Committee met on March 24, 2021 to assess the achievement of the 2020 targets.

Variable portion on quantitative targets

The Board of Directors, on the recommendation of the

Nomination and Remuneration Committee, decided to allocate a variable portion of €75,000 for the achievement of the quantitative objectives.

Variable portion on qualitative objectives

The Nomination and Remuneration Committee expressed its satisfaction with the Chairman and CEO's management during the Covid-19 pandemic, and the results obtained by the Group during the second half of 2020. The ability to lead in these turbulent times is a criterion for the Company's good long-term management.

As a result, the Board of Directors, on the recommendations of the Nomination and Remuneration Committee, set the variable compensation based on qualitative objectives at €75,000, in order to take into account the difficulty of maintaining the strategic course during this period.

Non-concurrent employment contract and corporate office

Concerning the termination of the employment contract in the event of a corporate office, the AFEP-MEDEF Code recommends, when an executive becomes a corporate officer of the Company, ending the employment contract between them and the Company or a company of the Group, either via a mutually agreed termination or by resignation.

The Company complies with this recommendation insofar as Mr. Thierry Gadou, in his capacity as Chairman and CEO, does not have an employment contract. Indeed, Mr. Thierry Gadou was recruited as a corporate officer and CEO, before being co-opted as a director and then nominated as Chairman of the Company by the Board of Directors.

Stock options granted to the Chairman and CEO

None

Bonus shares allocated to the Chairman and CEO

None

Compensation of non-executive corporate officers

In accordance with the decision of the General Meeting of June 29, 2020 (12th Resolution), the General Meeting decided to allocate the annual fixed sum of fifty thousand euros (€50,000) to the directors for the fiscal year ended December 31, 2020.

Only independent directors are likely to receive a sum to compensate their work.

In accordance with Articles L.225-45 and L.22-10-14 of the French Commercial Code, the Board of Directors of March 29, 2021 distributed this annual fixed sum among the independent directors.

An equal portion of this amount was allocated to independent directors subject to compliance with a condition of attendance at Board meetings.

The independent directors, Mr. Renaud Vaillant, succeeded by Mr. Franck Moison and Ms. Candace Johnson, received gross compensation of €8,500, €10,000 and €19,666, respectively, for this total half-yearly/annual compensation. These amounts are paid quarterly.

Ms. Hélène PLOIX did not receive any compensation for her work during 2020.

2° The relative proportion of fixed and variable compensation**Compensation paid to Mr. Thierry Gadou in his capacity as Chairman and CEO**

On the recommendation of the Remuneration Committee, the Board of Directors decided to grant a total variable portion of €150 thousand, i.e.:

- €75 thousand for quantitative targets;
- €75 thousand for qualitative targets;

i.e. 75% of the total variable portion.

Compensation of non-executive corporate officers

As compensation for his activity during the first half of 2020, Mr. Renaud Vaillant received a gross sum of €8,500, broken down into a fixed portion representing €3,000 and a variable portion representing €5,500.

In compensation for his work during the second half of 2020, Mr. Franck Moison received a gross sum of €10,000 broken down into a fixed portion representing €3,000 and a variable portion representing €7,000.

In compensation for her work, Candace Johnson received an annual gross amount of €19,666, broken down into a fixed portion representing €6,000 and a variable portion representing €13,666.

3° The use of the possibility to request the return of variable compensation paid to both executive and non-executive corporate officers

None

4° Commitments of any kind made by the Company and corresponding to elements of compensation, payments or benefits due or likely to be due on account of the termination or change of duties or subsequent to the fulfillment of these commitments, in particular pension obligations and other lifetime benefits, mentioning, under the terms and conditions set by decree, the precise methods used to determine these commitments and the estimated amount of the sums likely to be paid to the employer in this respect**Commitments made by the Company for the benefit of Mr. Thierry Gadou in his capacity as Chairman and CEO**

Severance payment in the event of termination of his duties as CEO Mr. Thierry GADOU may be awarded a severance payment for the termination of his corporate office.

No amount was paid in this respect during 2020, see chapter 3.4.

Non-compete compensation

Mr. Thierry Gadou is likely to be awarded non-compete compensation associated with the termination of his corporate office. No amount was paid in this respect during 2020, see chapter 3.4.

Subscription to the GSC corporate officer unemployment insurance

Benefits in kind scheme

As part of his duties, Mr. Thierry Gadou is provided with a company car.

Pension plan

None

Amounts set aside by the Company for the purpose of paying pensions, retirement or other benefits to directors and other non-executive corporate officers

No provision was made by the Company for the benefit of the directors and other corporate officers.

5° Any compensation paid or awarded by a company included in the scope of consolidation within the meaning of Article L.233-16

None

6° The ratios between the level of compensation of each of these executives and, on the one hand, the average compensation on a full-time equivalent basis of the Company's employees other than corporate officers, and on the other hand, the median compensation on a full-time equivalent basis for employees of the Company other than corporate officers

This presentation mentions the level of compensation of the Chairman and CEO of the Company, based on the average compensation of employees (excluding corporate officers) and, on the other hand, the median employee compensation (excluding corporate officers) of the Company, as well as changes in these two ratios over the last five fiscal years.

Difference between the CEO's salary/Average compensation of employees on permanent and fixed-term contracts in France & Change in the ratio over the past five years

	Average ratio	% Evolution vs N-1
2020	10.0	-1.0%
2019	10.1	6.7%
2018	9.5	-0.9%
2017	9.6	2.3%
2016	9.3	-0.4%

Difference between the CEO's salary/Median compensation of employees on permanent and fixed-term contracts in France & Change in the ratio over the past five years

	Median ratio	% Evolution vs N-1
2020	13,0	2,5
2019	12,7	5,7
2018	12,0	-2,5
2017	12,3	2,3
2016	12,0	-1,7

This presentation may change depending on any subsequent clarifications or official positions for issuers.

7° The annual change in compensation, the Company's performance, the average compensation on a full-time equivalent basis of the Company's employees, other than executives, and the ratios mentioned in 6°, over the last five fiscal years, presented together and in a way that allows comparisons to be made

	2020	2019	2018	2017	2016
Thierry Gadou					
Fixed and variable compensation due for the year	470,000	434,500	431,600	370,000	442,000
Change	8.2%	0.7%	16.6%	-16.3%	2.8%
Change in the average salary of employees on fixed-term and permanent contracts in France ¹	-0.2%	-1.3%	0.9%	4.2%	0.4%
Change in the median salary of employees on fixed-term and permanent contracts in France	-1.7%	0.0%	2.6%	4.3%	1.8%
Revenue	290.3	247.6	187.9	153.0	176.9
Change	17.2%	31.8%	22.8%	(13.5%)	59.1%
EBITDA	16.0	4.0	6.5	6.1	16.6
Change	+300%	-38.5%	6.6%	-63.3%	76.6%
Average share price	26.00	28.42	27.04	29.74	21.55
Change	-8.5%	5.1%	-9.1%	38.0%	71.8%

8° An explanation showing how the total compensation complies with the compensation policy adopted, including how it contributes to the long-term performance of the Company, and specifying how the performance criteria are applied

The Company's overall compensation philosophy is focused on performance, entrepreneurship and individual responsibility.

The focus is on:

- the Group's efforts to achieve a positive operating profit and enable sustainable development, including in a changing environment and a volatile market due to the pandemic and/or the competitive environment;
- changes in the share price will also be taken into account, against the backdrop of the general stock market environment.

As a result, the compensation paid in respect of 2020, described in this report, complies with the objectives of the compensation policy adopted.

9° The manner in which the vote of the last General Meeting provided for in Article L.22-10-34 has been taken into account

During the past fiscal year, the resolutions submitted to the Ordinary General Meeting of June 29, 2020 relating to:

- on the one hand, the approval of the information mentioned in Article L.22-10-9 I of the French Commercial Code on the compensation paid to corporate officers for 2019 (Resolution 10 of the OGM of June 29, 2020);
- on the other hand, the approval of the compensation and benefits of any kind paid during 2019 or granted in respect of the same fiscal year to Mr. Thierry Gadou, in his capacity as Chairman and CEO (Resolution 11 of the OGM of June 29, 2020);

were adopted at 99.75% and 99.60%, respectively; which represents a very large majority.

Under these conditions, the resolutions relating to the compensation of corporate officers and the Chairman and

CEO that will be submitted to the next Ordinary General Meeting of June 16, 2021 will comply with the standards.

10° Any deviation from the procedure for implementing the compensation policy and any exemption applied in accordance with the second paragraph of III of Article L.22-10-8, including an explanation of the nature of the exceptional circumstances and the indication of the specific items that are waived.

None

Resolution submitted for the approval of the Ordinary General Meeting of Shareholders (Article L.225-10-34 I of the French Commercial Code)

In accordance with Article L.22-10-34 I of the French Commercial Code, the information mentioned in Article L.22-10-9 I of the French Commercial Code relating to the compensation of corporate officers for 2020, in respect of their terms of office presented above, will be submitted for approval to the General Meeting of Shareholders of June 16, 2021.

Accordingly, the following resolution will be submitted for approval to the Ordinary General Meeting.

Ninth resolution

Approval of the information covered in Article L.22-10-9 I of the French Commercial Code relating to the compensation of corporate officers for the 2020 fiscal year, pursuant to Article L.22-10-34 I of the French Commercial Code

The General Meeting, deliberating under the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in accordance with Article L.22-10-34 I of the French Commercial Code, the information referred to in Article L.22-10-9 I of the French Commercial Code relating to the compensation for 2020 of the corporate officers in accordance with their term of office, as they appear in the report on corporate governance (chapter 3.3.2).

Table of compensation received by non-executive corporate officers

(Table 3 of the AMF Nomenclature)

Amounts awarded and paid during the year

	2020	2019
Candace JOHNSON		
Gross compensation	19,666 €	20,000 €
Hélène PLOIX		
Gross compensation	0 €	0
Franck MOISON		
Gross compensation	10,000 €	
Other compensation (under the IAB service agreement)*	25,000 €	
Renaud VAILLANT		
Gross compensation	8,500 €	14,000 €

*The service agreement between Mr. Moison and the Company is a standard agreement entered into under normal conditions.

Position of Mr. Thierry Gadou as Chairman and CEO in 2020 with regard to the AFEP-MEDEF Code.

(Table 11 of the AMF Nomenclature)

Executive corporate officer	Employment contract		Supplementary pension plan		Compensation and benefits due or likely to be due in the event they cease to hold or change their position		Compensation associated with a non-compete clause		Others (Insurance, etc.)	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Thierry Gadou Chairman and CEO²		X		X	X ³		X ⁴		X ⁵	

1 Change in the average/median salary of employees on fixed-term and permanent contracts in France. Calculation method in 2019: fixed salary of employees at the end of December 2019 + bonus for the fiscal year. Calculation method for previous years: fixed salaries of employees at the end of December of each year + 100% annual contractual bonus.

2 Beginning and end of term of office (see "Table of offices and positions held in any company by each corporate officer during 2020").

3 A non-compete clause is tied to the term of office as CEO of Mr. Thierry Gadou. See section 3.4 below on "Agreements providing for compensation for members of the Board of Directors, if they resign or are dismissed without real and serious cause or if their employment is terminated in the event of a public offering (severance payment, golden parachutes)."

4 A non-compete clause is tied to the term of office as CEO of Mr. Thierry Gadou. See section 3.4 on "Agreements providing for compensation for members of the Board of Directors, if they resign or are dismissed without real and serious cause or if their employment is terminated in the event of a public offering (severance payment, golden parachutes)."

5 The Company has taken out GSC corporate officer unemployment insurance as well as civil liability insurance for the benefit of Mr. Thierry Gadou.

Table summarizing the compensation of the executive corporate officer paid during the fiscal year ended on December 31, 2020 or for the same fiscal year, subject to the approval of the shareholders at the General Meeting of June 16, 2021 in accordance with the provisions of the Article L.22-10-34 II of the French Commercial Code

(Table 2 of the AMF Nomenclature)

Name and position of the executive corporate officer	2020		2019	
	Amount allocated for the fiscal year	Amount paid as compensation for the previous fiscal year	Amount allocated for the fiscal year	Amount paid as compensation for the previous fiscal year
Thierry Gadou				
Fixed compensation	320,000	320,000	320,000	320,000
Annual variable compensation	150,000	114,500	114,500	141,600
Exceptional compensation	0	0	0	0
Compensation allocated for their directorship	0	0	0	0
Benefits in kind		24,300.00		24,551.00
TOTAL	470,000	458,800	434,500	486,151

Resolution submitted for the approval of the Ordinary General Meeting of Shareholders (Article L.22-10-34 II of the French Commercial Code)

Pursuant to Article L.22-10-34 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of any kind paid during 2020 or granted for the same year to Mr. Thierry Gadou in respect of his office as Chairman and CEO of the Company will be the subject of a resolution submitted to the approval of the General Meeting of shareholders of June 16, 2021.

Accordingly, the following resolution will be submitted for approval to the Ordinary General Meeting:

Tenth resolution

Approval of the fixed, variable and exceptional elements of the total compensation and benefits of all kind paid during the 2020 fiscal year or allocated for the same year to Mr. Thierry Gadou, Chairman and Chief Executive Officer, in application of Article L.22-10-34 II of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general

meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in application of Article L.22-10-34 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of any kind

paid or granted during the 2020 fiscal year or in respect of the same fiscal year to Mr. Thierry Gadou, by virtue of his office as Chairman and Chief Executive Officer of the Company, as they appear in the report on corporate governance (chapter 3.3.2).

3.3.3 Compensation policy for 2021

This chapter presents the compensation policy applicable to corporate officers. It is divided in order to separately set out the compensation policies applicable to the directors and the Chairman and CEO, respectively. The Board of Directors wished to submit two separate resolutions to the General Meeting of June 16, 2021 (12th and 13th resolutions).

1. Determining, reviewing and implementing of the compensation policy for corporate officers

In accordance with Article L.22-10-8 I of the French Commercial Code, this report describes the compensation policy for corporate officers established by the Board of Directors, based on the recommendations of the Nomination and Remuneration Committee, and submitted to the General Meeting for voting.

The compensation policy incorporates incentives that reflect the Group's strategy, which is focused on long-term profitable growth by acting responsibly, while respecting the corporate interest and the interests of all the stakeholders.

In particular, compensation must aim to promote the Company's performance and competitiveness, ensure its growth and achieve the strategic plan.

The compensation policy thus contributes to the Company's strategy and sustainability while respecting the corporate interest.

The compensation policy is reviewed each year. During this review, the Nomination and Remuneration Committee may use studies of comparable companies in accordance with the Charter which authorizes it to do so.

2. Director compensation policy

It is proposed to the General Meeting of June 16, 2021 (11th resolution) to set the total annual maximum amount of compensation allocated to the directors, as compensation for their work performed during the current fiscal year, at €50,000.

Accordingly, the following resolution will be submitted for approval to the Ordinary General Meeting:

Eleventh resolution

Setting of the overall annual compensation package for directors

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors, resolves to set the maximum amount of the annual fixed sum, provided for in Article L.225-45 of the French Commercial Code, to be allocated to the directors in compensation for their activities for the 2021 fiscal year in the amount of 50,000 euros, the distribution of which will be determined by the Board of Directors under the conditions provided for in Article L.22-10-8 I of the French Commercial Code.

In accordance with the provisions of Article L.22-10-14 of the French Commercial Code, this is the total amount and it will be the responsibility of the Board of Directors to decide on its allocation.

At its meeting of March 29, 2021, the Board of Directors drew up this compensation policy for directors in strict continuity with its previous decisions.

This annual amount will be divided into a fixed portion and a variable portion depending on the actual presence of the director at Board and various committee meetings. In accordance with the recommendations of the AFEP-MEDEF Code, this structure is established so that the variable portion accounts for the majority of the compensation paid to directors.

There is also no provision for requesting the return of the variable portion of directors' compensation.

If a director is nominated or their term of office renewed, the compensation policy applicable to current directors will apply.

Resolution submitted for approval to the Ordinary General Meeting of Shareholders (Article L.22-10-8 II of the French Commercial Code)

In accordance with Article L.22-10-8 II of the French Commercial Code, this compensation policy for 2021 described above is subject to the approval of the General Meeting of Shareholders of June 16, 2021.

Accordingly, the following resolution will be submitted for approval to the Ordinary General Meeting:

Twelfth resolution

Approval of the compensation policy for directors for the 2021 fiscal year, in accordance with Article L.22-10-8 II of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in accordance with Article L.22-10-8 II of the French Commercial Code, the compensation policy, as presented in the report on corporate governance (chapter 3.3.3).

3. Compensation policy for the Chairman and CEO of the Company

In accordance with the Company's corporate interest, the Chairman and CEO's overall compensation is structured in such a way as to favor a significant variable portion associated with annual targets:

- The purpose of the fixed portion is to recognize the importance and complexity of the responsibilities as well as the experience and career path of the executive officer and executive corporate officer.
- The variable portion is subject to the achievement of specific and measurable objectives, directly related to the budgetary objectives and the strategic plan of the SES-imagotag Group, as regularly communicated to the shareholders, including CSR criteria, directly participating in the Company's social and environmental strategy.

The Company refers to the AFEP-MEDEF recommendations on compensation policy: the quantitative and qualitative criteria for the variable portion of the Chairman and CEO's compensation are therefore precise and quantified in advance, depending on the Company's strategy.

The quantifiable and qualitative components of the variable portion of the compensation paid to the Chairman and CEO and the Company's executives correspond to their responsibilities.

In the event of over-performance, the amount allocated to the variable portion of compensation is capped, and the fixed portion is known so that the Company is only committed to a specific portion of the overall compensation, in the event that the performance of the Company, in the short or medium term, proves insufficient.

In the event of exceptional circumstances, the Board of Directors may waive the compensation policy in accordance with Article L.22-10-8 III. This enables the Board of Directors, where applicable, to ensure that the compensation policy is in line with the performance of the Chairman and CEO and the Company's objectives. Any adjustments must be brought to the attention of the shareholders and duly justified, particularly regarding their alignment with the shareholders' interests. They will remain subject to the binding ex post vote of the shareholders at the next annual General Meeting of shareholders.

Fixed compensation for 2021

In order to take into account average compensations in France in comparable sectors, the Board of Directors of April 26, 2021, on the recommendations of the Nomination and Remuneration Committee, decided to set the fixed gross annual salary at €340,000 for 2021, compared with the previous amount of €320,000 (between 2017 and 2020), i.e. an average annual increase of 1.5% since the previous fixed increase (in 2017) and of 1.4% since he took up his position (in 2012).

Variable compensation for 2021

The Board of Directors of April 26, 2021, on the recommendations of the Nomination and Remuneration Committee, decided, for 2021, to maintain a target base variable compensation at its previous level of €200,000 in the event the objectives are reached, while providing for the possibility of compensation for over-performance with a maximum limit of €260,000 (130% of the target).

This annual variable compensation is divided into two distinct parts; the quantitative criteria for setting this

compensation accounts for 75% and the qualitative criteria accounts for 25%:

1. a target quantitative variable portion of €150,000 is provided in the event the budgetary objectives are achieved and capped, in the event these objectives are exceeded, at €195,000 (130% of the target), whose objectives respectively target: EBITDA and the Company's net income, each of these criteria accounting for 25%, with revenue and net debt each accounting for 20%, and the increase in the share price accounting for 10% of the variable compensation package;

In order to compensate for any over-performance in relation to the quantitative financial objectives, the payment relating to these criteria may therefore exceed the target until it reaches 130% of the target (i.e. a maximum of €195,000).

2. target qualitative variable portion of €50,000 and capped, in the event of over-performance, at €65,000 (130% of the target).

The compensation criteria will most notably be based on the Group's efforts to achieve a profitability structure and develop sustainably, placing particular emphasis on three aspects:

- Progress in the strategic transformation towards a company more focused on software and high-value solutions;
- Progress in customer satisfaction;
- Progress in CSR efforts.

The target qualitative variable portion may be increased if the scale and difficulty of the projects to be carried out during the year justify it, up to a limit of 130% of the target (i.e. a maximum of €65,000).

Compensation in shares of the Company

It should be noted that the Chairman and CEO did not benefit from any allocation under Tranche 1 of the bonus share plan authorized by the 2020 General Meeting, at his request in order to favor allocations to the other beneficiaries.

On April 26, 2021, the Board of Directors, on the recommendations of the Nomination and Remuneration Committee, decided to allow the Chairman and CEO to benefit from Tranche 2 of the bonus share plan to be implemented under the authorization granted by the Extraordinary General Meeting of June 29, 2020 (24th resolution) by authorizing the allocation of 4,000 performance shares to the Chairman and CEO, with the aim of achieving sustainable growth and value creation for shareholders, employees, and all stakeholders, as follows:

- a vesting period of two years between grant and vesting;
- performance conditions under the same conditions as the other beneficiaries of the Plan;
- a condition of presence: obligation to retain the position of Chairman and CEO during the vesting period, except in the event of death, disability or retirement;
- an obligation to retain, until the end of his term of office for any reason whatsoever, 30% of the shares allocated to him.

Commitments made to the Chairman and CEO

All the commitments listed below and made to the benefit of Mr. Thierry Gadou, in his capacity as Chairman and CEO, have been authorized by the Board of Directors and submitted for the approval of the Annual Ordinary General Meeting of Shareholders, namely:

- Severance payment in the event of termination of his duties as CEO: Mr. Thierry Gadou may be awarded a severance payment attached to the termination of his corporate office.
- Non-compete compensation: Mr. Thierry Gadou is likely to be awarded a non-compete compensation for the termination of his corporate office;
- Subscription to GSC corporate officer unemployment insurance;
- Benefits in kind: As part of his duties, Mr. Thierry Gadou is provided with a company car. This vehicle will be renewed;
- Pension plan: None.

The Chairman and CEO does not receive any compensation for his office as director.

Non-concurrent employment contract and corporate office

The Company complies with this recommendation insofar as Mr. Thierry Gadou, in his capacity as Chairman and CEO, does not have an employment contract. Indeed, Mr. Thierry Gadou was recruited as a corporate officer and CEO, before being co-opted as a director and then nominated as Chairman of the Company by the Board of Directors.

The use of the possibility to request the return of variable compensation paid to both executive and non-executive corporate officers

None

Summary table of the 2021 Compensation Components for the Chairman and CEO

2021 compensation components	Amount submitted to a vote		Presentation
	Target amount	Limit	
Fixed compensation	€340,000		Last increase in 2017 (€320,000). Average annual increase of 1.4% since 2012, when the CEO took office.
Annual variable compensation	€200,000	€260,000	The policy provides for a target annual variable compensation of €200,000. The variable portion is divided into two separate tranches, one quantitative (75%) and the other qualitative (25%). In the event of over-performance, the variable compensation may reach a maximum of €260,000.
Differed variable compensation	NA		No deferred variable compensation is planned.
Multi-year variable compensation	NA		No multi-year variable compensation is planned.
Exceptional bonus	—		
Bonus shares subject to performance criteria	4,000 shares		Allocation under Tranche 2 of the Bonus Share Plan set up pursuant to the authorization granted by the Extraordinary General Meeting of June 29, 2020 (24 th resolution) in accordance with the terms and conditions detailed above (NB: no allocation to the Chairman and CEO during Tranche 1 in 2020).
Director compensation (replacing the term “Directors’ fees”)	—		Executive corporate officers do not receive any compensation for their work as directors.
Valuation of benefits in kind	No change		Company car and GSC unemployment insurance
Severance payment in the event they cease to hold their position as CEO following a change in control			The severance payment scheme is described in section 3.4 “Agreements providing for compensation for members of the Board of Directors” of the annual report. In accordance with the procedure for regulated agreements, the shareholders approved this severance payment on March 1, 2012 (prior authorization of the Board of Directors on January 13, 2012) for a period of five years. The renewal of this provision was authorized by the Board of Directors on March 10, 2017 and approved by the General Meeting of June 22, 2018.
Non-compete compensation			The description of the non-compete compensation is provided in paragraph 3.4 “Agreements providing for compensation for members of the Board of Directors” of the annual report. In accordance with the procedure for regulated agreements, the shareholders approved this severance payment on March 1, 2012 (prior authorization by the Board of Directors on January 13, 2012)
Supplementary pension plan			No supplementary pension plan has been taken out.

Resolution submitted to the approval of the Ordinary General Meeting of Shareholders (Article L.22-10-8 II of the French Commercial Code)

Pursuant to Article L.22-10-8 II of the French Commercial Code, this compensation policy for 2021 described above is subject to the approval of the General Meeting of Shareholders of June 16, 2021.

Accordingly, the following resolution will be submitted for approval to the Ordinary General Meeting:

Thirteenth resolution

Approval of the compensation policy for the Chairman and Chief Executive Officer for the 2021 fiscal year, in application of Article L.22-10-8 II of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in accordance with Article L.22-10-8 II of the French Commercial Code, the compensation policy for the Chairman and Chief Executive Officer, as presented in the report on corporate governance (chapter 3.3.3).

We remind you that the allocation of performance shares is subject to the approval of the General Meeting of June 16, 2021 and that the payment of the variable compensation components, which will be allocated during 2021 or in respect of 2021, will also be subject to the approval of the Ordinary General Meeting of shareholders.

3.4 Information likely to have an impact in the event of a public offering

In accordance with the provisions of Article L.22-10-11 of the French Commercial Code, we present the items likely to have a significant impact in the event of a public offering:

Structure of the share capital

The share capital of SES-imagotag at December 31, 2020, amounting to €31,516,216, is divided into 15,758,108 fully paid-up shares, each of the same class and with a nominal value of €2 each.

The statutory restrictions imposed on exercising voting rights and transferring shares, or clauses of agreements brought to the attention of the Company pursuant to Article L.233-11 of the French Commercial Code

No clause in the Company's Articles of Association limits the free transfer of shares issued by the Company.

No agreement in force has been brought to the attention of the Company pursuant to Article L.233-11 of the French Commercial Code.

In addition, Article 9.4 of the Company's Articles of Association provides that any natural or legal person, acting alone or in concert, that comes to own or ceases to own, directly or indirectly through one or more companies in which it has a majority shareholding, an interest greater than or equal to 1% of the share capital and/or voting rights or a multiple of this percentage, is required to inform the Company of the total number of shares and voting rights and of securities granting access to the share capital or voting rights that it holds, within five trading days of crossing said threshold(s), by registered letter with acknowledgment of receipt sent to its registered office.

If they have not been declared in accordance with the conditions set out above, the shares or voting rights exceeding the fraction that should have been declared shall be deprived of voting rights at shareholders' meetings, if the failure to declare has been recorded and if one or more shareholders holding at least 1% of the share capital so request, recorded in the minutes of the General Meeting. The above provisions apply without prejudice to the declarations of crossing of the thresholds provided for by the legal or regulatory provisions in force.

Direct or indirect equity interest in the Company's share capital of which the Company is aware pursuant to Articles L.233-7 and L.233-12 of the French Commercial Code (significant or the Company's own equity interest)

Apart from those mentioned in the table breaking down the share capital in the section "Shareholdings and information on the share capital" of the management report, the Company is not aware, pursuant to Articles L.233-7 and L.233-12 of the French Commercial Code, of other shareholders with more than 1% of its share capital or voting rights.

The list of holders of any security with special ownership rights and their description (particularly the result of preference shares)

The shares issued by the Company give the right to vote and to be represented at General Meetings of shareholders under the conditions set by law. Article 9.3 of the Company's Articles of Association states that under the terms of the 18th resolution of the Extraordinary General Meeting of May 21, 2014, it was decided not to grant double voting rights as instituted by Law 2014-384 of March 29, 2014 to holders of shares referred to in the

Article L.225-123, paragraph 3 of the French Commercial Code.

No share carries special control rights.

The ownership mechanisms provided for in a possible employee shareholding system when they fail to exercise their ownership rights (for example employee shareholding funds [FCPE])

None.

Agreements between shareholders of which the Company is aware and that could result in restrictions on share transfers and the exercise of voting rights (shareholder agreements)

None.

Rules relating to the nomination and replacement of members of the Board of Directors and the amendment of the Company's Articles of Association

Members of the Board of Directors

General provisions

The Articles of Association provide that the Company is managed by a Board of Directors composed of at least three members and at most eighteen members, subject to the exemption provided for by law in the event of a merger (Article L.225-95 of the French Commercial Code). The Company's Articles of Association do not impose any obligation to hold shares in order to be a director.

The term of office of directors is three (3) years; they end at the end of the Ordinary General Meeting called to approve the financial statements for the previous fiscal year and held in the year in which their term of office expires.

Article 11.1 of the Company's Articles of Association states that during the life of the Company, directors are nominated, renewed or dismissed by the Ordinary General Meeting. They are always eligible for re-election.

In the event of a vacancy resulting from the death or resignation of one or more directors, the Board of Directors may, between two General Meetings, make provisional nominations under the conditions provided for by law. Provisional nominations made by the Board of Directors are subject to ratification at the next General Meeting. A director nominated to replace another director shall only exercise their duties for the remainder of their predecessor's term of office.

Director representing employee shareholders

Article 11.1 of the Company's Articles of Association also specifies that in accordance with Article L.225-23 of the French Commercial Code, when the share of the capital held within the framework provided for by the provisions of Article L.225-102 of the French Commercial Code by the employees of the Company and its related companies within the meaning of Article L.225-180 of the aforementioned Code, represents more than 3%, a director representing the employee shareholders is elected by the Ordinary General Meeting according to the terms and conditions laid down by the regulations in force and by these Articles of Association, provided that the Board of Directors does not include among its members one or more directors, nominated from among the members of the Supervisory Board of the company mutual funds representing employees, or one or more employees elected pursuant to Article L.225-27 of said Code.

Candidates for the position of employee shareholder director are nominated under the following conditions:

- When the voting rights attached to shares held by employees or by the mutual funds of which they are members are exercised by the members of the Supervisory Board of these mutual funds, the candidates are nominated from among its members by this Board;
- When the voting rights attached to shares held by employees (or by the mutual funds of which they are members) are directly exercised by these employees, the candidates are nominated during the consultation provided for in Article L.225-106 of the French Commercial Code, either by the employee shareholders specially convened for this purpose, or through a written consultation. Only candidates submitted by a group of shareholders representing at least 5% of the shares held by employees who exercise their voting rights individually are admissible.

The procedures for nominating candidates not defined by the legal and regulatory provisions in force or by these Articles of Association are decided by the Chairman of the Board of Directors, in particular as regards the timetable for the nomination of candidates.

A list of all validly nominated candidates is drawn up and must include at least two names. The list of candidates is appended to the notice of meeting of the General Meeting of Shareholders called to nominate the director representing employee shareholders.

The director representing employee shareholders is elected by the Ordinary General Meeting under the conditions applicable to any nomination of a director, on the proposal of the shareholders referred to in Article L.225-102 of the French Commercial Code. The Board of Directors presents the list of candidates in order of preference to the General Meeting and approves the first candidate on this list. Whichever of the above candidates obtains the greatest number of votes from the shareholders present or represented at the Ordinary General Meeting will be nominated as director representing employee shareholders.

This director representing employee shareholders is not taken into account for the determination of the maximum number of directors provided for by Article L.225-17 of the French Commercial Code.

The term of office of the director representing employee shareholders is three years. However, their term of office ends automatically and the director representing employee shareholders is automatically deemed to have resigned in the event they lose their status as an employee of the Company (or of a related company or economic interest group within the meaning of Article L.225-180 of the French Commercial Code), or a shareholder (or member of a mutual fund, the assets of which are composed of at least 90% of the Company's shares). Until the date of nomination or replacement of the director representing employee shareholders, the Board of Directors may meet and validly deliberate.

In the event of a vacancy in the position of director representing employee shareholders for any reason whatsoever, they shall be replaced under the conditions set out above. This director is nominated by the Ordinary General Meeting for a further period of three years.

The provisions relating to the director representing employee shareholders will cease to apply when, at the end of a fiscal year, the percentage of capital held by the employees of the Company and related companies, within the meaning of Article L.225-180 mentioned above, within the framework provided for by the provisions of the aforementioned Article L.225-102, represents less than 3% of the share capital. It is specified that the term of office of any director nominated in accordance with the sixth paragraph will end at the end of their term of office.

Amendment of the Articles of Association

The Company's Articles of Association (Article 16) conventionally state that "Extraordinary General Meetings are those called to decide on or authorize direct or indirect amendments to the Articles of Association."

Article 24 of the Company's Articles of Association specifies that the Extraordinary General Meeting may only validly deliberate if the shareholders present or represented hold at least one-quarter of the shares with voting rights on the first notice of meeting and, on the second notice, one-fifth of the shares with voting rights.

In the absence of the latter quorum, the second meeting may be extended to a date no later than one month after the date on which it was convened.

The Extraordinary General Meeting rules by a two-thirds majority of the votes of the shareholders present or represented, including the shareholders having voted remotely.

Powers given to the Board of Directors, in particular regarding share issues and buybacks

The powers (delegations of authority and powers) as of December 31, 2020 are detailed in the table of delegations of authority and powers. They are likely to have an influence in the event of a public offering, in particular given the fact that they enable the Board of Directors to issue new shares or marketable securities giving access to the share capital.

Agreements entered into by the Company that are amended or terminated in the event of a change of control of the Company, except in the event of a legal obligation to disclose, and which would seriously harm its interests (including clauses in commercial and financial contracts)

The terms of the “Euro PP” bonds in the amount of €40 million issued in two tranches in December 2016 and March 2017 (the “Bonds”) provide for the early redemption of the Bonds, at the option of each holder, in the event of a change in control of the Company (Article 5.3).

The terms and conditions of the €10 million bond issue entered into on July 22, 2019, provide for the early redemption of the Bonds, at the option of each holder, in the event of a change in control of the Company (Article 8.3.3).

Similarly, certain credit lines granted to the Company, notably by Société Générale, BNP Paribas and BPI, also include early repayment clauses in the event of a change in control of the Company.

Agreements providing for compensation for members of the Board of Directors, if they resign or are dismissed without real or serious cause or if their employment terminated in the event of a public offering (severance payments, golden parachutes)

Mr. Thierry Gadou

Severance payment

Compensation due to Mr. Thierry Gadou in the event of termination of his duties as CEO is a contractual severance payment, the terms and conditions of which were approved by the General Meeting of March 1, 2012.

In the specific case of a change in control, the authorization was valid for a period of 60 months. On March 10, 2017, the Board of Directors therefore decided to renew this authorization.

This severance payment would only be due if the following conditions were met:

- event triggering the right to severance payment: termination of office as Chief Executive Officer of SES-imagotag in the event of dismissal (except for serious or gross misconduct) or resignation occurring within six months of a change in control of SES-imagotag;
- amount of compensation: lump-sum compensation of a gross nominal amount equal to 18 months of fixed and variable compensation;
- performance condition to which the severance payment is subject: this condition is met if at least 75% of the quantitative objectives, set for the bonus for the year preceding that of the termination of the duties of CEO, are met.

It is specified that a change in control is defined as the trading of at least 40% of SES-imagotag's capital, either on or off the market, or the issue or completion of a public offering of SES-imagotag's shares.

Non-compete clause

Additionally, in the event Mr. Thierry Gadou ceases to hold his office as CEO for whatever reason, a non-compete clause is attached to the office of Mr. Thierry Gadou, in his capacity as CEO, the terms of which he commits to:

- not work for a company with a competing activity;
- not exercise or take an interest, directly or indirectly, and in any form whatsoever (and in particular as a

self-employed person or as a shareholder holding more than 3% of the share capital or voting rights), in a competing activity;

- not exercise or take an interest, directly or indirectly, in any form whatsoever, and not to invest, in any form whatsoever (and in particular as a shareholder) in the Pricer or ZBD companies;
- not solicit or to poach or seek to poach any person who is or has been employed by SES-imagotag or one of its subsidiaries in the previous twelve months, in order to use their specific knowledge or the skills of this person for the benefit of a natural or legal person whose activities are in competition with those of SES-imagotag.

Competing activity means any activity related to the design, marketing, sales or installation of electronic labeling systems.

This non-compete obligation is limited to France, Belgium, Italy, Germany, Denmark, Spain, the United Kingdom, Switzerland, Hungary, Romania, Poland, Sweden, Brazil, Mexico, Argentina, Canada, the United States and South Africa.

The clause is limited to one year from the end of his term as CEO of the Company. At the end of this one-year period, SES could renew this ban for the same period of one year. This renewal would be notified by registered letter with acknowledgment of receipt or delivered by hand against receipt no later than 60 calendar days before the initial term of the non-compete obligation expires.

In return for the non-compete obligation, after the effective termination of his term of office as CEO of SES-imagotag and for the duration of this ban, he will receive a special monthly lump-sum payment, the gross amount of which would be equal to 50% of gross monthly fixed compensation.

This special compensation will be paid by bank transfer at the end of each month for the duration of the non-compete obligation; it will be subject to social security contributions.

Any breach or infringement of this non-compete clause would authorize SES-imagotag to put an end to the

breach or infringement in question, and to order, under penalty, the end of the competition in breach of the above provisions, without prejudice to any damages or interest to which it could claim as a result of the breach of this obligation.

Likewise, any breach of the non-compete obligation would release SES-imagotag from paying this compensation and could render Mr. Thierry Gadou liable to it for the payment of all amounts received in this respect, with interest at the legal rate from the notice of immediate termination of the competitive activity, without prejudice to any damages or interest to which it could claim as a result of the breach of this obligation.

SES-imagotag may release Mr. Thierry Gadou from the ban on competition at the end of his term as CEO of SES-imagotag. In this case, the financial compensation will not be due. This waiver must be notified by registered letter with acknowledgment of receipt or delivered by hand against receipt within eight calendar days following the date on which notice is given to Mr. Thierry Gadou, or Mr. Thierry Gadou will give notice of the end of his term of office as CEO of SES-imagotag.

Information on share transactions carried out by executives and their close relations.

The General Meeting of shareholders is informed of the share acquisitions made by the executives or their close relations as of December 31, 2020 by the following table:

Name of executive officers or of their close relations	Number of shares at Dec. 31, 2020
Thierry Gadou, in his capacity as Chairman and CEO, as well as his close relations	225,069

A vertical orange bar with a gradient from light orange at the top to a darker orange at the bottom.

4.

Non-financial performance report

Table of contents

4.1 A word from our Chairman & CEO	124
4.2 Market, business model and challenges	126
4.2.1 Commerce: the imperative for change Putting technology at the service of retailers, consumers and and brands (business model)	126
4.2.2 Risk analysis – strategic challenges and opportunities	126
4.3 CSR Strategy	128
4.3.1 Roadmap for Positive Retail	128
4.3.2 Governance and ambassadors of our cause	130
4.4 Creating sustainable and inclusive value for our stakeholders	131
4.4.1 Communication with stakeholders	131
4.4.2 Committed to Positive Retail	132
4.4.3 Creating value for people, developing human capital	143
4.4.4 Ethical conduct of business	150
4.4.5 Creating sustainable shareholder value	152
4.5 Scope and methodology	153
4.6 Report by an independent third party	155

4.1 A word from our chairman and CEO



Thierry Gadou
Chairman & CEO,
SES-imagotag

As a Group, we have a corporate social responsibility and the obligation to act in an ethical way. We place Corporate Social Responsibility (CSR) at the heart of our actions and goals.

Our mission is to put technology at the service of physical commerce and consumers, and as such, we have a special responsibility. Physical commerce is a significant economic sector. It accounts for 20% of global GDP and employment. It is the biggest employer and an essential activity of the social fabric, in cities, neighborhoods and villages. The pandemic we are experiencing has, sadly, underscored this in the past months. This sector is economically under great pressure: increased staff expenses, the operating costs of stores, and rapidly growing competition from digital channels are eroding the profitability of physical stores. The stores must reinvent itself, regain its role and added value (service, Advice, pleasure, proximity, sociability) while placing itself at the heart of a resolutely digital and mobile-centric omni-channel business. Only technology, which is our mission, can meet these challenges and that is why we believe it is strongly associated with important societal issues.

The digitalization of physical commerce is also associated with environmental issues: on the one hand, it reduces paper consumption and will preserve millions of trees in the years to come; on the other hand, digitalization is based on the deployment of digital and electronic solutions (communication infrastructure, screens, cameras, sensors, etc.) in the points of sale. It is therefore essential to ensure that the waste and CO₂ emissions associated with this equipment are minimal.

We announced the Group's Roadmap for Positive Retail in our 2019 annual report. We further develop it in this report. It addresses those challenges. In 2020, we stepped up our social and environmental responsibility efforts.

During the pandemic turmoil, the company's primary duty is, of course, to protect its employees. We quickly decided on prevention and teleworking measures around the world, and implemented them rigorously. I would like to pay tribute and thank our teams once again for their resilience and commitment to serving our customers since the beginning of the pandemic.

In the meantime, we strengthened our initiatives for diversity and the inclusive development of human capital, for training programs, for the environment and for the quality of life at work with flexible and state-of-the-art equipment, thanks to most advanced collaboration technologies. We launched a new bonus plan to build up our personnel's loyalty over time, thanks to a performance share plan involving about 20% of our employees, which comes on top of a very comprehensive history of profit sharing and incentive programs. Our belief that people are our most precious asset has increasingly taken shape.

2020 was also an opportunity for decisive progress for our Roadmap for Positive Retail, under the supervision of our Advisory Committee and its Chairman Peter Brabeck-Letmathe, particularly in the environmental field. It included a reduction of 59% in logistics-related CO2 emissions, an acceleration of the Second Life ESL initiative, eco-design of our VUSION range aimed at maximum sustainability, repairability and recyclability, corresponding to the circular economy objectives. These are key levers for a drastic reduction in the IoT's carbon footprint (up to 30% in collection and recycling in 2020). The program was awarded the LSA Sustainable Innovation Award.

Moreover, the digitalization of stores already reduces the paper consumption of our customers - equivalent to about 100,000 trees per year - and accelerated migration to the Cloud (nearly 4,000 stores at the end of 2020) also strongly contributes to limiting our carbon footprint. Finally, SES-imagotag's adhesion to the United Nations Global Compact program complements a year of sustainable engagement and is a natural extension of the roadmap for positive retail.

4.2 Market, business model and challenges

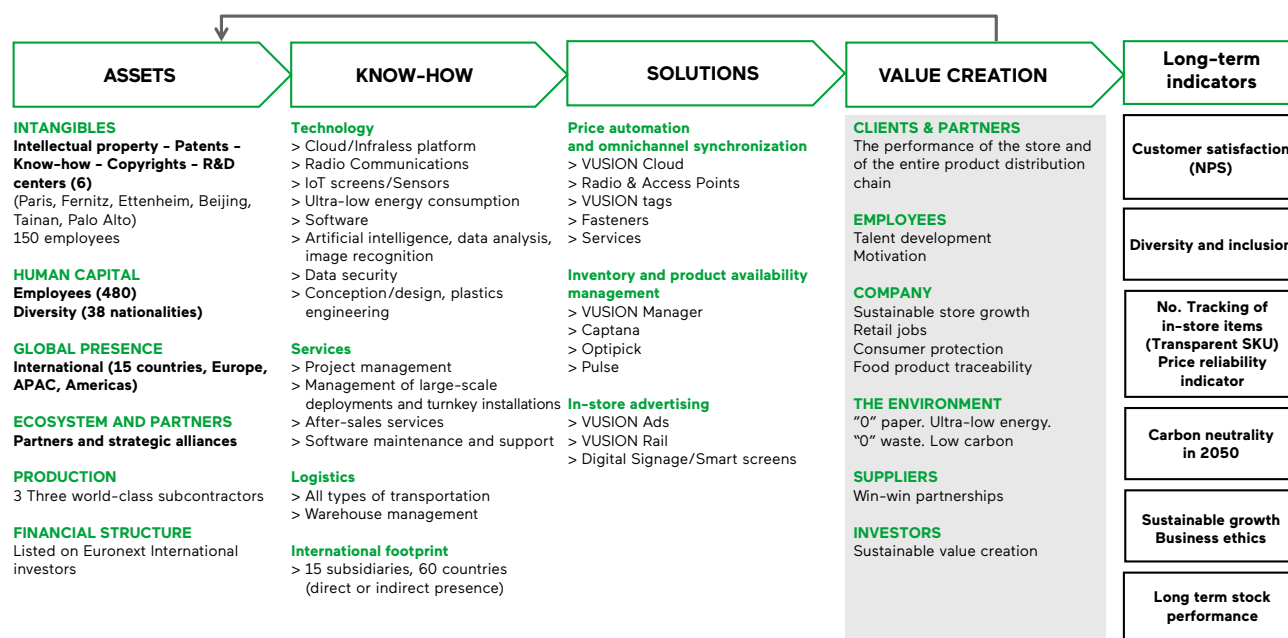
4.2.1 Commerce: the imperative for change

Physical commerce is the world's leading economic sector and critically important to our society, our towns and cities and our lives. During the Covid-19 pandemic, we became aware of how important physical commerce is to society and economies. Yet physical commerce is a sector under pressure. It is faced with increasing labor costs, flat consumption, price wars, online competition, shifting consumer behaviors and critical sustainability challenges such as food safety, food waste, and carbon emissions related to production, operations, logistics and packaging. There is a major need to put technology at the service of retail to improve overall efficiency and the consumer experience.

Business model

Our core mission is to support physical stores in successfully addressing the key challenges that they are facing. We imagine, design and deliver solutions that are adaptable, efficient, accurate and profitable. Steering physical commerce toward the next level, we are transforming stores into becoming intelligent, connected and digital environments. Real-time in-store data solutions are opening up an era of enriched cooperation between brands, consumers and retailers.

Our mission: to support physical stores in successfully addressing the key challenges they are facing and to turn the physical store into a digital asset



4.2.2 Risk analysis – strategic challenges and opportunities

The table opposite identifies the main non-financial risks related to the Group's activities. Internally we refer to these risks as strategic challenges and opportunities.

The main social and environmental challenges and opportunities have been identified through internal reviews and discussions, independent expert advice and comments from our clients.

Physical commerce is the largest economic sector in the world. It is of crucial importance to our society, our cities and our lives in general. During the Covid-19 pandemic, we became aware of its importance for society and the economy. However, physical commerce is a sector under growing pressure.

It is faced with increasing labor costs, stagnating consumption, price wars, competition from online retail and online shopping, changing consumer behavior and key sustainability issues, such as food safety, food waste reduction and carbon emissions management related to production, operations, logistics and packaging. Putting technology to work for retail is vital to improve and optimize overall efficiency and the consumer experience

Non-financial risk	Action plan	Indicator	SDG*	Page
Risk related to the economic stability of physical retail (employment, social fabric, etc.)	Implement our solutions to turn the physical store into a digital asset	Economic performance of the distribution sector:	9,11	132
	Optimize the entire chain: brands, distributors, consumers	Number of connected stores	3,11,12,13	134
Risks related to product composition and consumer health	Promote reliable and comprehensive information to consumers	Number of items tracked	3,9	134
Climate change risk	Be a low-carbon company	Carry out a carbon assessment of our activity	13	137
		Number of patents dedicated to reduced energy consumption	9,12,13	138
		Measuring the carbon footprint of our upstream logistics	9,12,13,18	141
		Measures taken to reduce packaging and optimize logistics loads	9,12,13,18	143
Risks related to product end of life	Eco design of labels and reparability index	Number of labels recycled	9,12,13	141
	"Second life" project, repair and recycling of used labels		9,12,13	141
Risk related to a lack of ethics in human resources policies	"Diversity and inclusion" plan	Code of ethics		146
		Parity ratio monitoring	3,5	145
		Monitoring of equity ratios in relation to Chairman and CEO compensation		147
		Employee incentive policy for long-term compensation plans: tracking of the ratio of employees involved		148
Risk related to employee loyalty	Long-term compensation and incentive policy, teleworking agreements, managerial dialogue	Training: tracking the number of training days per employee	3,8,10	146
		Managerial dialogue: rate of completion of half-yearly reviews		148
Risks related to the management of business ethics, human rights (social environment), and the risk related to climate change by our suppliers, subcontractors and distributors	Code of ethics, rating by external agencies	Signature of Code of Ethics		150
		Internal audits of our industrial subcontractors (certifications for environmental practices, employee safety)	9,12,13,17	151



* Sustainable Development Objectives

4.3 CSR Strategy

4.3.1 Roadmap for Positive Retail

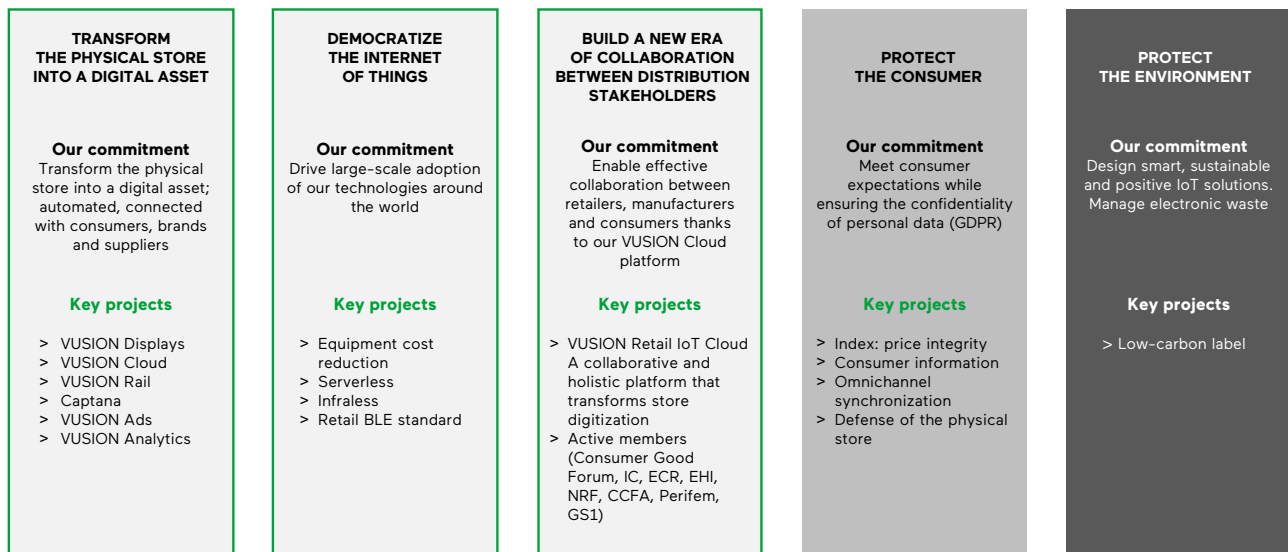
SES-imagotag measures the economic, social and environmental impacts of physical commerce. As the leading economic sector and global employer, it is an essential factor of social cohesion in our cities.

SES-imagotag has established itself as the trusted technology partner of retailers for the past 29 years: the world leader in smart labels and price automation, the Company developed the VUSION (Cloud Retail IoT) digital platform to help retailers transform their physical stores into true digital assets, highly automated, driven by data, and connected in real time to brands and consumers.

By virtue of its unique positioning, SES-imagotag has a special contribution to make. That's why in November 2019, it launched a global program called the Roadmap for Positive Retail. Working under five pillars, the roadmap aims to:

- Make physical stores digital assets;
- Help technology adoption by democratizing the Internet of Things (IoT) for retail;
- Enable a new era of retail industry collaboration across the entire "Manufacturer, Retailer, Consumer" value chain to maximize synergies;
- Protect consumers by ensuring data protection, integrity and privacy;
- Make retail's digital transformation low waste, low carbon and sustainable to help preserve the environment.

The Roadmap for Positive Retail is a cross-functional Group strategy. Below is a visualization of how this business model is integrated across our actions.



Making the physical store a digital asset

We have developed the VUSION Retail IoT platform to help retailers transform their physical stores into high-value digital assets, which are more automated, data-driven, and connected in real-time to suppliers and consumers. VUSION improves pricing flexibility, accuracy and integrity, enables omnichannel synchronization of prices, product information and marketing content, increases the productivity of shelf replenishment and in-store picking for online orders.

Help technology adoption by democratizing the Internet of Things (IoT) for retail

To support the large-scale adoption of our connected technologies, we are investing heavily to remove all types of obstacles (economic, operational, etc.). We do this by reducing the total cost of ownership (TCO) of connected solutions (Retail IoT) through programs to reduce engineering and industrialization costs. We simplify our solutions to help their mass adoption. We are developing technical and security standards to reduce technological and intellectual property risks, and to enable large ecosystems of partners to integrate this new market. This is the objective of the strategic cooperation with Qualcomm.

A new era of industry/retail collaboration

Brands can also benefit massively from the digitalization of stores, thanks to promotion effectiveness, direct communication with consumers, merchandizing compliance, increased on-shelf availability, real-time store analytics, and reduced cost of field sales. The VUSION Retail IoT Cloud platform is designed to become the open, collaborative, holistic platform that transforms store digitalization into collaboration. The VUSION platform has already been adopted by more than 4,000 stores, which represents tens of millions of connected labels and offers brands many business development services.

Protect consumers by ensuring data protection, integrity and privacy

Technology is now making it possible to unify e-commerce and physical stores. The personalization and confidentiality of the associated data are therefore becoming a new challenge for physical commerce. Retailers must find ways to comply with consumer expectations and new data-privacy regulations such as the General

Data Protection Regulation (GDPR). In the digital age of connected, intelligent omni-channel commerce anytime, anywhere, consumers have the right to full information about the products they purchase and consume. They have the right to know that their personal data is protected and cannot be used for purposes other than to provide them with full satisfaction.

Protecting the environment

The adoption of ESLs will have an immediate positive environmental impact by massively reducing paper consumption. Also, our IoT technology is ultra-low power and we work continuously on reducing our power consumption and on redesigns to ultimately make ESLs batteryless. We have also launched a flagship program to leverage the circular economy, across the life cycle, from design to the supply chain to repackaging and recycling, with a clear objective of making the label a low-waste product with a minimal carbon footprint.

Through the digitalization of physical commerce, SES-imagotag is committed to:

- improving store performance;
- informing and protecting consumers;
- strengthening the collaboration between retailers and brands;
- protecting jobs and the environment.

4.3.2 Governance and Ambassadors

On November 26, 2019, we announced the formation of an International Advisory Board to promote a 21st century approach to Retail Sustainability, Transparency and Consumer Protection, to support and guide us in enabling this Positive Physical Commerce revolution.

The role of the International Advisory Board is to Advise SES-imagotag's management and shareholders on trends affecting their strategy and position for doing business in the global economy and society. It monitors the SES-imagotag's implementation of global initiatives contributing to Retail Sustainability, Information Transparency and Consumer Protection, particularly those reflecting the world's need for stronger collaboration across the entire "CPG-Retail" value chain to maximize synergies and overall positive impact. It inspires a 21st century approach to data protection, privacy and security, in an environment which expands the rights of individuals to control how their personal data is collected and processed.

In addition, the Group pledges to further extend its ambition to build a better and positive retailing business by committing to the ten universally accepted principles of the UN's Global Compact in the areas of human rights, labor standards, the environment and climate, and the prevention of corruption. This new commitment is perfectly aligned with our Roadmap for Positive Retail, which lies at the heart of our vision and strategy for the future.

Lastly, the Group has decided to monitor the evolution of its overall CSR performance via an assessment by EcoVadis every year. Our 2022 target is to obtain gold rating. The EcoVadis Corporate Social Responsibility (CSR) rating methodology is based on an independent measure of the quality of a company's CSR management system – through its policies, actions, and results. Our last EcoVadis assessment (which expired in July 2020) rated us as Silver. We have reviewed the last assessment and worked on the improvement areas identified.

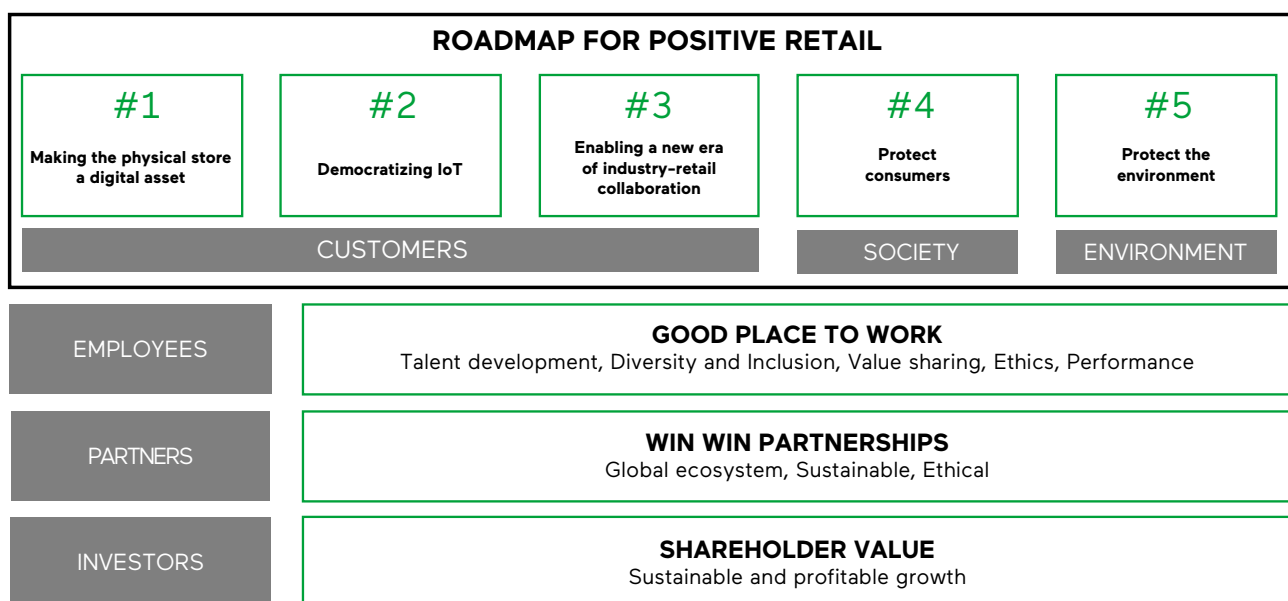


4.4 Creating sustainable and inclusive value for our stakeholders

Our engagement vis-à-vis our stakeholders is at the heart of our Roadmap for Positive Retail. We have designed a broad framework for stakeholders as a core foundation. It aims at creating long-term and sustainable value for our clients, society, the environment, people, suppliers and investors.

Accordingly, we have designed specific key programs to address the needs of each.

Our stakeholders:



4.4.1 Communication with stakeholders

Customers	Trade shows, satisfaction surveys, after-sales service
Retail Partner	Business review, training, prospecting, technical support and marketing support
Employees	Business review, training, prospecting, technical support and marketing support Intranet, message from the Chairman, managerial meetings, works councils, health and safety committees
Suppliers	Self-assessment questionnaires, safety questionnaire
Investors	Video conferences, investor interviews, roadshows, General Meeting, website
Regulators	Regular direct contacts with AMF, tax authorities, legal updates

4.4.2 Committed to Positive Retail

Physical stores are a precious common good that need to be protected: they are retailers' core assets. For brands, stores are by far the main distribution channel and the one with the highest qualified traffic and conversion rates. For consumers, stores represent irreplaceable immediate access to products and a five-senses shopping experience. For our societies, stores represent one-sixth of jobs on the planet and are the social hubs and beating hearts of cities. Thus, store digitalization is not only good for retailers and brands. It also benefits the broader economy and society by driving consumer satisfaction, stimulating employment, building better cities (by stemming the erosion of stores), reducing waste, creating greater traceability and food safety, and helping to fund the journey toward more sustainable agriculture.

Making the physical store a digital asset

Our mission is to help retail achieve its digital revolution and turn physical stores into high-value physical and digital assets. To become more automated, data-driven and connected to consumers and suppliers. To provide better service and information, frictionless, ubiquitous and personalized shopping experiences. All while ensuring data integrity and personal data privacy. Retail digitalization will also produce real-time, accurate in-store data analytics, opening an era of enhanced collaboration between suppliers and retailers to improve the chain's overall efficiency, transparency, safety and sustainability.

The best-performing retailers choose SES-imagotag

Retail is a detail-oriented business where performance hinges on the ability to get quantitative data in the stores, to respond with precision to expectations, and to automate all tasks that can be automated. Our digital technologies make it possible to bring this vision to life at physical selling points and, more importantly, to contribute directly to decisive benefits: digitizing and automating price displays and product information, accessing accurate information about shelf stocking and inventory at all times, focusing staff on optimizing merchandising and preventing out-of-stock situations, increasing pricing flexibility and accuracy to maximize cash margins, reducing waste and overstocking, boosting in-store picking productivity and Click & Collect sales...

Deloitte produces an annual independent 'Global Powers of Retailing' sector report about future trends. The reports identify the 250 largest retailers around the world based on publicly available data and analyze their per-

formance across geographies and product sectors. They also provide a global economic outlook, identifies the fastest-growing retailers, and highlight new entrants to the Top 250.



We analyzed this key reference report for the retail sector:

Deloitte's Global Powers of Retailing*. Of the top 250 global retailers for 2020, Deloitte reported an uplift in sales of 9.1% between 2013 and 2018.

The analysis for the SES-imagotag customers in this ranking list shows an 18% uplift in sales for the same period. These figures show that our clients, those that are digitizing their physical stores, are outperforming their peers, demonstrating the value that our solutions and services provide them.

Deloitte.

Fighting food waste

Stores may dispose of products. Especially if they arouse little interest, are unfit for consumption, too expensive or expired. The VUSION Retail IoT platform allows retailers to closely monitor their SKUs (unit of sale), prices and expiry dates. Combined with artificial intelligence, from SES-imagotag directly or from our partners, it is now possible to adjust pricing, promotions and the placement of the SKUs as they approach the end of their life.

The platform we have developed enables retailers to carefully monitor what is happening in their aisles, and to precisely identify products with a high product expiration rate. Corrective action can then be developed, resulting in targeted campaigns to reduce the rate.

Converted into revenue, the ratio of expired products can turn into a substantial source of loss, both in terms of time and revenue. In addition to this, the generally recognized harmful impact of the waste prompted us to devise a specific solution for our customers.

We joined forces with Market Hub Technologies, a retail startup based in Ireland and the UK, to acquire its technology and expertise in the dynamic pricing field. By applying intelligent decisions based on artificial intelligence and consumer data, Market Hub software (Pulse), coupled with smart electronic labels and the VUSION Cloud IoT platform, enables stores to leverage a fully-integrated digital service that can be implemented in a short time.

The system is currently live in several stores across Europe. Positive results have been recorded in all stores using the technology, with up to a 50% reduction in expired products:



Since implementing the Pulse system, Roadchef has reported a ten-fold reduction in waste incidents and associated profit-loss, as well as improved visibility of total store and category sales leading to a 2.6% increase in operating profit in the first seven weeks alone.

"We've now rolled out Pulse and electronic labels across all of our Spar outlets and plan to extend that further to our WH Smith outlets this year. Market Hub has been a key driver of change at Roadchef. The combined capabilities of Pulse and ESL have revolutionized our stock management and promotions activity, saving us time and money. Promotion compliance is now automatic through ESL, saving two to three hours of work per promotion for staff in each store, and supporting strong brand partner and supplier relationships. We look forward to gaining further benefits in our bakery department and doing our bit to reduce food waste."



"MarketHub is a huge part of what makes us different. It has helped reduce wastage at our Hackney SPAR store to below 2% and it has helped us increase our store margin to in excess of 30%."

As physical stores already benefit from the above-mentioned solutions and artificial intelligence (AI) capabilities developed by SES-imagotag, the Group looks to further expand his portfolio of services for retailers and brands. By leaving access to its Cloud platform to third-party applications through application programming interfaces (API), or by developing a market-leading shelf monitoring technology, SES-imagotag keeps innovating to boost stores' operational efficiency. As demonstrated earlier, such gains lead to stores being better managed, with more time for in-store staff to focus on high-value-added tasks, notably providing better customer service.

Tracking online stock-keeping units (SKU) in-store

The number one rule of operations in a store is to always get accurate data on shelf and stock status. Which products? Where? How many facings and space share? At what price? etc. Having all these indicators in real-time is essential to optimize compliance, reduce stock-outs and increase on-shelf availability and sales. Captana, our latest technology innovation combines geolocated smart labels, ultra-small footprint miniature wireless shelf cameras and a data analytics platform. It enables the automation of real-time shelf monitoring in a cost-effective and scalable way. This will revolutionize supply chain and store management and open a new era of digital collaboration and data sharing between retailers and CPG companies, generating massive cost savings across the entire value-chain via:

- An increase in shelf compliance;
- Stockout reduction, increased OSA (on-shelf availability) and sales;
- Overall inventory reduction;
- CPG trade spend reduction.

By monitoring shelves in real time, Captana enables retailers to track each SKU with unprecedented precision ("transparent SKU"). As stores will be able to improve not only on-shelf availability, but also replenishment, they will be able to adapt orders to avoid overstocks and to launch promotions or staff operations at the right time to ensure that no food goes to waste.



We implemented a new Key Performance Indicator (KPI) in 2021. To improve shelf performance, we monitor the number of online SKUs digitized with "online labels" (to date, 18 million labels are connected to VUSION Cloud in 4,000 stores) and the number of online SKUs tracked with Captana (transparent SKU).

Customer satisfaction with Net Promoter Score

Customers come first. The Group is dedicated to fostering a positive experience at every key stage of the customer journey. We believe that when customer satisfaction and loyalty levels are high, consumers become our greatest champions, recommending us to other potential customers. This belief led to the launch of our «Customer First» program at the end of 2020. It aims to simplify and orchestrate the customer relationship and experience, to improve the success of our customers by making the best of their investment in SES-imagotag solutions. Delivering high customer satisfaction levels at scale requires metrics that measure our interactions with customers and enables, when necessary, rapid corrective actions. Our ability to meet and exceed customer requirements is crucial to our business success. The Net Promoter Score (NPS) is a widely-used customer loyalty and satisfaction measurement generated by asking customers how likely they are to recommend a product or service to others on a scale of 0-10. The scope of our customer satisfaction survey is global and is linked to our customer relationship management (CRM) system and our Power BI analytics tool. Implementing NPS into the work done by every employee will help us measure how we serve our customers and how well our business is doing.

Optimizing the entire chain: distributors, brands, consumers

The arrival of physical stores, i.e. tens of millions of stores that still represent 80% of the world's sales, on the big data scene is no small matter. It is a revolution that will massively lower costs along the entire consumer goods-retail chain and change the working relationship between retailers and manufacturers. For example, there will no longer be any need to send armies of auditors to stores to see how many items are on the floor because the information will be available online. Stock level alerts will prevent stock-outs and any corresponding loss of

sales. Negotiations between retailers and suppliers will be based on real-time, accurate and comprehensive data. Finally, new advertising and promotional capabilities related to digital at the shelf will enable unprecedented targeting efficiency and optimization of brand spending, while delivering substantial additional income to retailers. Whenever digital labels are connected to the Cloud, brands can access it and sponsor advertising messages via the platform in the stores. Programmatic advertising becomes a reality in the brick-and-mortar world. Today's web actors have shown that displaying ads to targeted audiences can be hugely effective even though their users are often very far from a shopping context. With our VUSION ADS solution, it becomes possible to plan and deploy in-store campaigns automatically to extremely well-defined audiences: very receptive consumers who are in the right aisle, in front of the right product at the time of the purchase.

Protecting consumers

Data privacy

In the age of connected, intelligent omni-channel commerce anytime, anywhere, consumers have the right to get complete information about the products they purchase and consume. They also have the right to know that their personal data is protected and cannot be used for purposes other than to provide them with full purchasing satisfaction. Utmost data privacy is an imperative, and the shopper applications we develop or activate place this imperative at the top of the list:

- Consumers expect personalized service, recommendations and offers. As a result, they are ready to be identified and provide data on their preferred choices;
- For retailers, personalized marketing in-store can unlock significant value;
- We promote two major principles:
 1. the deal must be fair. Retailers must earn the right to know their customers and to use the data in exchange for a better and more personalized service, better value for money, time savings, and real value,
 2. the services are always subject to the shopper willing to sign up to a clear and transparent deal, without surprises.



As stores bridge over to digital technology, retailers must be irreproachable privacy wise. In that respect, smart labels are the perfect GDPR-compliant tool as they are an opt-in only gateway to digital content and services.

Smart labels: a guarantee of price integrity and of a high level of service to consumers

Electronic labeling technologies enable real-time price updates while synchronizing prices displayed at the shelf with those on-line and those charged at the cash register. They drastically reduce manual errors while freeing up staff time for higher value-added tasks. According to our observations, it is not uncommon for a «paper-based» store to make many price labeling errors (10% to 20% of the store). With smart labels, prices are correct 99% of the time. The strength of the solution lies in its proven reliability over the last 25 years and in the unrivaled investments we make in R&D. Concerned about their competitiveness and their price image with consumers, a growing number of retailers around the world are adopting this technology. However, the overall equipment rate is still below 5% worldwide, which is still insufficient, especially in a context of accelerating growth of e-commerce. We see a risk for the emergence of two-speed mass distribution. A gap is likely to grow in the coming years between equipped stores, better prepared to face challenges and satisfy customers, and stores still in manual mode that will have more and more difficulty keeping up with their customers' expectations. Electronic labels contribute not only to building «sustainable stores», but also well-performing stores with high-quality service. A high level of digitalization and competitiveness are the primary performance drivers in the retail industry, as demonstrated previously by our Deloitte analysis.

Helping consumers make better decisions in-store

With more and more regulations that aim to protect consumers' health (by preventing health risks and by guiding them to more sustainable products), electronic labels are the perfect answer to enable fast, productive and effective updates to make sure the information shown to customers is always accurate and compliant. Through contactless technologies (NFC, QR codes), electronic labels can facilitate access to broader information such as the Nutri-Score, the presence of allergens, origin, and sell-by dates.

Consequently, consumers may change their purchasing habits after they learn more about the local seasons, health and the environmental impacts of their purchases. This in turn can contribute to better impacts for local economies and the planet. More and more leading supermarkets emphasize local products sustaining local producers. They also promote a better use of fresh produce in food preparation and healthy best practices.



Allergies

Food allergies are a real public health issue. Food allergy statistics world-wide report that over 250 million people have food allergies. In Europe alone, there are 17 million people who struggle with some form of a food allergy. 3% of adults and 6% of children are allergic to some type of food.



Nutri-score

International organizations have recommended the use of multiple strategies to improve nutrition and prevent chronic nutrition-related diseases, including front-of-package nutrition labelling (FOPL). In France, the Nutri-Score was selected by health authorities in March 2017.



Social distancing

More recently, due to the COVID-19 pandemic, some stores have gone above and beyond to help people get the food, medicine and supplies they need. Some have taken steps such as encouraging customers to limit the number of family members they bring with them to shop and to practice social distancing while in the aisles and when waiting in line.

Protecting the environment

Following the presentation of our Roadmap for Positive Retail in 2019, decisive progress was made with our Low Carbon ESL project in 2020:

- A 59% reduction in logistics-related CO₂ emissions;
- Acceleration of the ESL “Second Life” action plan;
- An eco-design approach for the VUSION range aimed at maximum durability, repairability and recyclability in a circular economy logic, essential for a drastic reduction in the carbon footprint of labels (up to 30% collection and recycling in 2020). The program was awarded the LSA Sustainable Innovation Award.

Net zero carbon objective (2050)

Understanding our carbon footprint is an essential first step to taking strong action to reduce it. That is why we started a set of ambitious projects in 2020 intended to model it comprehensively, taking responsibility for emissions across our entire value chain. This includes our corporate operations, as well as the full product life cycle, from materials sourcing, to manufacturing, to use, to transportation, and to end-of-life materials recovery. To further develop our plan for becoming a low-carbon business, we commissioned an independent group-wide carbon audit to establish a strong and robust baseline to set an action plan for the next decade. We will provide more information on the results and subsequent actions in 2021.



In 2021, a Key Performance Indicator (KPI) will be set up to link our CO₂ emissions to our revenue (CO₂ weight per euro of sales).

Parallèlement, nous travaillons déjà sur certaines grandes initiatives.

Technologie zéro papier

Some of the major initiatives we are already working on are described below.

Paperless technology

The Covid-19 crisis has amplified the competition between brands and between delivery channels. This has resulted in a strong increase in the frequency of price changes. It has also driven a dramatic shift in consumer priorities and behaviors with a significant increase in online orders. Retailers everywhere have had to rapidly pivot their business models and operational practices in response. That's why we're seeing more and more interest in Click and Collect, shelf availability, replenishment, and “shop and go” check-out solutions. Technology is needed to enable stores and store workers to implement more intelligent in-store processes. ESLs allow fluidity, intelligence, price synchronization and responsiveness through all channels. Replacing paper labels with electronic ones was already attractive. It has now become imperative to keep up with the challenges ahead. ESLs transform store operations and massively reduce paper consumption. In 2020, we estimated that we saved 6,000 tons of paper yearly from the 20,000 stores equipped with our ESLs. This is the equivalent of 100,000 trees per annum.

Ultra-low power displays

We estimate that our customers' use of our products represents a very small percentage of our overall carbon footprint. The ultra energy efficiency of our products is an advantage and reduces the overall carbon footprint. E-paper (electronic paper) technology is a display technology that mimics the appearance of paper. The electronic ink based displays (EPD) use the same inks as the traditional printing industry. They consist of tiny capsules filled with particles loaded with ink. After applying the correct electrical charge, an EPD creates high-resolution images with the same level of contrast and readability as a printed medium. Once the text and images are visible, the EPD no longer needs energy to maintain the display (bistable technology). Electronic paper thus consumes an extremely small amount of energy. It can be installed without consuming as much energy as a traditional LCD screen except for the screen developed by the Group. Our DTP labels use a dual-transistor pixel, a patented process that demonstrates additional expertise in low-energy displays.



Supported by constant Research & Development efforts, more than 30% of the Group's patents are related to energy savings topics.

A cloud-based solution

Both cloud computing and sustainability are emerging as transformative trends in business and society. Cloud computing – large-scale, shared IT infrastructure available over the internet – is transforming the way corporate IT services are delivered and managed. It makes it possible to collect, store and analyze huge quantities of data, reduce the total costs of ownership of IT, and increase business agility.

We believe that these new trends can also enable us to reduce our impact on the environment. We determine our environmental priorities based on their sustainability and business value. Therefore, our main goal is to address customers with a cloud solution that delivers positive environmental impacts and higher efficiency. Using technology to make the world a better place begins with how it is designed, made, used and reused.

We have worked to remove economic and implementation barriers and reduce sustainability risks and challenges to support our clients in achieving their digital transition. We have developed a number of strategic R&D programs to simplify our solution. Starting in 2018, we began to reduce our in-store IT infrastructure and resources – becoming cloud based and server-less. With twenty million cloud-connected ESLs to date, we have built the first global physical retail IoT platform. The VUSION platform is hosted on Microsoft's Azure cloud, which has committed to powering 100 percent of its data centers with renewable electricity by 2025 (Microsoft_Cloud_Carbon_Study_2018, updated 2020).

Our cloud solution is based on four key factors:

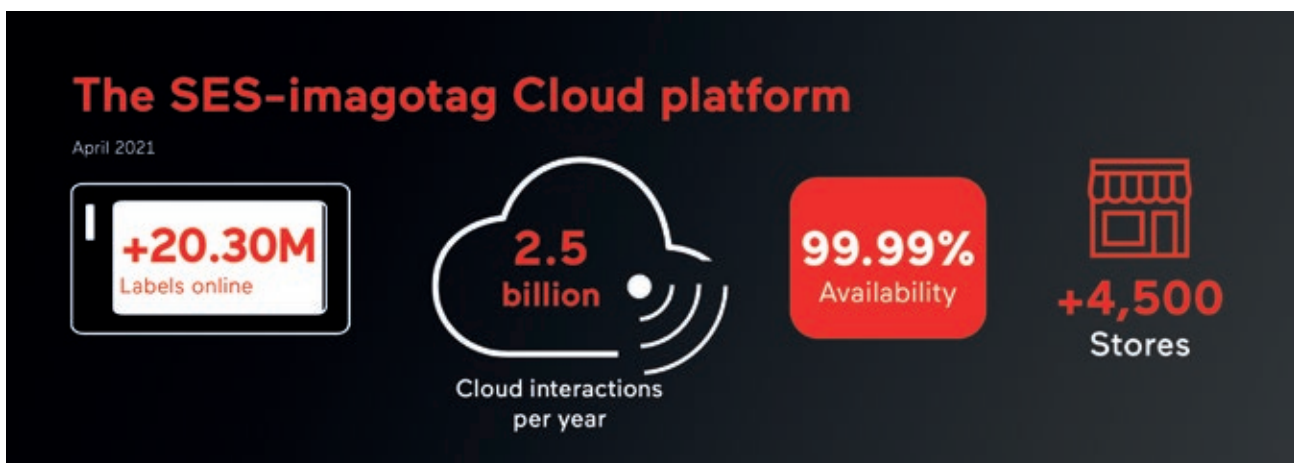
- Dynamic provisioning of resources: reducing wasted computing resources through better allocation of the server with actual demand;
- Multi-tenancy: flattening relative peak loads by serving large numbers of organization and users on shared infrastructure;
- Server utilization: operating servers at higher utilization rates;
- Cloud provider: using the Microsoft Azure data center to ensure the use of green power resources.

Dynamic provisioning of resources

To rapidly meet occasional peak application needs, IT managers of on-premise solutions usually deploy far more server, networking and storage infrastructure than is really needed. This kind of over-provisioning typically results from:

- The desire to avoid ongoing capacity adjustments as demand fluctuates over time;
- Difficulty in understanding and predicting demand growth and peak loads.

We have developed a cloud solution based on the latest "serverless" technologies to provide capacity on-demand. The principle of on-demand strategy is to activate resources when they are needed, independently of



server capacity. When there is a peak in demand and the service reaches a saturation threshold, new capacity resources are automatically allocated, activating new servers and computing resources. The opposite also applies when an idle threshold is reached and capacity resources are disabled. This strategy saves up to 47% of energy when compared to over-provisioning by optimizing the number of active servers to support the given user base.

Multi-tenancy

While many organizations advertise their software as a “cloud-based”, they are not always true SaaS providers. Multi-tenancy is the only proven SaaS delivery architecture that eliminates many of the problems of on-premise software.

With our cloud solution, all clients access the same software on one, or a set of linked servers. As a result, many users in one building use less power overall than the same number of users each using their own infrastructure. Our applications reduce overall energy use and the associated carbon emissions.

Based on this new cloud architecture, we can serve several customers simultaneously on the same server infrastructure. By combining demand patterns across many organizations, the peaks and troughs of computer resource requirements flatten out, which reduces the need for extra infrastructure.

The multi-tenancy architecture also offers distinct benefits over on-premise, single-tenant software applications. Our team only maintains a single version of the application instead of providing dedicated versions to each of our customers. The resources are shared to support multiple software versions for our customers.

Server utilization

To improve energy-efficiency, it is also necessary to increase resource utilization to reduce energy waste. Typical on-premise server utilization rates average between 10% – 20% across the industry, which means that this is one of the main levers to reduce our carbon footprint. Taking a closer look at those numbers, between 80% – 90% of resources are wasted. Unused but powered-on resources consume non-negligible amounts of electricity.

We have developed our applications based on serverless architectures. In this case, resources such as computing power, storage, networks, and security are distributed among the available services. The virtual distribution of software ensures that various applications run ‘separately’ on a physical host. This makes the data centers significantly more efficient. The hardware can draw on its full potential while fewer servers are needed.

Software requirements cannot avoid the ever-growing energy needs, which are increased by the multiplication of available applications. To answer this challenge, we have started to develop eco-designed friendly software that consists of the use of more energy-efficient algorithms. They reduce execution time (and thus CPU – central processing unit – and memory utilization), eliminate unnecessary features and optimize generated data volumes,

Partnership with Microsoft Azure

We have chosen to partner with Microsoft Azure as our cloud provider. Microsoft Azure has set very ambitious and clear goals for their data centers in terms of environmental footprints.

Infrastructureless

SES-imagotag has established partnerships with the main Wi-Fi operators to simplify our solution and avoid using proprietary infrastructure. We enable the integration of our IoT communication protocols in the Wi-Fi access points of manufacturers on the market. Wi-Fi access points ensure secure communications between ESLs and back-office applications. They also establish secure tunnels to our software that protect our labels from attacks and the rest of the network in the event of corrupted devices. As a result, next-generation high-speed Wi-Fi deployments ensure the convergence of back office and store connectivity needs.

For now, we have established international alliances with all major global manufacturers, such as Cisco Meraki, Aruba, Huawei, Lancom and Extreme Networks. We work with them to simplify our solution and avoid proprietary infrastructure (infraless), while enabling the integration of our IoT communication protocols. This powerful technological ecosystem relies on the VUSION collaborative platform. This helps to considerably reduce the overall investment for the stores (equipment, services), while accelerating the return on investment.

ESL Second life Program

In 2016, as part of our move toward a circular economy, we implemented an action plan to ensure the complete reuse and recyclability of our tags. We build our tags to use them as long as possible before replacing them (up to 15 years in some cases). We conceive them so that they can be repaired, refurbished (ease of disassembly, availability of spare parts, price of spare parts and related services) and, lastly, appropriately recycled. We also make some design choices that facilitate software and firmware upgrades in order to constantly extend the capabilities of the hardware over time. This eco-conception has been at the heart of our know-how since our inception.

Every time a customer switches its old generation ESLs for a new generation range (they have an average life of six to eight years). Our process considers those that could be i) and ii) recycled and refurbished from those that iii) should be destroyed.

- i. First, the old generation of ESLs to be reused or recycled must be carefully inspected and sorted. Our internal recycling flow centralizes the reverse logistic for used ESLs at two major partners' sites (one in France and one in Slovenia). The sites collect and sort used equipment to reuse the components that can be and/or carry out the necessary repairs to supply a specific channel for "second life" labels.
 - ii. Parts of the repair process may also be sub-contracted to organizations specialized in the social and professional integration of adults with disabilities: the ESAT of Eragny (Val-d'Oise department) has supported our ESL refurbishing efforts since the 2000s.
 - iii. For non-repairable ESLs, we partner with eco-organizations in Europe to collect old or damaged labels, modems and routers from our customers to transport them directly to recycling centers, therefore ensuring a compliant electronic waste and battery disposal process.
- This ESL Second Life process primarily involves our customers in Europe, which is home to most of our mature markets. In the coming years, Asian and North American customers will begin the switch to new generations ESLs, thus triggering the same type of reverse logistics flows.

Since the inception of this program in 2016, we have already collected 4.2 million labels and given them a second life. The ambitious program won the LSA Innovation Award in 2020.

Logistics

As described in the «Partners» section we subcontract the manufacturing of ESLs to specialized service providers (EMS-Electronics Manufacturing Services), most of which are located in mainland China or Southeast Asia, while retaining the design and intellectual property rights of our products. The internal logistics between the EMS and our main warehouses in Europe and the United States is a major environmental factor.

In 2018, in partnership with BOE, we launched the construction of a latest-generation, very high-capacity, integrated production plant.



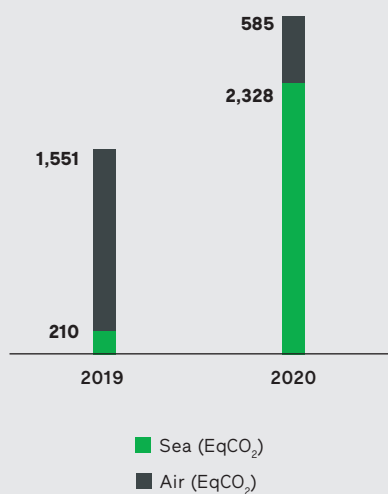
We signed a specific agreement with the BOE Group's Chongqing plant to ensure that the SES-imagotag Group has access to an integrated and ultra-modern digital label plant, enhancing the Group competitiveness. Our commitment to continuously improving the environmental performance of our logistics did not follow a consistent curve while waiting for the industrial ramp-up of the brand-new plant. Consequently, air freight was used to meet tight deadlines.

The volume of products placed on the market jumped significantly from 1,761 tons in 2019 to 2,912 tons in 2020.

Despite this increase, our prioritization of sea over air transport resulted in our total CO₂ equivalent emissions from inbound logistic flows (manufacturing to warehouses) being cut by half in 2020 compared to 2019.

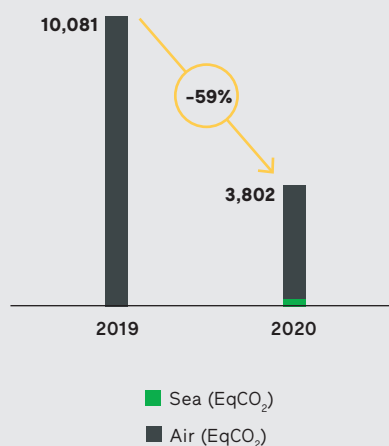
Products placed on the market increased by 65% while CO₂ equivalent emissions decreased by 59%.

**In Bound Logistic :
Air vs Sea
(tons of goods)**



KG	2019	2020
Air	1,550,955	584,907
Sea	210,136	2,327,988
Total	1,762,091	2,912,894
		65%

**In Bound Logistic Carbon Footprint:
Air vs Sea
(KTons EqCO₂)**



EqCO ₂	2019	2020
Airn	10,081,205	3,801,896
Sea	35,723	395,758
Total	10,116,928	4,197,654
		-59%

In addition to the air/sea freight arbitrage, the location of the BOE Group's plant in Chongqing (China), should enable us to improve our transportation management systems. This major industrial city is at the center of the infrastructure initiative called "The New Silk Road," which links China and Europe via road and rail connections.

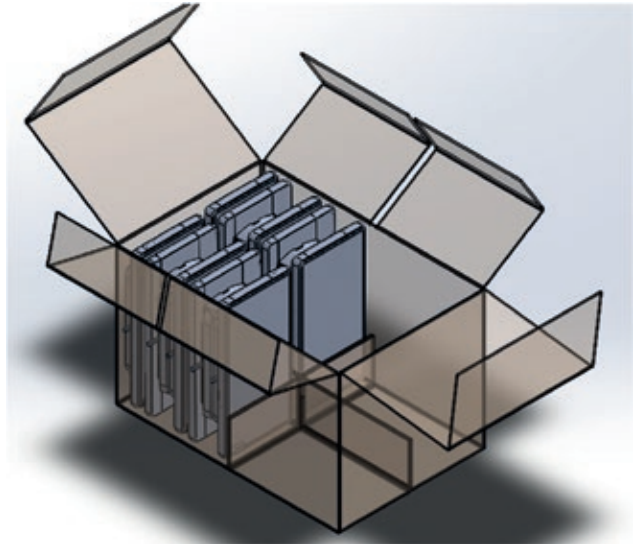
We organized our first ESL direct road shipment from China to Germany in 2020. It took two weeks – about the same end-to-end time as by air shipment but with 10x fewer carbon emissions. The truck left our Chongqing factory on October 16. We lost a few days at the China-Kazakhstan border due to the weekend and the need to change trucks (Chinese trucks are not allowed in Russia or the EU). Customs clearance across Kazakhstan, Russia, Belarus, Poland and Germany under the T1 European Transit Declaration went smoothly. Thirty-three pallets of VUSION smart labels were delivered three times faster to our European customers.

We are now working to improve the journey time and plan to develop this new IOT Silk Road. The next step is to look at freight by train as soon as all regulatory battery authorizations are obtained. We want to diversify the freight routes to ensure a stronger and more resilient supply chain.

Packaging

Leveraging supply chain efficiency also consists in reviewing the packaging issue and decreasing the volume of packaging to eliminate all elements identified as non-essential.

A close cooperation with one of our industrial partners in Southeast Asia has resulted in a reduction in the number of boxes, removing the protective plastic sheets from the label screens and using recyclable material only for the final packaging of electronic devices. In addition to reducing the weight and volume of packaging, this has significantly improved shipping container filling rates and the number of shipments.



Fully recyclable packaging (Jabil design)

We are continuing to make progress toward eliminating plastics in packaging across all products and in reducing packaging size to increase the load density of pallets. The outcome during 2020 for our three best-selling ESL references, which account for 70% of our sales, is shown in the table below:

ESL size (inches)	Current pallet quantities	New pallet quantities	% change
1.6	7,200	16,800	133%
2.2	7,200	16,000	122%
2.6	5,760	11,520	100%

Of course, by doing so, we increased the payload on our pallets, reducing the carbon impact per ESL transported. Our next step in 2021 will be to extend our packaging review to other relevant ESL products.

4.4.3 Creating value for people, developing human capital

Since its creation in 1992, the major part of our innovations and know-how have come from the expertise and commitment of our people. They imagine, design and deliver solutions for the retail sector that bring flexibility, efficiency, accuracy and profitability, all needed to impact our societies positively.

Experts in omnichannel commerce technologies

Our teams work in various domains: Engineering, Software Development, Innovation, Research and Development, Intellectual Property, Services and Logistics, Procurement, Operations, Customer Care, Sales and Marketing, Finance, and Human Resources. Our people are characterized by their committed and innovative mindset. They all contribute to creating long-term excellence and value for physical commerce and society in general. They are driven by a strong motivation to design innovative products, solutions and services to improve physical commerce.

Our global and diverse community

In light of our global market and strong growth, we chose to implement an agile, horizontal, and internationally-oriented organization. To drive business growth, our geographic expansion strategy has resulted in the mobility or recruitment of local sales teams, located as close as possible to our customers, their physical stores and decision-making centers. We follow applicable regulations and agreements and are committed to offering our employees equal opportunities for recognition and career development, no matter their background, gender or beliefs. Employees are hired solely based on their education and their professional experience. To date, the Group has achieved a cultural bridge of unique value with 480 employees in 16 countries servicing stores in more than 60 countries. One of our strengths as a multinational is that employees of different cultures, languages, genders, ages, and expertise work together around the world. This diversity leads to innovative thinking and original ideas, generating added value for customer solutions. With 38 different nationalities represented among our employees, we are particularly mindful of the diversity of our teams and of the expression of the cultures to which each individual belongs.

Collectively, we speak 28 different languages. The top languages spoken are English, French, Chinese, German, Spanish and Italian.

With 59% of our employees outside of France and 38 different nationalities, we promote the diversity of our cultures and of every individual.

With 16 nationalities represented, SES-imagotag's leaders come from all over the world. 61% come from countries other than France.

In terms of inclusion at top management level, 45% of Executive Committee members come from companies that were bought by SES-imagotag during the last 5 years.

Our management team is very stable. Thierry Gadou has been the Chairman and Chief Executive Officer for nine years. The average tenure of Executive Committee members is eight years.

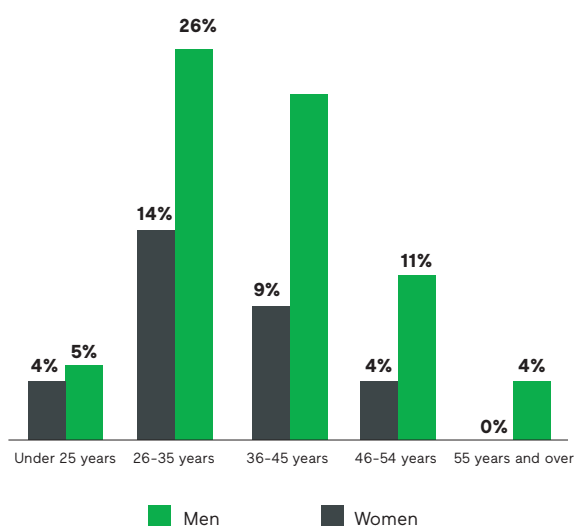
United by a long-term commitment to innovation

We are also particularly proud to have built an international group that keeps its employees for the long term. They include staff who were involved in the very first generation of electronic labelling in the world and who pass on the legacy of a pioneering company in our field. 60 % of employees present on December 31, 2012 were still with us on December 31, 2020.

As of December 31, 2020, the average age of employees was 37. The average age has been dropping primarily due to company growth as we bring in new and younger employees and managers.

We have a well-balanced team, with stable senior management and a talent bank of new skills and competencies. Thanks to a proactive recruitment policy targeting people who come from the best schools and are internationally oriented, we benefit from a mix of generations, expertise and experience with the ability to train and on-board newcomers. The Group has a proven commitment to helping younger generations gain access to the workplace through several partnerships with schools and universities, especially in France and Austria.

Representation by age



- first, by identifying women who can access the 10% of highest positions in the short to medium-term;
- second, through a mentoring program with Executive Committee members and individual development plans.

	Women	Men	Grand total
Under 25	4%	5%	9%
26-35	14%	26%	40%
36-45	9%	23%	32%
46-54	4%	11%	15%
55 and over	0%	4%	4%
Grand total	31%	69%	100%

A goal of parity

As a global company involving diverse communities, we are committed to providing equal opportunities to every woman and man employed in the Company, wherever they live and work in the world. However, there is still a strong under-representation of women in tech in general. This needs to change. Not only do we need more women in technology, we also need to see more women in leadership roles as we are convinced that diversity in management teams makes for better business performance.

Consequently, in addition to a proactive recruitment strategy to improve the gender ratio, the Group intends to conduct an internal program in 2021 to boost women's careers:

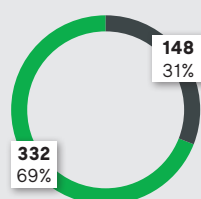


40% of the members of the SES-imagotag Board of Directors are women.

The Company targets a three-point improvement from 17% in 2020 to 20% in 2021 for the gender ratio in the 10% highest positions and continuous growth in subsequent years.

A «Diversity Community» will also be created to promote actions in favor of Diversity and Inclusion within the Company.

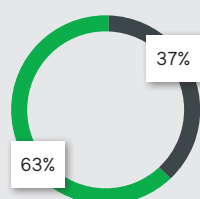
Overall workforce



Men

New hire

Gender breakdown



Women

The share of women in the Company's overall workforce has steadily increased since 2016 (23% in 2016 and 31% in 2020).

2020 confirms this upward trend: among SES-imagotag's global employees 31% are women and 69% are men.

Among leadership roles, 22% are women (up from 18% in 2019).

The percentage of women in the 10% of highest-paid positions is currently 17% and 18% in the Executive Committee.

Commitment to social and professional integration

SES-imagotag is committed to the social and professional integration of adults with disabilities. The Group has been collaborating on this with the Eragny ESAT (Val-d'Oise department) since the 2000's. ESATs are special units that help people with disabilities access jobs. The mission of ESATs is to help people who can't work in an ordinary environment get a job. ESAT workers perform various tasks, particularly marketing and screen printing for labels. The Group also directly employs two people with a declared disability in France.

Talent Management

We believe that motivation is the first lever for performance, and that all our employees can achieve high performance if they are motivated, trained, rewarded, filled with a sense of long-term belonging and convinced that their work is important, meaningful and positive. The wealth of our various jobs, our fast growth in a global context and a very strong culture of innovation enables us to offer our employees various career plans and rapid and fulfilling personal development. We are committed to providing continuous employee training. Given that we operate in a particularly innovative market sector, we aim to ensure that all of our employees have the necessary means to grow within the Company and the industry, and to fully develop their skills and expertise.

Despite the Covid-19 crisis, 54% of employees received face-to-face training in 2020, with an average of 2.4 days of training per employee (excluding the e-learning platform). However, the pandemic has pushed back the boundaries of the learning experience. We are encouraging a more flexible learning culture where people can up-skill themselves continuously via anywhere, anytime access to our e-learning platform. We have also increased our investment to offer a wider selection of content. The goal is to move from a situation of obligation to one of personal choice in which employees can select e-learning training courses that are relevant to their careers and skill sets when they have the time and strong motivation to take them.

Additionally, during our biannual performance reviews, we systematically aim to identify training needs consistent with our people's needs and the Company's challenges.



All categories of employees had access to training in 2020.

In 2020 a total of 1,690 training days were provided (excluding training via the e-learning platform).

In 2020, 257 people took classes on the e-learning platform, totaling more than 1,496 hours of training.

In addition to the training provided internally, investment in training with external organizations amounted to €305K.

Training expenses per employee during the last three years.

Year	Number of employees	% of the workforce	Number of training hours	E learning - hours of training	Training investment
2018	186	49%	3,793	886	€ 112,000
2019	287	58%	10,322	1,931	€ 104,000
2020	257	54%	11,543	1,496	€ 304,531

Ethical conduct of business

The Group has set a clear target for 2021: train each employee on the Company's Code of Ethics, so that our core values and principles are widely shared and understood. Our Code is designed to make sure that each of us – no matter what position we hold – knows, understands and acts with the highest ethical standards in every aspect of our work. While the Code cannot cover every workplace challenge, it helps us to spot issues, become more familiar with SES-imagotag's policies and act with integrity. Everyone at SES-imagotag must apply the Code along with the related procedures and policies. This is what we expect when we work together, interact with customers, address shareholders, collaborate with business partners and contribute to society.



The 2021 target consists in having every employee trained and committed to the Company's Code of Ethics.

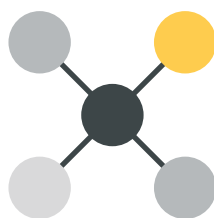
Remuneration policy and long-term incentive

The Group has experienced rapid growth since 2012. This upward trend in SES-imagotag's sales and financial performance is directly linked to the level of involvement and expertise of our teams. As such, it is essential that their variable compensation reflect their contributions to the Group's growth and success.

Our values



Innovation



Entrepreneurship



Ambition



Integrity



Customer



Global



Positive impact



Long-term



Humanism

The Company's overall compensation philosophy is highly performance driven, entrepreneurial and based on individual accountability: variable remuneration is conditional on the achievement of specific and measurable objectives. Individual bonuses are implemented based on a scorecard dedicated to specific personal targets adapted to the job description. The scorecards are evaluated twice a year during the appraisal process.



As an illustration of the fair balance of compensation within the Company, the ratio between the top remuneration (CEO) and the average remuneration of employees is x10.

to the Company's performance on several occasions since it was listed:

- National plans:

- A new profit-sharing agreement for the 2020 to 2022 period was signed at SES-imagotag in 2020. It provides a much bigger potential incentive bonus allocation compared to previous periods. SES-imagotag Italia also benefits from an incentive agreement since 2016,
- Specific plans have been implemented in the China joint venture and in the USA entity to adjust to local regulations;

On top of national regulatory collective agreements, which govern profit-sharing plans for employees, the Group has granted free shares and stock options to key contributors



Global stock incentives:

Following several performance share plans which allocated free shares to employees, the new 2020 plan, based on the VUSION strategic plan, covers a significant portion of our personnel (about 20%) likely to receive free shares if performance criteria are achieved.

These plans make motivation the primary driver of the Company's performance and have become key leverage tools for attracting and retaining the most talented employees. In addition, the plans motivate the beneficiaries on essential value creation targets such as Growth, Sustainability (through profitability and cash management) and Stock Price.

These medium and long-term plans also provide great motivation to attract newcomers and involve them in our entrepreneurial culture

Regular management appraisals

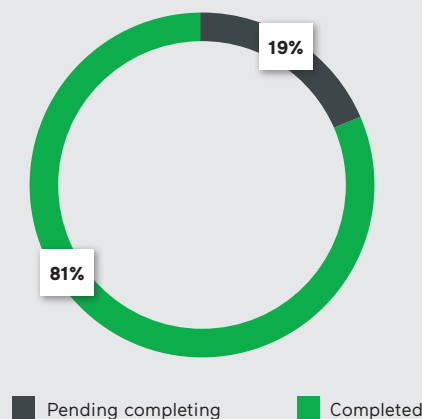
The Group conducts biannual individual interviews. The interviews evaluate employee performance and set objectives consistent with the Company's strategy for each of them. We use our "Foederis" tool, a digital platform that creates a paperless biannual individual interview process. At a time of rapid international growth, this platform makes it possible to standardize practices across the Group and ensures a consistent and fair application of the policy.

Each employee and manager must complete the process, which is carefully reviewed by the HR department: the identification of training needs, underperformance, outstanding performance, and specific requirements is achieved thanks to this review and coordinated with HR for careful career tracking.

Please find the indicator for H2 2020 appraisal achievement within the Group below:



Annual Appraisal



The 2021 goal is to use the Foederis platform to organize employee satisfaction surveys

- A survey to measure employee experience based on the Net Promoter Score concept (to be implemented after the Covid-19 lockdown, in H2);
- Develop and conduct targeted employee surveys that assess perceptions of specific issues. Track results and progress over time, benchmark the results with comparable companies.

A new way of working

Due to the Covid-19 pandemic, our teams spent a significant part of 2020 working from home. Our working practices were already highly digitized (see below). We were ready to shift to a fully digital model, so the technical working conditions were seamlessly activated, and we continued to monitor them during the lockdown periods. Internal feedback has indicated that remote working was successful. Teams remained committed and dedicated, and we have found that productivity levels remained the same. In addition, we have seen some benefits, including a reduced environmental impact, the elimination of time-consuming commutes, and increased flexibility that has allowed people to care for those close to them.

The Group has continued its efforts by creating a supportive safety policy with mandatory digital tools and digital processes (e.g. risk prevention plans, specific safety and health-protection plans, pre-work equipment checks, and individual protective equipment checks).

We recognize the importance and benefits of being an agile organization, both in relation to productivity and caring for our employees. For us, flexible schedules that meet the needs of the organization while catering to each individual's circumstances provide the best model. But in the long-term, we believe in a hybrid work schedule that mixes working at the office and from home one or two days a week.

We have invested in the development of a brand-new coworking area intended to offer all of our employees a fertile ground for social interaction, knowledge sharing, reflection and creativity. The new connected space is friendly, airy, bright, flexible and agile enough to allow the organization of future internal and external events and the installation of a new, more spacious and modern showroom to showcase our innovations and products. We are also making similar investments at our R&D facility in Austria, which hosts the second highest number of employees in the Group. Both locations already met state-of-the-art standards for office design and well-being at work. The Group's headquarters moved to a "High Environmental Quality" (HQE) building in 2014 with best-of-class standards regarding comfort, lighting, ergonomics, social spaces and other facilities. In 2019 the R&D center and head office in Austria was moved to a brand-new building in Fernitz (south of Graz) providing space, catering, a training room for sports, a climbing wall and recreational areas.

Promoting internal social events

Ensuring team cohesion is essential to support and maintain strong growth. Within a dynamic and stimulating work environment, it is important to establish an innovative and collective spirit that enables the Company to successfully face the challenges it has set itself. That is why the Group continues to promote social events to help improve interaction between all the teams.

The importance of being digital

In 2020 we commissioned a new SAP ERP (Enterprise Resource Planning) software package in pursuit of our best-in-class IT transformation program. This continuous improvement program is an essential component in increasing the Company's agility and productivity. In parallel, during the Covid-19 crisis, the Group has benefited significantly, from the early implementation in 2018 of some collaborative modules and applications that have improved the digitization of our operational processes. In particular, the Group implemented and generalized the Microsoft Teams application, helping (internal & external) collaborative management and allowing our employees to work all over the world without traveling to the office. Audio and web conferences from individual laptops and smartphones while sharing documents, screens and files in a secure and interactive environment have become the new normal in the Company. Thus, in view of our international development and growth, it is now no longer always necessary to travel across France, Europe or the world for meetings lasting just a few hours. In addition, we continue to expand the coverage and use of the Salesforce solution to manage our sales, customer care and support, marketing functions, etc.

During 2020, we had to move from face-to-face events to fully digitalized communication due to the pandemic. We organized a monthly CEO update and internal sales and technical webinars to continue to share and learn more about the Group, its projects and strategy.

Our cloud solutions can be accessed remotely to reduce business travel, increasing employee productivity and building resilience for our business, our partners, and our customers. This resilience allowed our employees to transition to extended work-from-home requirements due to Covid-19 while maintaining their productivity and customer engagement.

4.4.4 Ethical Conduct of Business

Value creation with partners and suppliers

We believe that it is very important to build strong relationships with all of our business partners in areas such as sales and services, production, R&D, and development. Through these relationships, we seek to provide the highest quality standards to deliver the best products and services to our clients.



Loyalty, innovation, ethics, and environmental responsibility are key values that we wish to share, promote and develop with our partners. Therefore, we designed a new Code of Ethics, which we reference in our new Partner Agreement, that all of our partners will have to commit to.

Our Code is designed to make sure that each of our Partners understands and acts with the highest ethical standards (preventing corruption, forced labor, IP infringement, etc.) in every aspect of their relationships. At the same time, everyone at SES-imagotag must apply the Code along with the related procedures and policies. This is what we expect when we work together, interact with customers, address shareholders, collaborate with business partners and contribute to our shareholders.

Achieving more through collaboration with VARs (Value Added Resellers)

We strongly believe that we can achieve more through collaboration, which is why we are committed to working with our partners for long-term shared success.

We have partners around the world who are helping our efforts to grow the adoption of Retail IoT solutions for physical commerce. Our partners share this goal and, more importantly, provide the level of excellent and essential local support our customers have come to expect and deserve. Over the past years we have expanded our global partner ecosystem to Europe, North and South America, Asia Pacific, Russia, and the Middle East. To date, we have more than 100 partners.

The new partners joining the Group include integrators, engineering companies, strategic technical allies, sales and installation partners, and software vendors. They are committed to delivering world-class services to our core retail clients and to our newer markets which include pharmacies, industry, and offices, where our technology can be also applied. Our partners are responsible for a specific scope of activity for their end-users. Our technology fits into their portfolio which can cover sales, installation, integration, support and after-sales services.

We want to highlight some of the global technical leaders among our partners with which we work closely to build and deliver standards-based, integrated solutions. We have strengthened our cooperation throughout the year by building a strong key strategic ally ecosystem which includes Microsoft, BOE, E-Ink, Cisco-Meraki, Aruba, Huawei, Lancom, Huawei, SAP, Blue Yonder, Panasonic and others. By working together, we identify and take advantage of technological and commercial synergies to accelerate adoption of our solutions through combined marketing and commercial activities. More recently, a technological partnership was implemented in the United States with Qualcomm Technologies (2020), which made a strategic investment to jointly develop new IoT communications standards for the future of physical stores.

Building high-synergy partnerships with world-class Electronic Manufacturing Services (EMS) partners

We don't own the production plants that manufacture our products and have opted for a fabless production mode - outsourcing our production processes to external production partners. The products that make up our solution (electronic tags, access points and rails) require the use of electronic components and plastic. Materials are supplied by market leaders, who all have environmental management systems within their production systems. The components used in finished goods production need to be qualified and approved by us. Our main assembly partners have long-established programs in CSR and environmental initiatives. They follow global

reporting standards for sustainability and are all certified to ISO International Standards that provide guidance on environmental sustainability and socially-responsible behavior for organizations. The scope of their environmental management systems extends far beyond what is typically found in an ISO 14001:2015 system, and includes such elements as product environmental compliance and e-waste management.



To ensure that they comply with our values and strict standards, representatives from our internal supply chain organization regularly visit our partners' manufacturing sites to assess production processes and give advice on improvements to ensure safety and improve the quality of our products. We apply our Code of Ethics, which includes specific requirements for human rights, sustainability, and ethical sourcing, with all our first-tier suppliers, who are required to formally agree to it. We also ask our first-tier suppliers to report on their CSR management status and CSR initiatives, which are included in our annual EMS survey. Furthermore, we conduct on-site inspections at production partners' sites (limited in 2020, due to the pandemic and travel restrictions) to confirm compliance with our production guidelines and the status of our production partners' CSR initiatives. Our internal audit questionnaire came up with a very satisfactory score of 100% EMS compliance with ESG requirements.

Additionally, our procurement team takes into account environmental protection and safety, as well as certain social responsibility principles such as legal compliance, respect for human rights, and the responsible procurement of minerals as criteria for doing business. We take special care to ensure that our partners follow responsible raw materials procurement practices notably for tin, tantalum, tungsten, gold, and cobalt. Our CSR Procurement Guidelines include the following initiatives:

- We investigate the supply chain of minerals used in our products;
- We incorporate a section on compliance aligned with our Code of Ethics* in our supplier contracts.

* In 2021 we will assess and review all of our key suppliers in regard to sustainability performance through an external platform like Ecovadis.

Ensuring tax and regulation compliance

At the local level, the Group's entities undertake, without exception, to ensure compliance with the relevant national tax legislation. Regarding transfer prices, tax residence and the tax repercussions of the digital economy, the Group complies with the provisions of double taxation agreements and OECD tax directives, particularly the BEPS (Base Erosion and Profit Shifting) project.

Given the complexity of the international tax environment, a certain degree of tax risk and uncertainty is inherent in the Group's business activities. For this reason, the Group is assisted by a team of tax experts who work closely with all internal stakeholders to manage these tax risks.

External advice is requested in the event of uncertainty or complexity. In addition, the Group maintains a dialogue with local tax authorities on various topics such as intellectual property issues. The Group strives to manage its relationships with the tax authorities proactively, transparently and responsibly by talking to them before projects start and by communicating all the information requested. The sole objective of tax planning, in line with its economic and commercial activity, is to create long-term economic value. As a result, the Group does not engage in aggressive tax planning.

4.4.5 Creating sustainable shareholder value

Our shareholders are fundamental stakeholders because they provide us with the necessary means to finance our research and development investments as well as our international growth.

In return, we must provide them with sustainable and inclusive growth thanks to profitable, long-term value creation based on innovation, security, ethics and compliance, as well as rigorous, minority-minded and high-value-added governance. These aspects of our strategy are detailed in our annual report.

In order to strengthen the creation of sustainable value we are constantly looking for:

- long-term growth potential (mostly through innovation and geographical expansion);
- improvements to our business model;
- greater SES-imagotag securities liquidity and new international investors (Europe, the Americas, and Asia).

4.5 Scope and methodology

Methodological note on non-financial reporting

The SES-imagotag Group's approach to non-financial reporting aims to address the obligations stipulated in Articles R. 225-105, R. 225-105-1 and L. 225-102-1 of the French Commercial Code.

Reporting period and frequency

The data gathered covers the period from January 1 to December 31, 2020. No distinctions were made between the data. The data is reported on an annual basis. Certain indicators do not include historical data because monitoring for these indicators started in 2020.

Scope

The purpose of the non-financial reporting scope is to be representative of SES-imagotag Group's operations. It is defined in accordance with the following rules:

Only companies fully consolidated in the financial statements are included in the non-financial reporting scope. Entities consolidated or created during a given year (Y) will be included in the following year (Y+1) in order to implement a gradual consolidation approach.

Entities divested during a given year are excluded from the reporting scope for that year.

Group management updates the reporting scope for a given year on December 31 of that same year.

The non-financial reporting scope for the 2020 fiscal year comprises all of the Group's consolidated entities for all of the indicators mentioned. The only exception is the "recycling of labels" indicator, for which the data exclusively covers Europe and excludes entities located in Asia and North and South America. The entities included in the calculations for the "recycling of labels" indicator account for €210 million of the Group's annual revenue, i.e. 72.4% of the €290 million in consolidated revenue.

The specificities associated with scope limitations regarding certain indicators are detailed in Section 6 Methodological Specificities and Limitations.

Policy choices and results and non-financial performance indicators

The policy choices and results and the non-financial performance indicators presented in the statement of non-financial performance are made with regard to the main social and environmental risks associated with the Company's operations.

Due to the nature of the SES-imagotag Group's operations, the following information listed in the second paragraph, section III of Article L. 225-102-1 of the French Commercial Code is not considered relevant: i.e. the fight against food insecurity and respect for animal welfare.

Consolidation and internal control

Data is gathered centrally or from each entity included in the non-financial reporting scope from the following sources: extractions from information systems, Excel monitoring files, invoices, etc. Qualitative information is gathered centrally by Group management. The data is controlled and approved by the Group's operational departments.

External controls

In accordance with the provisions of Article R. 225-105-2 of the French Commercial Code, the SES-imagotag Group appointed one of its Statutory Auditors to be the independent third party responsible for verifying the statement of non-financial performance as of 2020. The reasoned opinion on the compliance of the statement of non-financial performance, as well as on the accuracy of the information, is presented on the last page of this Non-Financial Performance Report (NFPR).

Methodological Specificities and Limitations

Indicator 1: NPS

Net Promoter Score: the calculation of this indicator is based on feedback from the Group's clients (within its entire scope). The NPS indicator measures the extent to which clients recommend a company. Clients who rate a supplier between 9 and 10/10 are promoters; between 7 and 8 are passive; and between 1 and 6 are detractors. The NPS is calculated using the difference between the percentage of promoters and the percentage of detractors.

Indicator 2: Deloitte ranking – Global powers of retailing

Deloitte publishes an annual ranking of retail leaders every year. Conducted using publicly available data, this study identifies the world's 250 largest retailers and analyzes their performance based on their home regions and specializations. This study's scope is global: the indicator used identifies the major players, from among those included in the study, who are clients of the SES-imagotag Group across its entire scope.

Indicator 3: Second life ESL (recycling of labels)

Second Life ESL or recycled labels: the calculation of the indicator is based on the quantity of labels that has been in use for more than six years and that has been recycled within our European centers. The data is for Europe only and excludes entities located in Asia and North and South America: the entities included in the "recycling of labels" indicator account for €210 million of the Group's annual revenue (i.e. 72.4% of the €290 million in consolidated revenue). Please note that the inclusion of entities from Asia or North and South America within the scope (planned for next year) would not significantly distort the indicator since: the labels installed across these regions are, generally speaking, recent and have been in use for less than six years; or, if they have been in use for more than six years, the respective revenue for the entities in question (Singapore and Mexico) only accounts for 2% of total consolidated revenue.

Indicator 4: Carbon footprint of the upstream supply chain

The calculation of the carbon footprint indicator for the supply chain covers the Group's entire upstream supply chain. The calculation of the carbon footprint is based on estimates using the distances traveled between the production sites and the delivery sites applied to the no-

mograms of one of our three Electronic Manufacturing Services (EMS). The data only takes into account air and sea transportation and does not include upstream road transportation.

The assumptions for the distances traveled are 10,000 km by air and 17,000 km by sea.

The following emissions factors were used for each mode of transportation:

By sea: 0.01 kg CO₂ per ton transported;

By air: 0.65 kg of CO₂ per ton transported.

Indicator 5: Packaging optimization

The calculation of optimized pallet loads via packaging optimization is the result of a study approved for operational launch in June 2021.

Indicators 6, 7, 8, 9, 10: Human resources indicators

All of the indicators describing the age pyramid, gender ratios, training hour and managerial interview ratios are based on digitized reports compiled by the HR department, whose scope covers all of the Group's entities, without exception.

Risk policies covering product composition and consumer health are being rolled out by the Group, and will be presented in more detail in the coming years.

4.6 Report on the consolidated non-financial performance prepared by an independent third party and included in the management report

Report by a Statutory Auditor, designated as an independent third organization, on the consolidated non-financial performance statement

SES-imagotag

Registered office: 55, Place Nelson Mandela CS 60016, 92024 Nanterre CEDEX

Fiscal year ended December 31, 2020 To the General Meeting,

In our capacity as the Statutory Auditor of your Company (hereafter referred to as the “entity”), designated as an independent third-party organization (TPO), accredited by COFRAC under number 3-1049, we present to you our report on the consolidated non-financial performance statement for the financial year ended December 31, 2020 (hereafter the “Statement”). It has been prepared on a voluntary basis by your Company, in compliance with the provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

Entity liability

It is the responsibility of the Board of Directors to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators.

The Statement has been prepared by applying the entity’s procedures (hereinafter the “Guidelines”), the significant elements of which are presented in the Statement and available on request at the entity’s head office.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the professional code of ethics. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable laws and regulations, ethical rules and professional doctrine.

Responsibility of the Statutory Auditor designated a TPO

It is our responsibility, on the basis of our work, to formulate a reasoned opinion expressing a conclusion of moderate assurance on:

- the compliance of the Statement with the provisions of Article R.225-105 of the French Commercial Code;

- the fairness of the information provided in application of points 3 of I and II of Article R.225-105 of the French Commercial Code, i.e. the results of the policies, including key performance indicators and the actions taken with respect to the main risks, hereinafter referred to as the “Information”.

However, it is not our responsibility to express an opinion on the entity’s compliance with other applicable legal and regulatory provisions, particularly with regard to the fight against corruption and tax evasion, nor on the compliance of products and services with applicable regulations.

Nature and scope of work

Our work described below was carried out in accordance with the provisions of Articles A.225-1 et seq. of the French Commercial Code, the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes relating to this intervention, and the international standard ISAE 30002 :

- We reviewed the activity of all the entities included in the scope of consolidation and the presentation of the main risks;
- We assessed the appropriateness of the Guidelines with regard to its relevance, completeness, reliability, neutrality and comprehensibility, taking into consideration, where applicable, best practices in the sector;
- We have verified that the Statement covers each category of information provided for in III of Article L.225-102-1 on social and environmental matters and the information provided for in paragraph 2 of Article L.22-10-36 with respect to human rights and the fight against corruption and tax evasion;
- We have verified that the Statement presents the information provided for in II of Article R.225-105 when they are relevant in terms of the main risks and included, if applicable, an explanation of the reasons why the information required by paragraph 2 of III of Article L.225-102-1 is missing;

- We verified that the Statement presents the business model and a description of the main risks related to the activity of all the entities included in the scope of consolidation, including, where relevant and proportionate, the risks created by their business relationships, products or services, as well as policies, actions and results, including key performance indicators related to the main risks;
- We consulted documentary sources and conducted interviews to:
 - assess the process for selecting and validating the main risks and the consistency of the results, including the key performance indicators used, with regard to the main risks and policies presented;
 - corroborate the qualitative information (actions and results) that we considered the most important presented in the Appendix. Our work was carried out at the head office of the consolidating entity.
- We verified that the Statement covers the consolidated scope, i.e. all entities included in the scope of consolidation in accordance with Article L.233-16, with the limits specified in the Statement;
- We reviewed the internal control and risk management procedures implemented by the entity and assessed the collection process aimed at ensuring the completeness and fairness of the Information;
- For the key performance indicators and other quantitative results that we considered the most important presented in the Appendix, we implemented:
 - analytical procedures consisting of verifying the correct consolidation of the data collected and the consistency of their changes;
 - detailed tests on the basis of sampling, consisting of verifying the correct application of definitions and procedures and reconciling the data with the supporting documents. This work was carried out at the entity's head office and covers 100% of the consolidated data selected for these tests;
- We reviewed the overall consistency of the Statement in light of our overall knowledge of the entities included in the scope of consolidation.

We believe that the work we have carried out, exercising our professional judgment, allows us to formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive audit work.

Means and resources

Our work mobilized the skills of five people and took place between January and April 2021 over a total duration of approximately two weeks. We called on our specialists in sustainable development and social responsibility to help us carry out our work. We conducted around ten interviews with the people responsible for preparing the Statement.

Conclusion

Based on our work, we did not identify any material misstatement that would call into question the fact that the consolidated statement of non-financial performance complies with the applicable regulatory provisions and that the Information, taken as a whole, is fairly presented, in accordance with the Guidelines.

Comments

Without calling into question the conclusion expressed above and in accordance with the provisions of Article A.225-3 of the French Commercial Code, we note the following:

- Some indicators are not comparable on a historical basis, as they were implemented during the 2020 fiscal year, as specified in the "Methodological note" section of the Statement.
- The policies and results presented in relation to the "Risk related to product composition and consumer health" were not developed in the Statement due to the recent implementation of non-financial reporting.

Paris-La Défense, April 30, 2021

KPMG S.A.

Fanny Houlliot
Partner

Sustainability Services

Grégoire Menou
Partner

Appendix

Qualitative information (actions and results) deemed most important

Compensation policy

Security policy and associated tools and processes

Measures to reduce the carbon footprint of the data centers and digital tools and results

Commitments and actions to reduce the environmental impact of activities

Code of conduct and other systems to ensure good governance

Responsible procurement policy and procedures

Systems implemented to improve the management of perishable items and to reduce waste

Systems implemented to identify the main challenges of stakeholders and ensure that they are taken into account

Key performance indicators and other quantitative results considered to be most important

Headcount and breakdown by gender, category and age

Percentage of women in the top 10% of best-paying jobs

Percentage of employees who had an appraisal during the year

Percentage of employees trained

Total number of hours of training taken by employees over the year

CO₂ emissions related to the transport of products by sea or air

Annual change in the number of recycled labels

Rate of Electronic Manufacturing Services provider compliance with ESG requirements

5

Comments on the
fiscal year

Table of contents

5.1 Analysis of 2020 results	161
5.1.1 Comments on operations	162
5.1.2 Investments	165
5.1.3 Cash-flows	166
5.1.4 Main performance indicators	167
5.2 Subsequent events	168
5.3 Outlook	168
5.4 Report on the separate financial statements	169

5.1 Analysis of 2020 results

The 2020 financial statements were approved by the Board of Directors, which met on March 29, 2021. The audit procedures for the 2020 consolidated and separate financial statements of SES-imagotag SA were carried out. The consolidated financial statements are prepared in accordance with IFRS. The table below shows the main aggregates of the consolidated income statement for the fiscal years ended December 31, 2019 and 2020, as well as their changes.

	2020	2019	Changes 2020/2019
Revenue	290.3	247.6	17%
Variable costs margin	63.2	50.5	25%
% of revenue	21.8%	20.4%	+1.4 pts
Operating expenses	(47.2)	(46.5)	2%
% of revenue	-16.3%	-18.9%	-2.5 pts
EBITDA	16.0	4.0	300%
% of revenue	5.5%	1.6%	+3.4 pts
Depreciation and amortization of non-current assets	(18.9)	(13.8)	37%
Current EBIT	(2.9)	(9.8)	-70%
% of revenue	-1.0%	-4.0%	+3.0 pts
Non-recurring or non-cash items	(2.1)	(4.8)	-56%
EBIT	(5.0)	(14.6)	-66%
% of revenue	-1.7%	-5.9%	+4 pts
Net finance income (expense)	(3.8)	(2.3)	66%
Taxes	1.2	3.8	-69%
Net profit (loss)	(7.6)	(13.1)	-42%
% of revenue	-2.6%	-5.3%	+2 pts

5.1.1 Comments on operations

Revenue

€m	2020	2019	Change
EUROPE & MEA	206.7	211.7	(2%)
France	46.6	67.4	-31%
EMEA	160.1	144.3	11%
Asia & the Americas	83.6	35.8	133%
Total revenue	290.3	247.5	17%

Revenue reached €290 million in 2020, up by +17% thanks to strong growth in the United States and Asia. Revenue outside Europe (+133%) now represents more than a quarter of the total revenue. The slight contraction in activity observed in Europe (-3.1%) conceals a contrasting situation between regions where projects were severely affected by the health crisis (France and southern Europe) and, on the other hand, Germany and northern Europe, which recorded strong growth throughout the year. However, it should be noted that there was a strong rebound across Europe in the second half of the year, which allows us to anticipate solid growth in Europe for 2021.

Strong contrast between the first and second half of the year

2020 was marked by the effects of Covid-19 which resulted in the closure of a large number of stores during the first half of the year, mainly non-food, as well as the postponement or slowdown of many projects. This situation resulted in a slight decline of 3% in revenue in the first half of the year. However, this virtual stability conceals significant contrasts. The effects of the pandemic particularly affected our sales in certain regions, such as France and southern Europe, which have experienced and are still experiencing a much slower recovery. This notably explains the 40% contraction in revenue in France between the first half of 2019 and the first half of 2020. In the second half of the year, the effects, which were less significant, were still felt in France, with a 22% drop in revenue between the second half of 2019 and the second half of 2020.

The rebound in growth in the second half was much stronger outside of France and southern Europe, with revenue up +41%, more than offsetting the 19% fall in the first half of 2020. As a result, the Group posted an annual revenue increase of 10% for the EMEA region (excluding France).

The other regions, Asia and the Americas, experienced strong momentum with revenue reaching €83.6 million in 2020, a 133% growth compared to 2019. Revenue in this region represents nearly 29% of the Group's revenue. The Group's solution sales consist of revenue related to electronic shelf labels (ESLs) and other associated equipment (fasteners, radio access points, accessories) for around 87% of the Group's total revenue in 2020 (compared to just more than 90% in 2018), in addition to sales of high value-added software, services and solutions, which in 2020 represented more than 13% of total revenue and are growing faster than the Group average. Label sales mainly concern new installations (73%) but also generate permanent revenue on the installed base thanks to restocking, extensions of coverage, and regular modernization and renewal investments. This share of revenue generated by the installed base increased from 25% of total label sales in 2019 to 27% in 2020. The increase in revenue based on the installed base in 2020 (+22%) was higher than that of new installations (+8%), mainly due to Covid-19, which penalized new installations. The other category of revenue is made up of sales of software licenses, V:Cloud platform subscriptions, maintenance contracts, integration services, specific develop-

ment and project management, and soon two major new solutions launched at the end of 2020: V:Ads (in-store digital marketing) and V:Captana (monitoring of shelves and AI stock-out detection and miniature wireless cameras). The total of these revenue streams represented just under 10% of the Group's revenue in 2018 and represents more than 13% of the Group's revenue in 2020.

Variable costs margin

- The variable costs margin (VCM) amounted to €63.2 million in 2020, compared to €50.5 million in 2019, i.e. an increase of 25%. The VCM rate also increased to 21.8% of revenue in 2020, i.e. +1.3 points compared to the level in 2019 (20.4%), which is explained by: An overall improvement in the profitability of projects delivered in 2020 compared to 2019 reflecting the ongoing efforts of the R&D/Manufacturing teams in terms of cost competitiveness;
- A larger mix of value-added services and solutions that generate a margin approximately three times higher than that of labels and associated equipment. Their growing share of total revenue should continue to fuel the expected improvement in the margin rate in the future;
- Exchange rate conditions improved between 2019 and 2020. Most of our production costs are denominated in dollars while more than 80% of revenue is still invoiced in euros. Between 2019 and 2020, the dollar appreciated overall, particularly in the second half of the year.

Operating expenses

More than 70% of operating expenses consist of salaries, social security contributions and other payroll-related items such as travel and accommodation expenses, as well as outsourced subcontracting and temporary employment expenses.

Between 2019 and 2020 the Group's operating expenses increased from €46.5 million euros to €47.2 million, representing moderate growth of only 2%.

In 2020, payroll expenses decreased by €0.9 million due to the reduced use of external subcontractors, short-time working arrangements in the first half of the year and the significant decrease in travel expenses.

The remaining operating expenses increased by €1.6 million with an increase in IT expenses driven by the surge in cloud services provided to our customers.

Operating expenses have grown more slowly than revenue, and the ratio, expressed as a percentage of revenue, has risen from around 22% in 2018 to 19% in 2019 and 16% in 2020.

The Group aims to continue to regularly improve this ratio to around 10% by 2023 by limiting the growth in operating expenses to half of the growth in revenue.

EBITDA

EBITDA, or operating profit (loss) before depreciation and amortization of non-current assets and before other non-recurring income and expenses, with no cash effect, amounted to €16 million in 2020, i.e. a fourfold increase compared to 2019 (€4 million).

This improvement in value and as a percentage of revenue (5.5% in 2020 vs. 1.6% in 2019) is mainly due to the improvement in variable cost margin and proper control of operating expenses in a context of revenue growth.

By 2023, the Group aims to achieve an EBITDA of around 15% of revenue.

Depreciation and amortization expense

Depreciation and amortization expenses increased by 37% in 2020 from €13.8 million in 2019 to €18.9 million in 2020.

This increase is directly related to the significant level of investments in R&D and innovation (V:Cloud, V:Ads, V:Captana, V:IoT, new ranges and label technologies), industrial projects and IT projects for digitization (Salesforce, Microsoft) and performance improvement (SAP project).

However, it should be noted (see next chapter) that investments were reduced in 2020 after the significant amounts invested in 2019.

Non-recurring or non-monetary items

The amount in 2020 totaled €2.1 million. It mainly consists of the amortization of goodwill allocated to the technology acquired at the time of the acquisition of ImagoTag for €0.9 million, the non-monetary cost of performance share plans allocated to Group employees (IFRS 2) for €0.7 million, the write-off of the value of assets destroyed in the fire of one of our warehouses in Germany, for which the Group is awaiting compensation, had not yet been confirmed at the reporting date of the 2020 financial statements for €0.9 million (the potential compensation for damages has not been recognized).

Net finance income (expense)

The finance expense for 2020 represents a net expense of €3.8 million, compared to €2.3 million in 2019.

This expense mainly consists of:

- the financial cost of debt for –€2.4 million in 2020 compared to –€2.0 million in 2019;
- the net effects of foreign exchange gains and losses for –€1.8 million in 2020 compared to –€0.2 million in 2019;
- the impact of IFRS 16 of –€0.7 million.

Taxes

Taxes were recognized in the income statement and represented income of €1.2 million in 2020 compared with income of €3.8 million in 2019. Given the prospects for recovering the tax losses of the Group's entities, most of them gave rise to the recognition of deferred tax assets, resulting in income of €1.8 million. A current tax expense –€0.6 million was also recorded.

Net profit (loss)

The net loss for 2020 totaled –€7.6 million euros compared to a loss of –€13.1 million for 2019. The loss in 2020 is mainly the result of reduced business activities in the first half of the year due to Covid-19. In the second half of the year, revenue growth and improved profitability, supported by a more profitable euro-dollar exchange rate, generated positive net income of €2.1 million.

5.1.2 Investments

Capital expenditure (Capex)

€m	FY 2020	FY 2019
Capitalized R&D expenditure	9.6	7.2
SAP and other IT expenditure	8.5	6.8
Industrial expenditure	2.3	16.5
Acquisition of the customer base by the joint venture in China		2.6
Hardware as a service	7.9	2.5
Others	1.3	1.6
Capital expenditure (Capex)	29.6	37.2

In 2020, the Group's capital expenditure amounted to €29.6 million compared to €37.2 million in 2019, i.e. a decrease of -€7.6 million (-21%).

Capitalized R&D expenses are the Group's largest investment item. Around 65% of R&D expenses is capitalized. This type of expense is essential for consolidating the Group's global leadership and competitiveness, and for developing the products and services that will ensure profitable growth in the years to come. Capitalized R&D expenses increased by 32% compared to 2019 due to increased innovation and new product and solution launches.

The major IT investments currently being made are aimed at digitizing all of the Company's processes, both internal and those involved in customer relations and service (collaborative portal) to make SES-imagotag a business fully integrated in the Cloud and make major gains in productivity and service quality. These ongoing efforts have contributed to the resilience of the Company and the continuity of its processes during the ongoing health crisis. On the other hand, to support and structure strong international growth, and improve operational and financial performance, the Group carried out its migration to SAP in 2020, leading an ambitious project that is very central to our strategy.

Industrial investments mainly consist of molds and test equipment at our external manufacturing services (EMS). Through these investments, the Group intends to protect the design of its electronic labels and set the level of quality required from its manufacturing subcontractors. In 2019, this type of investment also included the value of the exclusive production capacity contract with the BOE plant in Chongqing until the end of 2023 for an amount of €14 million.

Lastly, in 2019 and 2020 the Group deployed labels for a brand to which the labels are leased for a period of five years. The total amount of the investment, around €10 million, is spread over the two years as the deployment progresses. As a result, €6.6 million were recorded in 2020.

5.1.3 Cash flows

€m/before IFRS 16		2020	2019
EBITDA		13.4	1.7
Capital expenditure (Capex)		(29.5)	(36.2)
Change in working capital requirement		6.4	41.2
Operational cash flow		(9.7)	6.7
Net finance income (expense)		(3.8)	(2.3)
Taxes		(0.6)	
Others		0.6	(4.0)
Cash flow		(13.5)	0.4
Capital increase			34.3
Change in net debt		(13.5)	34.7
Net cash and cash equivalents/(debt)		3.8	17.3
Cash and cash equivalents		88.6	73.1
Financial debt (before impact of IFRS 16)		-84.8	-55.8
Financial debt (after impact of IFRS 16)		-89.0	-76.5
Change in net cash and cash equivalents/(debt) before impact of IFRS 16	(13.5)		

In 2020 the Group ended the year with a net cash surplus position, before IFRS 16. The cash position amounted to €88.6 million, enabling the year to start with a solid financial position, after the first half of 2020 was temporarily affected by the impacts of the health crisis.

After a high cash consumption in the first half of the year due to the slowdown in business, the second half saw the return to a more normal working capital requirement with, in particular, the improvement in customer payment terms and the receipt of substantial down payments related to the record level of order intake in the fourth quarter. During the year, the Group added a line of credit with a €30 million loan guaranteed by the French state (PGE) taken out with its banking partners.

Cash consumption net of loan issues and repayments amounted to €13.5 million and is mainly due to the increase in working capital requirement, driven by strong growth in the second half of the year and an increase in

the value of inventories. Due to our environmental policy and the surge in air transportation costs due to the Covid crisis, the Group now mainly transports its goods by sea. This has resulted in a significant reduction in our CO₂ emissions and our transportation costs, but has also extended the carrying time of our inventories by around six weeks, which explains the increase in their value in the statement of financial position.

5.1.4 Main performance indicators

The Group uses EBITDA as its main performance indicator.

EBITDA is not a standardized accounting aggregate that meets a single, generally accepted definition. It should not be considered a substitute for operating profit (loss), net profit (loss), cash flows from operating activities or a measurement of liquidity. Other issuers may calculate EBITDA differently from the breakdown used by the Group below.

For the Group, this is a performance indicator that presents operating income before the depreciation and

amortization of fixed assets restated for the few items for the period that are detrimental to comparisons with previous fiscal years. It also provides a good approximation of the cash flow generated by operating activities before taking into account investments and changes in working capital requirements. As such, it is restated for significant non-recurring items or items that will never give rise to cash expenditure.

A reconciliation table is proposed below between operating profit (loss) and EBITDA:

€m	Dec. 31, 2020	Dec. 31, 2019
Operating profit (loss)	(5.0)	(14.6)
Depreciation and amortization of acquired technology	(0.9)	(0.9)
Fees and commissions on capital and debt transactions	(0.3)	(0.8)
Onerous contracts		(0.9)
USA/China customs duties		(1.1)
Inventory impairment for end-of-life products		(1.3)
Share-based payments (IFRS 2)	(0.7)	
Claims	(0.9)	
Others	(0.7)	(0.2)
= Profit (loss) from continuing operations (current EBIT)	(2.9)	(9.8)
- Depreciation and amortization expense of property, plant and equipment and intangible assets	(18.9)	(13.8)
= EBITDA	16.0	4.0

Net debt/net cash:

These indicators respectively define the Group's net financial debt or cash position calculated on the basis of the following aggregates in the consolidated statement of financial position: (+) Borrowings (+) Current and non-current lease liabilities (IFRS 16) (-) Cash and cash equivalents.

If the result is positive, then the level of borrowings exceeds that of cash and cash equivalents and there is net debt or net financial debt. In the opposite scenario, there would be a net cash surplus.

5.2 Subsequent events

None

5.3 Outlook

On the one hand, we are approaching 2021 with necessary caution, which the pandemic's persistence and the global shortage of electronic components justify, but also with great confidence that there is a light at the end of the tunnel and the strengthened determination of retailers to accelerate their digitization thanks to our solutions.

Our order backlog and the portfolio of business opportunities are at an all-time high, which confirms the Group's expectations to catch up with the trajectory of the VU-SION strategic plan with a one-year delay, i.e. a revenue target of around €400 million for 2021 and around €800 million by 2023.

The current tension in the markets for semiconductors and other electronic components does not currently undermine this objective but will undoubtedly remain an issue that we will monitor closely in the coming months.

5.4 Report on the separate financial statements

1. Review of the financial statements and results

During the fiscal year ended December 31, 2020, the Company's net revenue amounted to €244.4 million, compared to €198.3 million in 2019, i.e. an increase of 23.2%.

Operating expenses for the year consist mainly of the following items:

Purchases consumed	-€203.9m
Other purchases and external expenses	-€24.0m
Employee benefits expense	-€13.5m
Depreciation and amortization expense and provisions	-€12.0m
Total operating profit (loss)	-€10.2m
Total net finance income (expense)	-€0.7m
Total current profit (loss) before tax	-€10.9m
Total net profit (loss)	-€11.9m

2. Proposed allocation of the Company's profit (loss)

We request that you approve the annual financial statements (statement of financial position, income statement and notes to the financial statements), as they are presented to you, reporting a net loss of -€11,923,028, which we propose to allocate as follows:

Profit (loss) for the period	-€11,923,028
Profit (loss) allocated in its entirety to retained earnings/accumulated losses	-€11,923,028
Which, when added to the amount previously carried forward, is now	-€6,428,310

In accordance with the provisions of Article 243 of the French General Tax Code, the General Meeting also specifies that no dividend has been distributed since 2012. In 2012, the Company distributed €5,491,011.50 in dividends.

3. Non-tax deductible expenses

In accordance with the provisions of Article 223 *quater* of the General Tax Code, we inform you that the Company had expenditure and expenses provided for under Article 39-4 and 54 *quater* of said code that amounted to €237,251.

4. Customer and supplier payment terms (amounts including VAT)

Outstanding trade payables

Supplier category	2020, balance in €k	Number of invoices	2019, balance in €k	Number of invoices
Not past due	8,078	322	28,965	254
Past due < 60 days	28,156	517	29,102	597
Past due > 60 days ⁶	14,974	290	25,938	396
Grand total	51,208		84,006	
	Or 19% of purchases excl. VAT		Or 35% of purchases excl. VAT	
Purchases in €k	269,879	1,129	239,614	1,247
	19%		35%	—

⁶ Including €9,045 thousand in inter-company outstandings at December 31, 2020.

Outstanding trade receivables

Customer category	2020, balance in €k	Number of invoices	2019, balance in €k	Number of invoices
Not past due	28,012	2,793	50,326	3,677
Past due < 60 days	37,376	2,760	24,166	2,258
Past due > 60 days	26,898	4,359	45,603	3,248
Grand total ⁷	92,287		120,095	
	Or 38% of revenue excl. VAT		Or 61% of revenue excl. VAT	
Revenue (€k)	244,435	9,912	198,340	9,183

⁷ Including €63,326 thousand in inter-company outstandings at December 31, 2020.

Five-year financial summary

In accordance with the provisions of Article R.225-102 of the French Commercial Code, the table of the Company's results over the last five fiscal years is presented below:

Type of line item/Period/€	2020	2019	2018	2017	2016
I- End-of-year financial position					
a) Share capital	31,516,216	31,516,216	29,006,674	26,768,458	24,155,000
b) Number of shares (end of year)	15,758,108	15,758,108	14,503,337	13,384,229	12,077,500
II- Comprehensive operating income					
a) Revenue	244,434,723	198,340,706	112,437,479	98,557,486	96,432,412
Net profit (loss)	-11,923,028	-17,186,552	-8,926,884	-8,885,912	-2,517,452
Depreciation and amortization expense	10,999,420	6,797,138	6,124,301	5,234,374	5,277,390
Reversals of amortization and depreciation					
Additions to provisions	4,837,909	3,612,431	4,306,319	3,272,039	2,335,063
Reversal of provisions	-2,634,066	-2,481,898	-2,003,767	-2,406,594	-3,019,470
b) Profit (loss) before tax, depreciation and provisions	980,235	-9,837,903	-1,021,561	-3,280,103	1,497,325
c) Corporate income tax	-300,000	-579,022	-521,531	-494,010	-578,204
d) Profit (loss) after tax and before depreciation, amortization and provisions	1,280,235	-9,258,881	-500,030	-2,786,093	2,075,529
e) Profit (loss) after tax, depreciation, amortization and provisions	-11,923,028	-17,186,552	-8,926,884	-8,885,912	-2,517,452
f) Amount of profit distributed	0	0	0	0	0
g) Employee profit sharing	0	0	0	0	0
III- Operating profit (loss) per share	0				
a) Profit (loss) after tax and before depreciation and amortization per share H/X	0.08	-0.59	-0.03	-0.21	0.17
b) Profit (loss) after tax, amortization of provisions per share A/X	-0.76	-1.09	-0.62	-0.66	-0.21
c) Dividends paid per share		0	0	0	0
IV - Employees					
a) Number of employees - average headcount	201	198	192	195	171
b) Total payroll	10,931,664	11,332,916	10,664,752	10,034,650	9,612,662
c) Amount paid for company benefits	4,449,326	4,616,072	4,602,802	7,269,528	4,338,699
V-Depreciation and amortization expense					
Amortization expense - intangible assets	8,733,250	5,985,766	5,520,387	4,705,823	4,761,748
Depreciation expense - property, plant and equipment	2,266,170	811,372	603,914	528,551	515,642
Exceptional depreciation expense - property, plant and equipment					
Total depreciation and amortization expense	10,999,420	6,797,138	6,124,301	5,234,374	5,277,390
VI- Additions to provisions					
Additions to provisions for operating expenses and risks	100,000	50,000	185,000	156,000	92,000
Additions to provisions for impairment of property, plant and equipment	0		535,000	535,000	534,651
Additions to provisions for impairment of inventory	1,204,419	1,686,250	1,352,975	565,712	209,831
Additions to provisions for the impairment of doubtful receivables	168,038	284,207	99,894	152,490	224,746
Additions to provisions for finance expenses and risks	3,365,452	1,591,975	2,133,450	1,862,837	1,273,835
Additions to provisions for exceptional expenses and risks					
Total additions to provisions	4,837,909	3,612,431	4,306,319	3,272,039	2,335,063
VII- Reversal of provisions					
Reversal of amortization, depreciation and provisions					
Reversal of provisions for operating expenses and risks	113,000	284,000	6,000	310,051	40,000
Reversal of provisions for impairment of inventory	117,961	491,477		580,402	371,798
Reversals of provisions for impairment of doubtful receivables	284,207	99,894	134,930	242,306	625,457
Reversals of provisions for financial risks and expenses	2,118,899	1,606,526	1,862,837	1,273,835	921,255
Reversals of provisions for exceptional risks and expenses					1,060,961
Total reversals of provisions	2,634,066	2,481,898	2,003,767	2,406,594	3,019,470
VIII- Tax on net profit (loss)					-656
Tax withheld at the source					
Tax credit	-300,000	-579,022	-521,531	-494,010	-577,548
Total	-300,000	-579,022	-521,531	-494,010	-578,204

6

Financial statements

Table of contents

6.1 The Group's consolidated financial statements for the fiscal year ended December 31, 2020	172
6.1.1 Consolidated financial statements	172
6.1.2 Notes to the consolidated financial statements	176
6.2 Separate financial statements for the year ended December 31, 2020	206
6.2.1 Comptes annuels	206
6.2.2 Notes to the annual financial statements	210
6.3 Statutory Auditors' reports	228

Consolidated financial statements at December 31, 2020 (IFRS)

SES-imagotag is a company with a Board of Directors listed on Eurolist by Euronext Paris (Compartment B, ISIN code FR 0010282822).

The consolidated financial statements of the SES-imagotag Group (hereinafter referred to as "the Group") at December 31, 2020 cover a period of twelve months and present a total of €460,983 thousand in the statement of financial position and a consolidated net loss of -€7,643 thousand. They were approved by the Board of Directors on March 29, 2021.

6.1 The Group's consolidated financial statements for the fiscal year ended December 31, 2020

6.1.1 Consolidated financial statements

1.1 Consolidated statement of financial position

Assets

€k	Notes	Dec. 31, 2020 (12 months)	Dec. 31, 2019 (12 months)
Intangible assets	1	115,324	104,187
Property, plant and equipment	2	18,721	14,910
Right-of-use	2	14,217	19,385
Financial assets	3	1,262	1,055
Deferred tax assets	22	16,934	14,119
NON-CURRENT ASSETS		166,457	153,656
Inventory and work-in-progress	4	106,007	68,075
Trade receivables	5	87,201	82,839
Current taxes	6	3,982	3,554
Other current receivables	6	8,732	14,227
Cash & cash equivalents	7	88,605	73,108
CURRENT ASSETS		294,526	241,803
TOTAL ASSETS		460,983	395,459

Liabilities and equity

€k	Notes	Dec. 31, 2020 (12 months)	Dec. 31, 2019 (12 months)
Capital	8	31,516	31,516
Consolidated reserves		141,043	152,677
Profit (loss) - Group share		-7,643	-13,139
EQUITY		164,916	171,054
Non-current provisions	10	746	1,671
Deferred tax liabilities	22	5,377	4,400
Borrowings	11	84,760	55,773
Non-current lease liabilities	11	2,873	11,637
Other non-current liabilities	12	4,237	4,804
NON-CURRENT LIABILITIES		97,992	78,285
Trade payables	13	96,774	100,948
Current lease liabilities	11	1,323	9,075
Other debts and accruals	14	99,978	36,097
CURRENT LIABILITIES		198,075	146,120
TOTAL LIABILITIES		460,983	395,459

I.2 Consolidated income statement

Income statement

€k	Notes	Dec. 31, 2020 12 months	Dec. 31, 2019 12 months
REVENUE	15	290,264	247,585
Purchases consumed	16	-217,776	-189,372
External expenses	17	-25,570	-29,005
Employee benefits expense	18	-29,371	-26,428
Taxes and duties		-1,186	-904
Depreciation and amortization expense	1 & 2	-19,766	-14,689
Additions to provisions	19	-4,175	-4,191
Reversals of provisions	19	3,010	2,106
Other operating income	20	420	260
Other operating expenses	20	-891	0
OPERATING PROFIT (LOSS)		-5,042	-14,639
Other finance income	21	16,916	7,075
Other finance expenses	21	-19,941	-9,010
Interest expense on lease liabilities	21	-748	-344
NET FINANCE INCOME (EXPENSE)		-3,773	-2,279
Income tax expense	22	1,172	3,779
NET PROFIT (LOSS)		-7,643	-13,139
Of which non-controlling interests		-764	-651
Earnings per share		Dec. 31, 2020 12 months	Dec. 31, 2019 12 months
Profit (loss) attributable to owners of the parent (€k)		-6,878	-12,488
Weighted average number of shares		15,758,108	14,590,795
Earnings per share (€)		-0.44	-0.86

I.3 Consolidated statement of comprehensive income

€k	Dec. 31, 2020	Dec. 31, 2019
NET PROFIT (LOSS)	-7,643	-13,139
Translation differences		
Cash flow hedge	-2,116	-1,555
Revaluation differences		
Actuarial differences	-53	-79
COMPREHENSIVE INCOME	-9,812	-14,773
Share attributable to the parent company	-9,048	-14,122
Attributable to the non-controlling interests	-764	-651

I.4 Consolidated statement of changes in equity

€k	Capital	Reserves	Result	Total
Equity at Dec. 31, 2018	29,007	124,868	-5,900	147,975
Allocation of 2018 profit (loss)		-5,900	5,900	0
Capital increase	2,510	31,783		34,293
Treasury shares		-104		-104
2019 profit (loss)			-13,139	-13,139
Financial instruments		-1,555		-1,555
Reserves from non-controlling interests and other changes		3,584		3,584
Equity at Dec. 31, 2019	31,516	152,677	-13,139	171,054
Allocation of 2019 profit (loss)		-13,139	13,139	0
Treasury shares		86		86
2020 profit (loss)			-7,643	-7,643
Financial instruments		-2,116		-2,116
Reserves from non-controlling interests and other changes		3,535 ⁸		3,535
Equity at Dec. 31, 2020	31,516	141,043	-7,643	164,916

8 Mainly corresponds to the capital contribution subscribed by the BOE and JDD groups as part of the joint venture in China, i.e. €3,990,000

I.5 Consolidated statement of cash flows

€k	Dec. 31, 2020	Dec. 31, 2019
- Consolidated net profit (loss) (including non-controlling interests)	-7,643	-13,139
+/- Net additions to depreciation and amortization and provisions (excluding those related to circulating assets)	19,102	14,554
+/- Calculated income and expenses associated with stock options and similar instruments		
-/+ Other calculated income and expenses	135	-530
-/+ (gains) losses on asset disposals (from translation differences in IFRS income statement and financial instrument income)	-556	302
Operating cash flow after net borrowing costs and taxes	11,038	1,187
+/- Tax expense (including differed taxes)	-1,860	-3,779
= OPERATING CASH FLOW after net borrowing costs and before taxes	9,178	-2,592
- Taxes paid		
+/- Changes in operating working capital requirement	20,391	25,851
= NET CASH FLOW FROM OPERATING ACTIVITIES	29,569	23,259
- Cash payments related to purchases of property, plant and equipment and intangible assets	-29,583	-38,832
+ Cash from disposals of property, plant and equipment and intangible assets	98	0
- Cash used in right-of-use purchases	-2,885	
+ Cash from right-of-use disposals	2,256	
- Cash used in financial investment purchases	-328	-163
+ Cash from financial investment disposals	122	0
+/- Impact of changes in scope	3,829	950
+ Investment grants received	-144	29
= NET CASH FROM (USED IN) INVESTING ACTIVITIES	-26,635	-38,016
+ Amounts received from shareholders during capital increases		34,293
+ Debt issue	30,378	12,451
+ Debt issue (IFRS 16)	2,161	17,244
+ Debt repayment	-1,391	-3,627
+ Debt repayment (IFRS 16)	-18,676	-1,952
- Distribution of dividends		
-/+ Repurchase and disposal of treasury shares	86	-104
= NET CASH FROM (USED IN) FINANCING ACTIVITIES	12,558	58,305
+/- Impact of changes in currency exchange rates	5	-18
= CHANGE IN CASH AND CASH EQUIVALENTS	15,497	43,530
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	73,108	29,578
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE	88,605	73,108

6.1.2 Notes to the consolidated financial statements

The consolidated financial statements of SES-imagotag Group at December 31, 2020 were approved by the Board of Directors on March 29, 2021 and will be submitted for the approval of the General Meeting of June 16, 2021.

II.1 Accounting rules and methods

II.1.1 Basis of preparation of the consolidated financial statements

1. Consolidated financial statements – Basis of preparation

The 2020 consolidated financial statements were prepared in accordance with international accounting standards as adopted by the European Union on December 31, 2020. International standards include the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

In the absence of standards or interpretations applicable to a specific transaction, the Group's management uses its judgment to define and apply the accounting methods that will make it possible to obtain relevant and reliable information, so that the financial statements:

- Present a true and fair view of the Group's financial position, financial performance and cash flows;
- Reflect the economic reality of transactions;
- Are neutral;
- Are cautious; and
- Are complete in all material respects.

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

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

The consolidated financial statements include the financial statements of the subsidiaries listed in section II.6. The financial statements of the subsidiaries are prepared for the same reference fiscal year as the year used for the parent company, on the basis of homogeneous accounting methods.

The companies of Group closed their annual financial statements at December 31. All intra-group balances, intra-group transactions as well as unrealized profit (losses), expenses and income included in the carrying amount of assets from internal transactions are eliminated in full.

The separate financial statements of each of the Group's companies are prepared in accordance with the accounting principles and regulations in force in their respective countries. They are restated to comply with the Group's consolidation principles.

New mandatory provisions applicable as of January 1, 2020 and applied for the first time by the SES-imagotag Group:

None

New mandatory provisions applicable from January 1, 2020 and concerning the Group did not have a significant impact on the consolidated financial statements. They concern:

- The amendment to IFRS 3 “Definition of a Business”;
- Amendments to IFRS 7, IFRS 9 and IAS 39 as part of the reform of benchmark interest rates;
- The amendments to IAS 1 and IAS 8 “Definition of Material”;
- Amendment of the references to the conceptual framework in the standards;
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions.”

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

The standards, amendments to standards and interpretations adopted by the IASB or the International Financial Reporting Standard Interpretations Committee (IFRSIC) as well as by the European Union on December 31, 2020, but not mandatory on December 31, 2020, did not result in early application.

They concern: the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 as part of phase 2 of the benchmark interest rate reform.

2. Business combinations

Business combinations are dealt with in the context of the revised IFRS 3, which assesses the notion of “take-over” within the context of security acquisition transactions. Depending on the case, the impacts are recognized in profit or loss, or in equity.

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

Fair value is the price that would be received for the sale of an asset, or paid for the transfer of a liability in a normal transaction between market participants at the date it is measured.

In this context, goodwill represents the residual excess of the consideration transferred over the acquirer’s interest in the fair value of identifiable assets and liabilities and contingent liabilities that can be reliably measured at the acquisition date.

The allocation period is limited to the period required to identify and measure the assets and liabilities of the acquired company, the non-controlling interests, the price paid and the fair value of the previously acquired share, but without being able to exceed 12 months.

Subsequently, goodwill is measured annually, at its cost, less any impairment losses representing decreases in value determined as indicated in the paragraph below entitled “Intangible Assets,” in accordance with IAS 36. In the event of a decrease in value, the Group’s impairment loss is determined as follows: depreciation is recognized in the income statement as operating profit or loss. With regard to puts on non-controlling interests issued after the first application of IFRS 3R and IAS 27R, the Group recognizes subsequent changes in debt in equity (transactions between the controlling shareholder and non-controlling interests, which relate to equity securities of capital but have no impact on control).

3. Estimates and judgments

The financial statements have been prepared according to the historical cost principle, with the exception of financial instruments which are recognized according to the fair value principle. The preparation of the financial statements requires, in accordance with the conceptual framework of IFRS, to make estimates and use assumptions that affect the amounts appearing in these financial statements. The significant estimates made by SES-imagotag for the preparation of the financial statements mainly relate to:

- The fair value measurement of assets, liabilities and contingent liabilities obtained during an acquisition (IFRS 3 “Business combinations”);
- The valuations used for impairment tests on assets, in particular the recoverable amount of goodwill;
- The fair value measurement of financial instruments;
- Valuation of the recoverable amount of receivables and inventories;

- Estimates of liabilities, in particular for litigation and uncertain tax positions;
- The assumptions used to recognize deferred tax assets;
- Put obligations;
- Rights-of-use and lease obligations resulting from leases;
- The fair value of equity instruments;
- The share-based payment expense.

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

II.1.2 Intangible assets (IAS 38)

Intangible assets include:

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

Intangible assets acquired separately are recognized at their acquisition cost and are amortized. Amortization is calculated on a straight-line basis according to the estimated useful life of the assets, on the following basis:

	Amortization period
Technologies	15 years
Development expenses	5 to 10 years
Patents	10 years
ERP	10 years
Customer base	15 years
Software	2 to 5 years

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

Impairment test

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

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

The impairment test consists of comparing the net carrying amount of the asset with its recoverable amount, determined as the higher of its fair value less costs to sell and its value-in-use.

Fair value less disposal costs is preferred in the rare cases where a recent transaction on the assets concerned makes the information available and reliable. In most cases, the value-in-use is estimated by using cash flow projections based on existing operating forecasts for a period of ten years, including growth and profitability rates that are considered reasonable. The main assumptions used are:

- The ten-year projection made by management: the electronic labeling market is not yet mature at the global level and is growing strongly, hence a forecast of more than five years, more in line with the outlook for this market;
- The long-term growth rate of 3% reflects the growth rates of a technological market that is still dynamic at this time;

- A discount rate of 11% applied to cash flows.

The recoverable amount resulting from the impairment test is higher than the carrying amount of the assets.

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

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

Development expenses

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

- The product or process is clearly identified and the costs are reliably individualized;
- The technical feasibility of the product is demonstrated;
- The product or process will be marketed or used internally and will generate probable future economic benefits;
- There is a potential market for the product or its internal utility has been demonstrated;
- The resources required to complete the project are available.
- Development costs that do not meet the above criteria are recognized as expenses in the year in which they are incurred. Capitalized development costs are amortized on a straight-line basis over their useful life between 5 and 10 years.

Patents

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

II.1.3 Property, plant and equipment (IAS 16)

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

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

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

No residual value is used to determine the depreciable base.

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

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes indicate that the carrying amount may not be recoverable. If there is any such indication and if the carrying amounts exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

II.1.4 Leases (IFRS 16)

IFRS 16 "Leases", whose application was mandatory as of January 1, 2019, replaces IAS 17 "Leases" and related interpretations. When entering into a lease with fixed payments, this standard requires the recognition of a liability

in the statement of financial position corresponding to the discounted future payments, in exchange for rights-of-use to the asset depreciated over the term of the contract.

The Group applied the so-called “modified retrospective” transition method by which a liability is recognized at the transition date equal to only the discounted residual rents, in exchange for a right-of-use amount adjusted for the amount of rents paid in advance or recorded as accrued expenses, and the costs of refurbishment. In line with the various simplification approaches provided for by the standard, the Group has excluded leases with a residual term of less than twelve months.

Leases include offices and warehouses, production lines and industrial equipment, vehicles and IT equipment.

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

II.1.5 Inventories (IAS 2)

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

The valuation of finished products comprises the following items:

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

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

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

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

For each category, the rule consists of:

- Calculating the rotation of the products concerned. This gives the number of days since an article within a reference was last consumed;
- Only products that have not been rotated for more than six months may be subject to a provision for impairment.
 - a. Among these, the following items are excluded from the calculation of the provision, namely: Products for which there is a firm order or a 90% chance of a business opportunity that would cover at least 50% of the inventory quantities,
 - b. Products subject to refurbishing or reworking in order to sell the products in question,
 - c. Innovative products for future product ranges.

Reference products that have not been rotated over the last six months and whose use cannot be proven on the basis of sales forecasts or refurbish/rework to be used in sales forecasts, are subject to a provision for impairment calculated as follows:

- 50% of the gross value for assets that have not been rotated for more than six months;
- 80% of the gross value for assets that have not been rotated for more than 12 months;
- 100% of the gross value for assets that have not been rotated for more than 18 months;
- 100% of the gross value for assets that have never been rotated.

II.1.6 Financial assets, receivables and other current assets (IFRS 9)

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

IFRS 9 replaces the “incurred losses” model in IAS 39 with the “expected credit losses” model.

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

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

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

II.1.7 Financial instruments (IFRS 9)

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

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

Derivative financial instruments consist of forward foreign exchange contracts.

The management of financial risks by the SES-imagotag Group (interest rate risk, foreign exchange risk, counterparty risk and liquidity) is described in Note 31 to this document.

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

II.1.8 Forward purchases

The SES-imagotag Group has opted for cash flow hedge accounting for its forward purchases.

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

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

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

- The hedging ratio of the hedging relationship is equal to the ratio between the amount of the hedged item that is actually hedged by the entity and the amount of the hedging instrument that the entity actually uses to hedge that amount of the hedged item.

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

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

II.1.9 Cash and cash equivalents

Cash and cash equivalents include:

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

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

Term deposit accounts are recognized at amortized cost.

II.1.10 Treasury shares (IAS 32)

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

Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. The consideration paid or received must be recognized directly in equity.

II.1.11 Provisions (IAS 37)

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

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

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

II.1.12 Stock option plans and allocation of bonus shares (IFRS 2)

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

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

Changes in values subsequent to the grant dates have no impact on the initial valuation of the options; the number of options taken into account to value the plans is adjusted at each closing date to take into account the presence of the beneficiaries and the achievement of internal performance conditions for the purposes of vesting periods.

The valued benefit is equivalent to compensation paid to the beneficiaries, which is therefore recognized in employee benefits expense on a straight-line basis over the vesting period, with a corresponding adjustment in shareholders' equity.

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

The fair value of the bonus shares granted corresponds to the value of the share on the day of the grant less the assumption of a dividend distribution during the vesting period. The overall plan expense corresponds to the estimated fair value multiplied by the number of shares granted over the vesting periods envisaged in the plan, multiplied by the probability of achieving the performance objectives.

II.1.13 Employee benefits (revised IAS 19)

Retirement benefits

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

The calculation is made in accordance with the revised version of IAS 19, using the projected unit credit method. Under this method, entitlements are allocated to periods of service according to the plan's vesting formula, taking into account a linearization effect when the rate of entitlement is not uniform over the course of the subsequent periods of service.

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

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

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

II.1.14 Deferred taxes (IAS 12)

Deferred taxes result from temporary differences between the carrying amount and tax value of assets and liabilities in the statement of financial position. In accordance with IAS 12 "Income Taxes", they are accounted for using the liability method, based on the future tax rates adopted at reporting date on December 31, 2020.

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

II.1.15 Research tax credit (IAS 20)

The research tax credit is a tax incentive similar to a subsidy. It therefore falls within the scope of IAS 20. According to this standard, the research tax credit must be allocated according to whether research expenditure is recognized as an asset (recognition as intangible assets according to IAS 38) or in profit or loss.

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

II.1.16 Translation of foreign currency items

The consolidated financial statements at December 31, 2020 were prepared in euros, which is the parent company's functional currency.

Each Group entity determines its own functional currency and the items included in the financial statements of each entity are measured using this functional currency.

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

Foreign currency transactions recognized in the income statement are translated at the exchange rate prevailing on the transaction date, with the exception of transactions for which the Company has hedges (USD). These are recognized at the hedging rate. Monetary items expressed in foreign currencies, recognized in the statement of financial position, are translated at the exchange rate prevailing at the reporting date, with the exception of debts denominated in USD which are translated at the hedge rate. The resulting exchange differences are recorded in the income statement.

Conversion of foreign subsidiaries' financial statements

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

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

II.1.17 Earnings per share

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

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

II.1.18 Revenue from contracts with customers (IFRS 15)

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

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

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

- When the Group is in charge of installing the label systems, revenue is recognized when the system becomes operational. At the reporting date, installations invoiced but not completed give rise to the recognition of deferred income; installations completed but not invoiced give rise to the recognition of an invoice to be prepared;
- When the Group only delivers the labels, revenue is recognized when the goods are taken over by the carrier or freight forwarder (in the case of FOB sales), and when the goods are received by the customer (in the case of DAP sales) or as soon as the goods are made available at the collection point provided for in the contract (in the case of EXW sales);
- The training is invoiced and recognized when the service is provided, independently of the delivery of the labels;
- Transport costs are invoiced simultaneously with the invoicing of the labels, and the related revenue is recognized in the same way as the main service (delivery of the labels);
- Annual flat-rate discounts granted to customers are deducted from revenue;
- Maintenance contracts are billed in advance for periods of three to six months. Deferred income is recognized to cancel the revenue related to the following fiscal year on a pro rata basis;
- In certain cases, the Group may be required to perform research and development engineering services.

The related revenue is recognized when the service is completed and the performance obligation is met.

- Costs corresponding to specific developments incurred in connection with the acquisition of new customer contracts are recognized as expenses in the year in which they are incurred, except for those meeting the following criteria:

- These are incremental costs specific to obtaining certain new contracts,
- These costs are essential to meeting the needs expressed by the customer.

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

Principal or Agent

The Group has conducted an analysis of the nature of its relationships with its customers in order to determine whether it is acting as a principal or as an agent in the performance of the contract or part of the contract when the Group sells equipment, software or services. In the current framework, the Group uses the concepts of risks and rewards as its main criteria to determine whether it is acting as a principal or an agent, and in particular contractual liability vis-à-vis the customer, liability for credit risk, contractual liability vis-à-vis suppliers and the added value provided to the services or products of suppliers. Under IFRS 15, the Group is considered to be acting as principal since it controls the goods or services before transferring them to its customer.

II.1.19 Operating segments (IFRS 8)

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

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

II.2 Highlights of the year

An unprecedented health and economic context: the Covid-19 crisis has reduced our growth and stretched our margins by weighing more heavily on regions in Europe where we have the best penetration of innovative solutions and value-added services. To cushion this temporary shock, we reduced our operating expenses, which partially mitigated the negative impact of the crisis on our profitability.

The other direct impact of this crisis is the increase in working capital requirement, mainly due to the slowdown or postponement of certain deployments.

New loan guaranteed by the State

In order to further strengthen the Group's liquidity, the Company drew down up to 90% of a loan guaranteed by the French State (PGE), with a one-year maturity and an option to extend it up to an additional five years. It was taken out from lending institutions for a total of €30 million.

II.3 Subsequent events

None

II.4 Notes to the Consolidated Financial Statements

Notes to the Statement of Financial Position – assets and liabilities

Note 1 – Intangible assets

Gross non-current assets	At beginning of period	Increase	Item-to-item transfer	Decrease	At the reporting date
Goodwill	51,274	—	—		51,274
Research and development	40,504	1,525	9,095		51,124
Concessions, patents, and similar rights	40,240	6	4,056		44,301
Intangible assets in progress	21,287	18,473	-13,151		26,609
TOTAL	153,305	20,004	—	—	173,308

At December 31, 2020, the amount of goodwill could be broken down as follows:

- SES-ESL merger: €12.6 million;
- Acquisition of SES-imagotag GmbH: €13.4 million;
- Acquisition of Pervasive Displays Inc (PDi): €18.3 million;
- Acquisition of Findbox (now Captana GmbH): €6.7 million;
- Acquisition of Market Hub: €0.3 million.

Research and development expenses represent the cost of research and innovation expenses incurred by the Group and which have made it possible to improve and diversify our product offering.

The transfer from one item to another during the year mainly corresponds to the capitalization of research and development expenses incurred as part of the ongoing development of the Jeegy Cloud software and new product references in the VUSION range, as well as the launch of the Adshelf program.

In addition, part of the Group's information systems and IT infrastructure development projects was completed and activated for an amount of €4,482 thousand.

Intangible assets in progress correspond to expenses incurred in connection with marketable research and development projects, development of the Group's IT infrastructure as well as expenses incurred for the filing of patents for which the grant has not yet been obtained as of December 31, 2020.

The increase in assets in progress over the period is due to the following:

- Research and development expenses for an amount of €9,819 thousand;
- Development and restructuring expenses for the Group's IT infrastructure and its software for an amount of €8,654 thousand.

Amortization and depreciation	At beginning of period	Additions	Item-to-item transfer	Reversal	At the reporting date
Research and development	35,326	5,596	-8		40,914
Concessions, patents, and similar rights	13,792	3,271	8		17,071
TOTAL	49,118	8,867	—		57,985

Note 2 - Property, plant and equipment

Gross non-current assets	At beginning of period	Increase	Item-to-item transfer	Decrease	At the reporting date
Buildings and fixtures	2,323	361	43	-57	2,670
Machinery, equipment and tools	21,891	824	—	-1,961	20,754
Other property, plant and equipment and construction work-in-progress	6,618	8,395	-43	-17	14,953
TOTAL	30,833	9,579	—	-2,035	38,376

The increase in property, plant and equipment during the year is mainly explained by the following:

- Work relating to fixtures at facilities in France and in Austria for a total of €358 thousand;

- The purchase of tools and industrial equipment installed on the new production lines for an amount of €824 thousand;

The delivery of label systems to customers under rental contracts for an amount of €7,890 thousand, of which €593 thousand is in the process of being installed.

Amortization and depreciation	At beginning of period	Additions	Reversal	At the reporting date
Buildings and fixtures	1,627	346	-48	1,925
Machinery, equipment and tools	12,795	2,950	-1,895	13,850
Other property, plant and equipment	1,500	2,375	6	3,880
TOTAL	15,922	5,671	-1,937	19,655

- Right-of-use

Gross non-current assets	At beginning of period	Increase	Decrease	At the reporting date
Facilities and fixtures	7,394	1,546	-4,124	4,816
Production lines and industrial equipment	14,003	724	0	14,727
Vehicles and other property, plant and equipment	1,448	615	-675	1,388
TOTAL	22,845	2,885	-4,799	20,931

Amortization and depreciation	At beginning of period	Increase	Decrease	At the reporting date
Facilities and fixtures	1,411	1,865	-2,147	1,129
Production lines and industrial equipment	1,543	3,366	0	4,909
Vehicles and other property, plant and equipment	506	566	-396	676
TOTAL	3,460	5,797	-2,543	6,714

The increase in right-of-use assets during the year is mainly explained by the following:

- The upward adjustment of the right-of-use related to the exclusivity contract signed with BOE Chongqing, following the full payment of this contract in 2020 (cancellation of the discounting effect). This right-of-use continues to be amortized over a period of 4.5 years;
- The renewal of facilities in various subsidiaries, mainly in Italy, Germany, the United States and Taiwan, as well as the leasing of new offices in China, Canada and Taiwan;

- The renewal of the vehicle fleet in France and in the subsidiaries.

The decrease in right-of-use assets is mainly explained by the following:

- The end of two commercial leases in France at the end of the year for a use value of €3,334 thousand;

Note 3 – Financial assets

Financial assets	At beginning of period	Increase	Decrease	At the reporting date
Deposits and guarantees	598	283	-95	786
Other loans	432	45	-2	475
Miscellaneous	25	0	-25	1
TOTAL	1,055	328	-122	1,262

Note 4 - Inventories

Inventory position	Dec. 31, 2020	Dec. 31, 2019
Raw material inventory	16,132	11,836
Finished product inventory	82,511	30,400
Merchandise inventory	12,692	30,578
Impairment of inventory	-5,328	-4,740
TOTAL	106,007	68,074

The increase in the level of inventories at December 31, 2020 compared to December 31, 2019 is mainly due to the changeover to maritime shipping, which is less costly, from air transportation. The time taken to transport goods to warehouses increases by approximately ten weeks.

Note 5 - Trade receivables

Statement of trade receivables (€k)	Dec. 31, 2020	Dec. 31, 2019
Gross trade receivables	87,565	83,049
Provision for impairment	-404	-476
Customers – invoices to be prepared	39	267
TOTAL	87,201	82,839

Under the current deconsolidating factoring agreement with the French entity, the total amount of deconsolidated trade receivables amounts to €6.7 million, of which €4.2 million has already been repaid. The amount of sold receivables not repaid as of December 31, 2020 thus amounts to €2.5 million.

Note 6 – Other current receivables and current tax receivables

Current tax receivables amounted to €3,982 thousand as of December 31, 2020 compared to €3,554 thousand the previous year, and mainly correspond to the research tax credit and CICE receivables obtained in 2016, 2017, 2018, 2019 and 2020 for €3,047 thousand. These will be charged against future current tax liabilities or reimbursed as of January 1, 2021.

Statement of other current receivables (€k)	Dec. 31, 2020	Dec. 31, 2019
Tax receivables	1,254	8,780
Social security receivables	51	69
Supplier advances and deposits	65	194
Trade payables – Credit notes to be received	5,414	3,052
Financial instruments		0
Other current receivables	1,231	909
Prepaid expenses	716	1,224
TOTAL	8,732	14,227

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

Credit notes receivable from our main suppliers of finished products and components were recognized for an amount of €5,203 thousand compared to €2,088 thousand at December 31, 2019.

Prepaid expenses relate to the Company's current operating expenses invoiced but relating to 2021.

Note 7 – Cash and cash equivalents

Available cash and cash equivalents (€k)	Dec. 31, 2020	Dec. 31, 2019
Marketable securities	14	15
Cash and cash equivalents – account receivables	88,590	73,093
TOTAL	88,605	73,108

Note 8 – Capital

Share capital transactions	Number	Nominal value in €	Capital
Shares at beginning of period	15,758,108	2	31,516,216
Shares issued	0	2	0
Shares at reporting date	15,758,108	2	31,516,216

There were no stock options exercised during the year.

At December 31, 2020, the Company held a total of 6,300 treasury shares, all relating to the liquidity contract renewed during 2014. Treasury shares are deducted from equity in accordance with IAS 32.

Note 9 – Other equity instruments

Stock option subscription plans and granting of bonus share

Granting of stock options

At December 31, 2020, two stock option subscription plans were in progress, namely:

As part of the authorization by the EGM of March 1, 2012,

- The 2014 Plan (first tranche) on April 3, 2014 and matured on April 3, 2021.

As part of the authorization by the EGM of March 21, 2014,

- The 2014 Plan (second tranche) on October 23, 2014 and maturing on October 23, 2021.

The table below presents the information relating to the share subscription options applicable at December 31, 2020:

Plan	Number of notified options	Number of options remaining in circulation net of options exercised or delisted
Apr. 3, 2014	43,000	0
Oct. 23, 2014	33,150	3,600
	76,150	3,600

At December 31, 2020, the number of share subscription options in force, which give entitlement to the subscription of a total number of 3,600 shares, represents 0.02% of the share capital and voting rights of SES-imagotag after dilution.

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

- The definitive vesting of the shares is subject to the presence of the beneficiary and provided for as follows: In 2022: Delivery of Tranche 1 shares in 2022 if the performance conditions are met (Target 2020);
- In 2023: Delivery of Tranche 2 shares in 2023 if the performance conditions are met (Target 2021);
- In 2024: Delivery of Tranche 3 shares in 2024 if the performance conditions are met (Target 2022);
- In 2025: Delivery of Tranche 4 shares in 2025 if the performance conditions are met (Target 2023).

For bonus shares delivered from 2022 to 2025 (Target 2020 to Target 2023), the bonus shares will not be subject to any lock-up period from the date of delivery of the shares (given the two-year period between granting and vesting).

Note 10 - Non-current provisions

Type of non-current provisions (€k)	At beginning of period	Additions	Reversal used	Reversal not used	At the reporting date
Provisions for returned merchandise	80	186	-98		168
Provisions for refurbishing rented assets	739			-261	478
Other provisions for risks	852	70	-822		100
TOTAL	1,671	256	-920	-261	746

The provision for risk recorded at December 31, 2019 in the context of a dispute with a supplier for an amount of €709 thousand was fully reversed during the fiscal year. The Company paid the amounts claimed, fully covered by the provision. The dispute was closed on December 31, 2020.

The decrease in provisions for the refurbishment of leased assets recognized as part of the application of IFRS 16 relates to the termination of the parent company's lease in France at the end of the second three-year period and consideration was recognized as property, plant and equipment for €261 thousand.

Note 11 – Borrowings and lease liabilities

Borrowings are recorded at amortized cost using the effective interest rate method

Borrowings (€k)	At beginning of period	+	-	At the reporting date
Bond issues	49,345	118		49,463
Other loans from credit institutions	6,428	30,260	-1,391	35,297
Current and non-current lease liabilities	20,712	2,161	-18,676	4,196
TOTAL	76,485	32,538	-20,068	88,956

At December 31, 2020, the Group complies with the consolidated leverage ratio, which refers to the ratio between net financial debt and EBITDA less than 3.5. The impact of the recognition of the lease liability following the application of IFRS 16 on January 1, 2019, is excluded from the definition of financial debt, for the purpose of calculating covenants.

To further strengthen the Group's liquidity, the Company drew down up to 90% of a loan guaranteed by the French

State (PGE), with a one-year maturity and an option to extend it up to an additional five years. It was taken out from lending institutions for a total of €30 million.

In addition, the increase in rental liabilities corresponds to the signing of new commercial leases for an amount of €1,546 thousand and new vehicle leases for an amount of €615 thousand.

Borrowings and lease liabilities (€k)	Dec. 31, 2020	Less than 1 year	1 to 5 years	More than 5 years
Borrowings	84,500	3,467	81,032	
Advances from banks	260	260		
Current and non-current lease liabilities	4,196	1,323	2,873	
TOTAL	88,956	5,051	83,905	—

Note 12 – Other non-current liabilities

Type of provisions (€k)	Dec. 31, 2020	Dec. 31, 2019
Other borrowings – additional prices and put options on non-controlling interests	2,675	3,091
Research tax credit	1,562	1,705
Other operating grants	—	8
TOTAL	4,237	4,804

The change in other non-current liabilities is mainly due to the following transactions:

Additional prices and put options on acquisitions of non-controlling interests in subsidiaries	Dec. 31, 2020	Dec. 31, 2019	Change during the period
Put option on non-controlling Findbox interest	504	620	-116
Put option on non-controlling Market Hub interest	1,700	2,000	-300
Earn out PDi	471	471	0
TOTAL	2,675	3,091	-3,851

Findbox (renamed Captana GmbH): Put option on the 33% non-controlling interest in connection with the acquisition of Captana GmbH, which was the subject of an addendum signed in January 2019 on the payment terms. A new payment was made in January 2020 for €116 thousand. The balance will be paid in 2021 for €504 thousand;

Market Hub: At December 31, 2020, the estimated fair

value of the put option on the 40% non-controlling interest in the context of the acquisition of Market Hub was maintained at €2,000 thousand. A deposit of €300 thousand was paid in August 2020.

PDi: Earn out on the acquisition of PDi, which was the subject of a firm and definitive agreement in September 2018.

Note 13 – Trade payables

Trade payables (€k)	Dec. 31, 2020	Dec. 31, 2019
Trade payables	47,981	77,400
Trade payables – unbilled	48,794	23,548
TOTAL	96,775	100,948

The amount of unbilled trade payables mainly corresponds to purchases of finished products made in December and in transit to warehouses as at December 31, 2020 by sea.

Note 14 – Other liabilities and accruals

Other liabilities (€k)	Dec. 31, 2020	Dec. 31, 2019
Customer advances and deposits	77,260	11,507
Customer credit notes to issue	910	4,668
Social security, tax and pension commitment liabilities	8,998	14,097
Financial instruments	7,751	1,254
Deferred revenue and other liabilities	5,060	4,571
TOTAL	99,978	36,097

The increase in customer advances and deposits is mainly due to deposits invoiced under major deployment contracts signed at the end of the year in Europe and the United States.

The amount recorded as financial instruments corresponds to the fair value of the instruments subscribed but not used at December 31, 2020.

Notes to the income statement

Note 15 – Revenue

Revenue for the fiscal year breaks down as follows:

Revenue (€m)	Dec. 31, 2020		Dec. 31, 2019	
Metropolitan France	47.1	16%	67.4	27%
Exports	243.2	84%	180.1	73%
TOTAL	290.3		247.5	

Revenue for the fiscal year consists of sales of goods for an amount of €266 million and services provided for an amount of €24.3 million.

Note 16 – Purchases consumed

The amount of purchases consumed comprises the following:

- Consumption of purchases of raw materials and goods;
- Consumption of inventories of finished goods;
- Transport costs and incidental expenses related to these purchases.

Note 17 – External expenses

Other external expenses (€k)	Dec. 31, 2020	Dec. 31, 2019
Variable external expenses	-9,778	-9,745
Subcontracting expenses and recruitment costs	-3,052	-3,279
Travel expenses	-2,722	-5,537
Marketing	-2,138	-2,960
Fees	-3,118	-3,549
IT and telecom fees	-3,910	-2,615
Other external expenses	-852	-1,321
TOTAL	-25,571	-29,005

The decrease in external expenses is explained in particular by the drop in travel and event-related expenses due to restrictions during the health crisis.

Note 18 – Employee benefits expense

Employee benefits expense (€k)	Dec. 31, 2020	Dec. 31, 2019
Employee benefits expense	-29,341	-26,363
Pension obligations	-30	-65
TOTAL	-29,371	-26,428

Note 19 – Additions to provisions

Type of provisions (€k)	At beginning of period	Additions	Reversal used	At the reporting date
Provisions for returned merchandise	80	186	-98	168
Other provisions for risks	852	70	-822	100
Provisions for refurbishing rented assets	739	0	-261 ⁹	478
Provisions for inventories	4,740	3,466	-2,877	5,329
Provisions for trade receivables	476	453	-527	402
Total change in provisions	6,887	4,175	-4,585	6,477
Of which right-of-use impact			-261	
Operating				
Additions/Reversals to provisions		4,175	-3,010	
Other external expenses			-605	
Purchases consumed				
Financial				
Finance expenses			-709	
Income statement total		4,175	-4,324	

The decrease in provisions for the refurbishment of leased assets relates to the termination at the end of the second three-year period for the parent company's facilities in France and consideration was recognized in property, plant and equipment and deducted from the

right-of-use. The amount of €709 thousand recognized in finance income corresponds to the reversal of financial interest provisioned in the context of a supplier dispute. This dispute was closed on December 31, 2020.

⁹ Unused reversal

Note 20 – Detail of other operating income and expenses

Other operating income relates to the net carrying amount following the termination of certain leases re-stated in accordance with IFRS 16, i.e. €420 thousand. Other operating expenses mainly concern the net carrying amount of the damaged assets following the fire at the German subsidiary's warehouse for an amount of €862 thousand.

Note 21 – Other finance income and expenses

Other finance income and expenses (€k)	Dec. 31, 2020	Dec. 31, 2019
Financial instruments	1,808	500
Foreign exchange gains	14,082	6,297
Other finance income	316	279
Reversal of provisions for risks	709	
Total other finance income	16,916	7,075
Bank interest expenses	-2,410	-1,952
Interest expense on lease liabilities	-748	-343
Foreign exchange losses	-16,351	-6,489
Other finance expenses	-1,179	-387
Provisions for risks	0	-182
Total other finance expenses	-20,688	-9,354
TOTAL	-3,772	-2,279

At December 31, 2020, the share of finance income from hedging instruments generated income of €1,808 thousand compared to a net income of €500 thousand from the previous year. This is mainly due to the volume of futures contracts consumed over the year, i.e. \$153 million compared to only \$77 million the previous year.

Other finance expenses mainly correspond to the payment of interest in the amount of €715 thousand in connection with the litigation provisioned in the financial statements in previous years, and for which the provision was reversed for an amount of €709 thousand over the year.

Note 22 – Income tax and deferred taxes

Income tax and deferred taxes (€k)	Dec. 31, 2020	Dec. 31, 2019
Deferred taxes	1,860	3,881
Tax liabilities	-688	-102
Income tax expense	1,172	3,779

Amount of deferred taxes (€k)	Dec. 31, 2020	Dec. 31, 2019
Tax loss carry-forwards	15,969	12,467
Temporary differences	965	1,652
Total deferred tax assets	16,934	14,119
Amortization of technologies	1,925	2,133
Capitalization of R&D expenses	2,838	1,909
Temporary differences	374	273
Financial instruments	240	84
Total deferred tax liabilities	5,377	4,400

Proof of tax	€k
Applicable tax rate in France	28.00%
Net profit (loss)	-7,643
Theoretical tax	2,468
Tax reported	1,172
Difference	-1,296
Impacts:	
Permanent differences	-1,069
Other – tax rate differences	-227
TOTAL	-1,296

Deferred tax assets relating to tax loss carryforwards concern all Group companies, with the exception of Captana GmbH, Market Hub and BOE Digital Technology Co. Ltd. where the recoverability of tax losses is expected within five years.

The deferred tax liabilities relating to the technologies identified as a result of the goodwill allocation work break down as follows:

- Pervasive Displays Inc: €842 thousand;
- Captana GmbH: €437 thousand;
- SES-imagotag GmbH: €645 thousand.

Note 23 - Net profit (loss) - Earnings per share

The net loss for the year amounted to **-€7,643 thousand**. Effect of potential dilution on share capital

Instruments	Number	Effect
Stock options	3,600	0.02%
TOTAL	3,600	0.02%

Earnings per share	Dec. 31, 2020 12 months	Dec. 31, 2019 12 months
Profit (loss) attributable to owners of the parent (€k)	-6,878	-12,488
Weighted average number of shares	15,758,108	14,590,795
Earnings per share (€)	-0.44	-0.86

II.5 Other information

Note 24 - Headcount

The headcount on December 31, 2020 breaks down as follows:

Region	Dec. 31, 2020	Dec. 31, 2019
France	198	201
International	282	290
TOTAL	480	491

Note 25 - Off-statement of financial position commitments

Commitments made:

- Letter of comfort to Bank Austria (bank of SES-imagotag GmbH): €4,600 thousand for the entire term of the loan;
- Letter of comfort to Sparkasse Freiburg (bank of Capatana GmbH): €750 thousand for the entire duration of the loan;
- Letter of comfort to SES-imagotag GmbH, a wholly-owned subsidiary of the Company;
- Letter of comfort for SES-imagotag Netherlands BV, a wholly-owned subsidiary of the Company;
- Rental payment guarantee of €182 thousand (CIC);
- Guarantee by the French State for the Covid-19 loan: €27 million out of the €30 million loan;
- Rental payment guarantee of €45 thousand (BNP);
- Interest-bearing bank account pledge (CIC);
- Foreign market guarantee for \$20,282 thousand (CIC);

For bonds, the Company undertakes to maintain a consolidated leverage ratio, meaning the ratio between net financial debt and EBITDA of less than 3.5 (excluding the effect of IFRS 16). See Note 11 of this report.

Note 26 - Degree of exposure to market risks

In financial terms, the Company is mainly exposed to currency fluctuations on its purchases in dollars.

In \$k	At Dec. 31, 2020
Hedging portfolio at Dec. 31, 2019	112,000
Purchased in 2020 for hedging in 2020	105,000
Purchased in 2020 for hedging in 2021	112,900
Released in 2020	148,000
Hedging portfolio at Dec. 31, 2020	181,900

Note 27 – Ongoing research and development expenses

Over the fiscal year, research and development expenses were recognized in the statement of financial position under assets in progress.

Note 28 – Compensation of executives and the total amount of pension obligations contracted for them

The gross compensation paid to the Chairman and CEO for the period ended amounted to €434 thousand in respect of his fixed compensation for 2020 and his bonus for 2019.

A contract under the GSC corporate officer unemployment insurance was taken out in 2012 for the Chairman

and CEO. The annual contribution for 2020 amounts to €20 thousand.

This contract includes the basic plan as well as a complementary plan, providing for compensation over a period of 12 months (former plan).

Compensation paid to the Chairman and CEO is detailed as follows:

In €	Dec. 31, 2020	Dec. 31, 2019
Short-term benefits	434,400	461,600
Post-employment benefits	0	0
Other long-term benefits	0	0
End-of-contract compensation	0	0
Share-based payments	0	0

Note 29 – Transactions with related parties

The related parties identified by the Group are:

- Group shareholders holding more than 10% of the share capital,
- Members of the Board of Directors.

SES-imagotag Group carried out the following transactions during 2020 with its majority shareholder BOE Smart Retail (Hong Kong) Co. Limited, or companies related to this company:

- \$169.4 million in purchases with Chongqing BOE Smart Electronic Systems Co. Ltd relating to a supply and industrial subcontracting agreement (Master Service Agreement);
- €0.01 million in sales of labels with BOE Digital Technology Co. Ltd.

Note 30 – Statutory Auditor fees

The expense recorded for the fees paid to the Statutory Auditor amounted to €535 thousand for the certification of the consolidated and individual financial statements and €55 thousand for services other than the certification of the financial statements and can be broken down as follows:

In €k	Deloitte Amount	KPMG Amount	Total Amount
Fees paid for the certification of the consolidated and individual financial statements			
– Issuer	217	247	464
– Subsidiaries	39	32	71
Services other than the certification of financial statements ¹⁰			
– Issuer	14	29	43
– Subsidiary	—	12	12
TOTAL	270	320	590

Note 31 – Credit, liquidity and cash flow risks

Liquidity risk

In order to manage the liquidity risk that may result from the repayment of financial liabilities, whether at their contractual maturity or in advance, the Group implements a prudent financing policy based, in particular, on the investment of its available surplus cash in risk-free financial investments. All marketable securities consist of term deposits.

Credit risk

- The financial assets that could, by their nature, expose the Group to credit or counterparty risk mainly correspond to: For trade receivables: customer acceptance procedures and the related credit risk ana-

lyses are fully integrated into the overall risk assessment process implemented by the Group. This risk is monitored daily through the collection and recovery process. In addition, the high number of individual customers minimizes the risk of credit concentration on trade receivables;

- And financial investments: the Group's policy is to spread its investments over short-term money market instruments, generally for a period of less than one month, in compliance with the rules of diversification and counterparty quality. The carrying amount of financial assets recognized in the financial statements, which is presented net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group does not hold any significant financial assets that are outstanding and not impaired.

¹⁰ For KPMG, services other than the certification of the financial statements concern the verification of the Group's Non-Financial Performance Report, as well as tax compliance and assistance in the review of transfer pricing reports for the subsidiary Pervasive Displays Inc.

II.6 Scope of consolidation

Company name	Registered office	Consolidation method ¹¹	% controlled at Dec. 31, 2020	Share % at Dec. 31, 2020	Share % at Dec. 31, 2019
SES-imagotag SA	Nanterre (France)	(parent)	(parent)	(parent)	(parent)
SES-imagotag Pte Ltd	Singapore	FC	100	100	100
SES-imagotag Mexico srl. de cv	Mexico	FC	99	99	99
SES-imagotag Italia Srl.	Italy	FC	100	100	100
SES-imagotag Gmbh	Austria	FC	100	100	100
Solutions Digitales SES-imagotag Ltée	Canada	FC	100	100	100
Market Hub Technologies Ltd	Ireland	FC	60	60	60
SES-imagotag INC.	United States	FC	100	100	100
SES-imagotag Netherlands BV	The Netherlands	FC	100	100	100
SES-imagotag Denmark Aps.	Denmark	FC	100	100	100
SES-imagotag Iberia S.L	Spain	FC	100	100	100
Captana GmbH	Germany	FC	100	100	100
Pervasive Displays Inc	Taiwan	FC	100	100	100
BOE Digital Technology Co. Ltd.	China	FC	51	51	51
SES-imagotag Pdi Digital	Austria	FC	70	70	N/A ¹²
Companies not consolidated because their activities did not have a significant impact during the fiscal year					
SES-imagotag Hong Kong Ltd.	Hong Kong		100	100	100

11 FC: Full consolidation

12: The Company was held at 70% on December 31, 2019 but not consolidated because the activity was not significant for 2019.

6.2 Separate financial statements for the year ended December

6.2.1 Annual financial statements

Assets

€k	Year ended Dec. 31, 2020 (12 months)			Year ended Dec. 31, 2019 (12 months)
	Gross	Amort./Depr. & prov.	Net	Net
Research and development expense	37,046	29,443	7,603	5,639
Concessions, patents, and similar rights	34,199	17,653	16,546	14,162
Goodwill	12,639		12,639	12,639
Exclusivity right	14,727	4,909	9,818	13,091
Intangible assets in progress	19,205		19,205	15,321
Buildings	2,009	1,184	825	848
Machinery, equipment and tools	4,043	2,897	1,146	658
Other property, plant and equipment	11,933	3,359	8,574	2,309
Property, plant and equipment in progress	529		529	1,429
Equity securities	82,884		82,884	74,599
Receivables from equity interests	13,774		13,774	13,049
Loans	475		475	431
Other financial investments	395		395	394
NON-CURRENT ASSETS	233,858	59,445	174,413	154,568
Raw materials, supplies	15,018	1,793	13,225	9,517
Intermediate and finished products	65,535	1,603	63,932	16,690
Merchandise	8,633	803	7,830	23,937
Advances and deposits paid on orders			0	0
Trade receivables	94,134	168	93,966	121,356
Other receivables	28,321		28,321	60,706
Marketable securities	214		214	300
Cash and cash equivalents	65,853		65,853	54,586
Prepaid expense	642		642	697
CURRENT ASSETS	278,350	4,367	273,983	287,789
Unrealized foreign exchange losses	3,365		3,365	1,410
TOTAL ASSETS	515,573	63,813	451,760	443,767

Liabilities

€k	Year ended Dec. 31, 2020 (12 months)	Year ended Dec. 31, 2019 (12 months)
Share or individual capital (of which paid-up: 31,516)	31,516	31,516
Issue, merger and acquisition premiums	128,447	128,447
Statutory reserves	2,604	2,604
Retained earnings/accumulated losses	5,495	22,681
Profit (loss) for the period	-11,923	-17,187
EQUITY	156,139	168,062
Provisions for risks	3,465	2,232
Provisions for expenses	0	
PROVISIONS FOR RISKS AND EXPENSES	3,465	2,232
Bond issues	50,000	50,000
Borrowings and debt from credit institutions	32,610	3,358
Various financial borrowings and debt	53,353	43,116
Advances and deposits received on orders in progress	17,870	2,538
Trade payables	112,626	116,931
Tax and social security contribution payables	6,498	9,144
Other payables	16,399	46,323
Deferred income	1,071	831
BORROWINGS AND DEBT	290,427	272,241
Unrealized foreign exchange gains	1,728	1,232
TOTAL LIABILITIES	451,760	443,767

Income statement

€k	Year ended Dec. 31, 2020 (12 months)	Year ended Dec. 31, 2019 (12 months)
Revenue	244,435	198,341
Products in inventory	26,529	2,598
Own work capitalized	2,155	2,995
Reversals of amortization, depreciation and provisions and reallocation of expenses	871	995
Other income	8,911	6,633
Foreign exchange gains on trade receivables and payables	1,370	466
Total operating income	284,272	212,028
Purchases of raw materials and other supplies	-239,794	-191,568
Changes in inventory of raw materials and other supplies	9,400	16,423
Other purchases and external expenses	-30,085	-25,748
Taxes, duties and related payments	-1,046	-786
Wages and salaries	-10,932	-11,333
Social security contribution expenses	-5,087	-5,252
Depreciation & amortization of non-current assets	-10,999	-6,797
Additions to provisions for current assets	-1,372	-1,970
Additions to provisions for risks and expenses	-100	-50
Other expenses	-4,400	-3,770
Foreign exchange losses on trade receivables and payables	-2,524	-148
Total operating expenses	-296,940	-231,000
OPERATING PROFIT (LOSS)	-12,668	-18,972
Income from marketable securities and receivables	1	43
Other interest and related income	1,455	3,976
Reversals of provisions and reallocation of expenses	2,119	1,607
Positive exchange differences	10,602	1,325
Net income from disposals of marketable securities	195	183
Total finance income	14,373	7,133

Income statement (continued)

€k	Year ended Dec. 31, 2020 (12 months)	Year ended Dec. 31, 2019 (12 months)
Financial depreciation, amortization and provisions	-3,365	-1,592
Interest and related expenses	-3,401	-2,187
Negative exchange differences	-6,999	-2,071
Net expenses on disposals of marketable securities	-157	-75
Total finance expenses	-13,922	-5,926
NET FINANCE INCOME (EXPENSE)	451	1,207
CURRENT PROFIT (LOSS) BEFORE TAX	-12,218	-17,765
Exceptional income from management activities		
Exceptional income from capital transactions		
Reversals of provisions and reallocation of expenses		
Total exceptional income	0	0
Exceptional expenses from management activities	-5	-1
Exceptional expenses from capital transactions		
Exceptional depreciation, amortization and provisions		
Total exceptional expenses	-5	-1
EXCEPTIONAL PROFIT (LOSS)	-5	-1
Income tax	300	579
NET PROFIT (LOSS)	-11,923	-17,187

Table of changes in equity

€k	Capital	Issue, merger and acquisition premiums	Statutory reserves	Retained earnings/ accumulated losses and profit (loss)	Total
Equity at Dec. 31, 2018	29,007	96,664	2,604	22,681	150,955
Net profit (loss) for 2019				-17,187	-17,187
Capital increase	2,510	31,783			34,293
Equity at Dec. 31, 2019	31,517	128,447	2,604	5,494	168,061
Net profit (loss) for 2020				-11,923	-11,923
Capital increase					
Equity at Dec. 31, 2020	31,517	128,447	2,604	-6,429	156,139

6.2.2 Notes to the annual financial statements

I. Introduction

The annual financial statements at December 31, 2020 cover a period of twelve months.

The information provided below is an integral part of the annual financial statements for the year ended December 31, 2020, approved by the Board of Directors on March 29, 2021.

Only information of significant importance is mentioned in these notes. Unless otherwise indicated, the data mentioned are presented in thousands of euros.

II. Accounting rules and methods

The annual financial statements for the year ended December 31, 2020 are prepared in accordance with the provisions of the French Commercial Code and the French General Chart of Accounts, as described in Regulation no. 2018-07 of December 10, 2018, modifying Regulation no. 2014-03 of June 5, 2014 of the French Accounting Standards Setter (*Autorité des Normes Comptables* - ANC) on the French General Chart of Accounts.

The general accounting conventions have been applied, according to the principle of prudence, in accordance with the basic assumptions:

- Business continuity;
- Consistency of accounting methods from one fiscal year to another;
- Independence of fiscal years;

and in accordance with the general rules for the preparation and presentation of annual financial statements.

The basic method used to measure the items recorded in the accounts is the historical cost method.

The main methods used are as follows:

1. Intangible assets

Research and development costs are recognized as expenses for the year in which they are incurred, with the

exception of research and development costs for projects meeting the following criteria:

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

These research and development costs are amortized on a straight-line basis over a period of five to ten years. Patents and trademarks are amortized on a straight-line basis over a period of ten to fifteen years and software over a period of two to five years. ERP development costs are amortized on a straight-line basis over ten years.

Costs corresponding to specific developments incurred in connection with the acquisition of new customer contracts are recognized as expenses in the year in which they are incurred, except for those meeting the following criteria:

- These are incremental costs specific to certain new contracts;
- These costs are essential to meeting the needs expressed by the customer.

At the end of each fiscal year, the costs incurred for contracts not obtained are recognized as expenses. Costs incurred for contracts under negotiation at December 31 are recognized as assets in progress. Costs incurred for contracts obtained are capitalized and amortized on a straight-line basis over a period of five years.

The merger of SES-imagotag and SES ESL on May 16, 2007 resulted in an unfavorable variance. In accordance with ANC Regulation no. 2015-06, this unfavorable variance was allocated to the various assets contributed by the contributing company, insofar as the unrealized capital gains recorded per asset are significant.

In this case, the unfavorable variance corresponds, on the one hand, to the patents contributed for €8,025 thousand, and, secondly, to the goodwill for €12,639 thousand.

Impairment tests are carried out at each year-end, if there is an indication of impairment. In this case, the net carrying amount of the asset is compared with its present value at the same date.

In accordance with ANC Regulation no. 2015-06 of November 23, 2015, goodwill is not amortized but is subject to an impairment test once a year. They are allocated to asset groups at the levels of which their performance is monitored. The present value of the asset groups was determined based on value-in-use calculations. The present value is reviewed using the discounted cash flows method, based on outlook for future profit. As a result of these tests carried out during the fiscal year, no impairment was recognized as of December 31, 2020.

On July 1, 2019, the Company signed an exclusivity agreement with the BOE plant located in Chongqing for three production lines of this plant in favor of SES-imagotag for an amount of €14,727 thousand amortized over 4.5 years.

2. Property, plant and equipment

Property, plant and equipment are valued at their acquisition cost (purchase price and ancillary costs excluding

acquisition costs of non-current assets) or at their production cost.

As of January 1, 2005, the parent company financial statements follow the new texts of the Accounting Regulations Committee on the definition and valuation of assets (CRC 2004-06) and the depreciation and impairment of assets (CRC 2002-10 and 2003-07).

Depreciation is calculated according to the useful lives of the assets concerned, on a straight-line basis. If the tax depreciation is different from the economic depreciation, the difference is recognized as accelerated depreciation.

Details of the useful lives used to calculate depreciation:

Type of capital asset	Duration
Fixtures, fittings and facilities	5 to 10 years
Industrial tools	3 to 5 years
Industrial equipment	2 to 5 years
Transportation equipment	4 to 5 years
Office equipment and IT hardware	3 to 10 years
Office furniture	5 to 10 years
Label systems leased	5 years

3. Financial investments

These mainly consist of equity securities and receivables related to these equity interests.

The securities are recorded on the statement of financial position at their acquisition cost. Where applicable, an impairment loss is recognized to reduce this cost to the inventory value.

At each annual closing, management determines the inventory value of the equity securities equal to the value-in-use corresponding to what the entity would agree to pay to obtain this equity interest if it had to acquire it.

Value-in-use is based on cash flow and operating forecasts for the activities of the entities concerned prepared by their operating departments as part of their budgeting process and on the business plans drawn up in the context of equity investments. Receivables from these equity interests are measured on the basis of their recoverable amount.

4. Inventories and work-in-progress

The valuation of inventory components is determined on the basis of their cost price, valued at the weighted average cost.

Work-in-progress corresponds to the manufacturing process for labels that had begun and not completed at the end of the period. They are valued at the cost price of the equipment.

The valuation of finished products consists of the following items:

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

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

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

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

For each category, the rule is:

- a. To calculate the rotation of the products concerned. This gives the number of days since an article within a reference was last consumed;
- b. Only products that have not been rotated for more than six months may be subject to a provision for depreciation;
- c. Among these, products from the current range (VUSION) and those for which their use in the next twelve months before 2022 can be proven are excluded from the calculation of the provision, namely:

- Products for which there is a firm order or a 90% chance of a business opportunity that would cover at least 50% of the inventory quantities,
- Products subject to refurbishing or reworking in order to sell the products in question,
- Innovative products for future product ranges.

Reference products that have not been rotated over the last six months and whose use cannot be proven on the basis of sales forecasts or refurbish/rework to be used in sales forecasts, are subject to a provision for impairment calculated as follows:

- 50% of the gross value for assets that have not been rotated for more than six months;
- 80% of the gross value for assets that have not been rotated for more than 12 months;
- 100% of the gross value for assets that have not been rotated for more than 18 months;
- 100% of the gross value for assets that have never been rotated.

5. Trade receivables

Receivables are valued at their nominal value. A provision is made to account for the risk of non-recoverability at the end of the fiscal year.

Only receivables overdue by more than 90 days and a reason for litigation by the customer are analyzed on a case-by-case basis, according to the following criteria:

- No provision is made for any reason related to a request for additional documentation;
- Projects allowing for the equipment to be recovered are provisioned at 33%;
- Receivables assigned to litigation are provisioned according to the historical recovery ratio (50%);
- Receivables deemed irrecoverable are fully provisioned.

6. Provisions for risks and expenses

In accordance with French Accounting Regulations Committee (*Comité de la Réglementation Comptable* - CRC) Regulation no. 2000-06 relating to liabilities, provisions are recorded for any obligation of the Company to a third party able to be estimated with sufficient reliability and requiring a likely outflow of resources without consideration.

7. Translation of transactions denominated in foreign currencies

Transactions in foreign currencies are initially recorded in euros at the exchange rate prevailing on the date of the transaction. At the reporting date, assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate prevailing on that date. The difference resulting from the conversion of debts and receivables in foreign currencies is recorded in the statement of financial position under "Translation differences". A provision is made for unrealized losses.

8. Revenue recognition

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

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

- When SES-imagotag is in charge of installing the label systems, revenue is recognized when the system becomes operational. At the reporting date, installations invoiced but not completed give rise to the recognition of deferred income; installations completed but not invoiced give rise to the recognition of an invoice to be prepared;
- When SES-imagotag only delivers the labels, revenue is recognized when the control of the labels is transferred to the customer. This transfer may occur when the goods are picked up by the transporter (for FOB sales), upon receipt of the goods by the customer (for DAP sales) or as soon as the goods are made available at the place of collection provided for in the contract (for EXW sales);
- Training is invoiced and recognized when the service is provided, independently of the delivery of the labels;
- Transportation costs are invoiced at the same time as the invoicing of the labels and the related revenue is recognized in the same way as the main service (delivery of labels);
- Annual flat-rate discounts granted to customers are deducted from revenue;
- Maintenance contracts are billed in advance for periods of three to six months. Deferred income is recognized to cancel the revenue related to the following fiscal year on a pro rata basis.

9. Retirement benefits

No provisions are made for retirement benefits. Where applicable, the Company pays all or part of the debt under these commitments to an insurance company.

The unpaid balance is calculated and appears under off-statement of financial position commitments.

10. Foreign exchange gains and losses

In accordance with Regulation no. 2015-05 of July 2, 2015, applicable for fiscal years starting on or after January 1, 2017, foreign exchange gains and losses on trade receivables and payables, previously recognized in finance income, are recognized respectively in operating income and expenses. Foreign exchange gains and losses on financial transactions are recognized in finance income and expenses, respectively.

The provision for foreign exchange losses follows the same classification in the income statement.

III. Highlights of the year

2020 was marked by the effects of Covid-19 which resulted in the closure of a large number of stores during the first half of the year, mainly non-food, as well as the postponement or slowdown of many projects.

To cushion this temporary shock, we reduced our operating expenses, which partially mitigated the negative impact of the crisis on our profitability.

The other direct impact of this crisis is the increase in the working capital requirement, mainly due to the slowdown or postponement of certain deployments.

New loan guaranteed by the French State

In order to further strengthen the Group's liquidity, the Company drew down up to 90% of a loan guaranteed by the French State (PGE), with a one-year maturity and an option to extend it up to an additional five years. It was taken out from lending institutions for a total of €30 million.

Subsequent events

None

IV. Notes to the statement of financial position

Note 1 – Non-current assets

Movements during the year are detailed in the tables below:

Intangible assets

Gross non-current assets (€k)	At beginning of period	Increase	Item-to-item transfer	Decrease	At the reporting date
Research and development	31,687	1,525	3,834		37,046
Concessions, patents, and similar rights	21,692		4,482		26,174
Unfavorable variance for patents	8,025				8,025
Goodwill	12,639				12,639
Exclusivity right	14,727				14,727
Intangible assets in progress	15,321	12,200	-8,316		19,205
TOTAL	104,091	13,725	0	0	117,816

The increase in intangible assets mainly corresponds to:

- €3,834 thousand of R&D expenses relating to a new version of the JEEGY CLOUD software as well as the launch of new labels references in the VUSION range and in the Adshelf program, recognized as intangible assets in progress at December 31, 2019;
- €8,458 thousand of expenses incurred in the implementation of a new integrated management software

as well as the development of IT infrastructure. In addition, some of the Group's IT infrastructure and information system development projects were completed and activated for an amount of €4,482 thousand;

- €3,604 thousand of costs of research and development projects recognized as assets in progress.

Amortization (€k)	At beginning of period	Additions	Decrease	At the reporting date
Research and development	26,047	3,396		29,443
Concessions, patents, and similar rights	7,531	2,097		9,628
Unfavorable variance for patents	8,025			8,025
Exclusivity right	1,636	3,273		4,909
TOTAL	43,239	8,766	0	52,005

Property, plant and equipment

Gross non-current assets (€k)	At beginning of period	Increase	Item-to-item transfer	Decrease	At the reporting date
Buildings and fixtures	1,769	86	153		2,008
Machinery, equipment and tools	3,294	4	746		4,044
Other property, plant and equipment	3,959	74	7,900		11,933
Property, plant and equipment in progress	1,429	7,899	-8,799		529
TOTAL	10,451	8,063	0	0	18,514

The increase in other property, plant and equipment mainly corresponds to the value of goods delivered to customers under leases for a total amount of €7,134 thousand.

Property, plant and equipment in progress correspond in part to goods delivered to customers but whose installation has not been completed by December 31, 2020.

Amortization (€k)	At beginning of period	Additions	Reversal	At the reporting date
Buildings and fixtures	921	264		1,185
Machinery, equipment and tools	2,636	261		2,897
Other property, plant and equipment	1,650	1,709		3,359
TOTAL	5,207	2,234	0	7,441

Financial investments

Financial assets (€k)	At beginning of period	Increase	Decrease	At the reporting date
Equity securities	74,599	8,285		82,884
Receivables from equity interests	13,049	871	-146	13,774
Other financial investments	824	53	-7	870
TOTAL	88,472	9,209	-153	97,528

The change in the amount of equity securities corresponds to:

- the capital increase of Captana GmbH for €7,659 thousand through the incorporation of a current account;

- the payment of an advance on the earn-out payment for the investment in Market Hub for an amount of €300 thousand;

- the payment of €326 thousand in capital reserves of the joint venture Pdi Digital GmbH.

Note 2 - Inventories

Statement of inventories (€k)	Dec. 31, 2020	Dec. 31, 2019
Raw material inventory	15,018	10,674
Finished product inventory	65,535	17,622
Merchandise inventory	8,633	24,961
Impairment of inventory	-4,200	-3,113
TOTAL	84,986	50,144

The increase in the level of inventories at December 31, 2020 compared to December 31, 2019 is mainly due to the changeover to maritime shipping, which is less cost-

ly, from air transportation. The time taken to transport goods to warehouses increases by approximately ten weeks.

Note 3 - Provisions for risks and expenses

Type of provisions (€k)	At beginning of period	Additions	Reversal used	Not used	At the reporting date
Provision for foreign exchange losses	1,410	3,365	-1,410		3,365
Other provisions for risks	822	100	-822		100
TOTAL	2,232	3,465	-2,232	0	3,465

Provisions for risks are set aside to take risks existing at the reporting date into account.

The provision for risk recorded at December 31, 2019 in the context of a dispute with a supplier for an amount of

€709 thousand was fully reversed during the fiscal year. The Company paid the amounts claimed, which were fully covered by the provision. The dispute was closed on December 31, 2020.

Note 4 – Receivables and payables Statement of trade receivables

Statement of trade receivables (€k)	Dec. 31, 2020	Dec. 31, 2019
Receivables from equity interests	13,774	13,049
Loans and other financial investments	870	824
Trade receivables	94,134	121,640
Social security receivables	30	111
Tax receivables	4,502	4,709
Current accounts and accrued interest	13,849	45,164
Suppliers – Credit notes to be received and other receivables	9,941	10,720
Prepaid expenses	642	697
TOTAL	137,740	196,915

Statement of maturities of receivables (€k)	Total amount	Less than 1 year	From 1 to 5 years	More than 5 years
Receivables from equity interests	13,774		13,774	
Loans and other financial investments	870		870	
Trade receivables	94,134	94,134		
Social security receivables	30	30		
Tax receivables	4,502	2,069	2,433	
Current accounts and accrued interest	13,849	13,849		
Suppliers – Credit notes to be received and other receivables	9,941	9,941		
Prepaid expenses	642	642		
TOTAL	137,740	120,663	17,077	

Receivables from equity interests mainly consist of long-term advances granted by the Company to the subsidiaries SES-imagotag GmbH, Pervasive Displays and Solutions Digitales Ltée.

Tax receivables mainly correspond to VAT receivables on purchases and the research tax credit, for which the first refunds were obtained in December 2020.

Decrease in current account receivables mainly concerns the subsidiary SES-imagotag GmbH for €27.2 million and the subsidiary Captana GmbH for €7.7 million following the capital increase by incorporation of current accounts carried out on December 31, 2020.

Credit notes to be received and other receivables correspond mainly to credit notes obtained from our main suppliers of finished products and components, recognized for an amount of €5,203 thousand compared to €2,088 thousand as of December 31, 2019. In 2019, an inter-company credit was recognized for €6,999 thousand.

Statement of payables

Amount (€k)	Dec. 31, 2020	Dec. 31, 2019
Bond issues	50,000	50,000
Borrowings and debt from credit institutions	32,610	3,358
Other financial payables	53,353	43,116
Advances and deposits received on orders in progress	17,870	2,538
Trade payables	112,626	116,931
Social security and related payables		
. Employees	1,936	1,950
. Social security bodies	1,530	1,545
Corporate income tax	3,032	5,194
Other related taxes and duties		454
Credit notes to issue and other liabilities	16,399	46,323
Deferred income	1,071	831
TOTAL	290,427	272,241

Statement of maturities of payables (€k)	Total amount	Less than 1 year	From 1 to 5 years	More than 5 years
Bond issues	50,000		50,000	
Borrowings and debt from credit institutions	32,610	1,040	31,570	
Other financial payables	53,353	57	53,296	
Advances and deposits received on orders in progress	17,870	17,870		
Trade payables	112,626	112,626		
Social security and related payables				
. Employees	1,936	1,936		
. Social security bodies	1,530	1,530		
Corporate income tax	3,032	3,032		
Other related taxes and duties	0			
Credit notes to issue and other liabilities	16,399	16,399		
Deferred income	1,071	1,071		
TOTAL	290,427	155,561	133,969	0

In order to further strengthen the Group's liquidity, the Company drew on a loan guaranteed by the French State (PGE) for up to 90%, with a maturity of one year and an extension option of up to an additional five years, taken out with credit institutions for a total amount of €30 million.

The amount of other financial payables corresponds to inter-company current account payables, mainly with the Austrian subsidiary for an amount of €53.3 million. This amount is part of a centralized cash flow agreement.

The amount of credit notes to issue and other debts is mainly explained by:

- The balance of the share capital of the joint venture in China for an amount of €4.1 million;
- Inter-company credit notes to issue in the amount of €10.9 million;
- The last tranche due in connection with the acquisition of Captana GmbH for €500 thousand in 2021.

Note 5 - Accrued income

Amount (€k)	Dec. 31, 2020	Dec. 31, 2019
Financial investments - accrued interest	78	147
Customers - invoices to be prepared	8,911	11,592
Accrued interest on current accounts	319	190
TOTAL	9,307	11,929

The amount of invoices to prepare corresponds to the different bills for management fees and patent royalties

within the Group for 2020 and total €8,911 thousand.

Note 6 - Accrued expenses

Amount (€k)	Dec. 31, 2020	Dec. 31, 2019
Credit institutions	6	7
Trade payables - unbilled	61,418	33,025
Estimated liabilities for paid leave	936	975
Other employee benefits expense	882	954
Social security contributions for paid leave	412	429
Other social security contribution payables	737	288
Other accrued expenses to pay to the State	609	393
Credit notes to issue	11,753	21,489
TOTAL	76,753	57,559

The amount of unbilled trade payables mainly corresponds to purchases of finished products made during December and in transit to warehouses at December 31, 2020 by sea.

Credit notes to issue mainly concern credit notes to be issued to the various subsidiaries of the Group for an amount of €10.9 million, pursuant to intra-group agreements.

Note 7 – Accruals

Prepaid expenses amounted to €642 thousand and deferred income amounted to €1,071 thousand and did not call for any particular comments.

The translation differences of assets amounted to €3,365 thousand euros and the translation differences of liabilities amounted to €1,728 thousand.

Note 8 – Cash Liquidity Contract

€531 thousand and 3,000 shares were made available to Gilbert Dupont SNC under a liquidity contract, as from June 22, 2012. This liquidity contract was signed for a period of 12 months, renewable tacitly, in order to promote the liquidity of transactions and the regularity of securities quotes on the market.

Under this agreement, 6,300 treasury shares were held by SES-imagotag as of December 31, 2020, for a to-

tal amount of €214 thousand, leaving €367 thousand of available cash.

Note 9 – Equity

Share capital

Share capital transactions	Number	Nominal value	Capital
Shares at beginning of period	15,758,108	2	31,516,216
Shares issued			
Shares at reporting date	15,758,108	2	31,516,216

Other equity instruments

Stock option subscription plans and granting of bonus shares.

Granting of stock options

At December 31, 2020, two stock option subscription plans were in progress, namely:

As part of the authorization by the EGM of March 1, 2012, The 2014 Plan (first tranche) dated April 3, 2014 and matured on April 3, 2021.

As part of the authorization by the EGM of May 21, 2014:

- The 2014 Plan (second tranche) on October 23, 2014 and maturing on October 23, 2021.

The table below presents the information relating to the share subscription options applicable at December 31, 2020:

Plans	Number of notified options	Number of options remaining in circulation net of options exercised or delisted
Apr. 3, 2014	43,000	0
Oct. 23, 2014	33,150	3,600
TOTAL	76,150	3,600

At December 31, 2020, the number of share subscription options in force, which give entitlement to the subscription of a total number of 3,600 shares, representing 0.02% of the share capital and voting rights of SES-imagotag after dilution.

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

The definitive vesting of the shares is subject to the presence of the beneficiary and provided for as follows:

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

- In 2024: Delivery of Tranche 3 shares in 2024 if the performance conditions are met (Target 2022);

- In 2025: Delivery of Tranche 4 shares in 2025 if the performance conditions are met (Target 2023).

For bonus shares delivered from 2022 to 2025 (Target 2020 to Target 2023), the bonus shares will not be subject to any lock-up period from the date of delivery of the shares (given the two-year period between granting and vesting).

Earnings per share	Dec. 31, 2020	Dec. 31, 2019
Net profit (loss) (€k)	-11,923	-17,187
Weighted average number of shares	15,758,108	14,590,795
Earnings per share (€)	-0.76	-1.18

Share premium

The share premium of €128,447 thousand is the result of various share capital increases carried out since the Company's creation.

Note 10 - Borrowings

Borrowings (€k)	At beginning of period	+	-	At the reporting date
Bond issues	50,000			50,000
Other loans from credit institutions	3,359	30,000	-748	32,611
TOTAL	53,359	30,000	-748	82,610

In order to further strengthen the Group's liquidity, the Company drew down up to 90% of a loan guaranteed by the French State (PGE), with a one-year maturity and

an option to extend it up to an additional five years. It was taken out from lending institutions for a total of €30 million.

V. Notes to the income statement

Note 11 – Revenue

Revenue for the fiscal year breaks down as follows:

Revenue (€m)	Dec. 31, 2020		Dec. 31, 2019	
Metropolitan France	47.6	19%	67.4	34%
Exports	196.8	81%	130.9	66%
TOTAL	244.4		198.3	

Revenue for the fiscal year consists of sales of goods for an amount of €239.3 million and services provided for an amount of €5.1 million.

Note 12 – Other income

Other income totaled €8,911 thousand and mainly corresponds to management fees for an amount of €8,755 thousand and annual royalties for patent grants invoiced within the Group for an amount of €156 thousand.

Note 13 – Reversals of amortization, depreciation and provisions and reallocation of expenses

At December 31, 2020, the Company recognized reversals of operating provisions for an amount of €515 thousand of which €118 thousand relating to the impairment of inventory, €284 thousand relating to the impairment of trade receivables and €113 thousand to the reversal of provisions for risks and expenses.

Lastly, the Company recorded a reallocation of expenses of €356 thousand, mainly corresponding to government subsidies received during the first half of 2020.

Note 14 – Breakdown of external expenses

External expenses (€k)	Dec. 31, 2020	Dec. 31, 2019
Variable external expenses	6,665	4,904
Travel expenses	1,556	2,994
IT and telecom fees	3,454	2,305
Subcontracting expenses and recruitment costs	359	577
Fees	1,827	6,099
Marketing	1,590	2,268
Other external expenses	14,635	6,602
TOTAL	30,085	25,748

Other external expenses mainly consist of general and technical subcontracting expenses (R&D, IT or recovery, in particular) and property rental expenses.

Note 15 – Other expenses

Other expenses (€k)	Dec. 31, 2020	Dec. 31, 2019
Royalties for patent grants and licenses	4,338	3,647
Other expenses	62	122
TOTAL	4,400	3,770

The royalty expense for patent grants and licenses relates to intra-group agreements for 2020, i.e. €4,338 thousand compared with €3,647 thousand for 2019.

Note 16 – Income tax

Breakdown of income tax

Amount (€k)	Before taxes	Taxes	After taxes
Operating profit (loss)	-12,669	300	-12,369
Net finance income (expense)	451	—	451
Exceptional profit (loss)	-5	—	-5
TOTAL	-12,223	300	-11,923

The tax income of €300 thousand corresponds to the amount of the research tax credit provisioned for 2020.

Increases and reductions in the future tax liability

Increases and reductions (€k)	Amount	Taxes
Increases		
Reductions		
Non-deductible provision for the year allocated	3,524	987
TOTAL	3,524	987

Note 17 – Finance income and expenses

Finance income amounted to €14,373 thousand, including a positive translation difference of €10,602 thousand, dividends of €1,057 thousand, and accrued interest of €398 thousand on receivables from equity interests and current accounts, and reversals of financial provisions of €2,119 thousand, of which €1,410 thousand on foreign exchange losses and €709 thousand of reversals of interest on litigation.

Finance expenses amounted to €13,922 thousand, of which €6,999 thousand of foreign exchange losses, €1,931 thousand of interest on borrowings, and €569 thousand of accrued interest on the current accounts of subsidiaries following the implementation of a centralized cash flow agreement, €709 thousand of interest paid for the dispute over previous fiscal years, and the provision for foreign exchange losses of €3,365 thousand.

VI. Other information

Note 18 – Headcount

The headcount at December 31, 2020 came to 198 and can be broken down as follows:

Employee categories	Headcount
Executives	114
Supervisors and technicians	24
Employees	48
Apprentices with contracts	12
TOTAL	198

The average headcount at the end of each quarter can be broken down as follows:

Quarter	Headcount
Q1 2020	208
Q2 2020	200
Q3 2020	200
Q4 2020	197

Note 19 – Off-statement of financial position commitments

Commitments made:

- Letter of comfort to Bank Austria (bank of SES-imagotag GmbH): €4,600 thousand for the entire term of the loan;
- Letter of comfort to Sparkasse Freiburg (bank of Capatana GmbH): €750 thousand for the entire term of the loan;
- Rental payment guarantee of €182 thousand (CIC);
- Market guarantee abroad: \$20,282 thousand

- Interest-bearing bank account pledge (CIC);
- Guarantee by the French State for the Covid-19 loan: €27 million out of the €30 million loan;
- Rental payment guarantee of €45 thousand (BNP);
- Letter of comfort for SES-imagotag GmbH, a wholly-owned subsidiary of the Company;
- Letter of comfort for SES-imagotag Netherlands BV, a wholly-owned subsidiary of the Company;

End-of-career compensation insurance policy has been taken out from “CIC Assurances” on September 17, 2007. The payments made to this organization are intended to cover this commitment, estimated at €602 thousand at December 31, 2020. No amount was paid during 2020. The amount of commitments related to retirement benefits, not covered by the contract, is estimated at €528 thousand. The method used for this estimate is the retrospective method of projected credit units. The assumptions used to determine this commitment are as follows:

- Retirement age: 65–67 years;
- Employers' contribution rate: 46%;
- Discount rate: 0.34%;
- Mortality table used: INSEE 2019;
- Collective agreement: Metallurgy.

For bonds, the Company undertakes to maintain a consolidated leverage ratio, meaning the ratio between net financial debt and EBITDA of less than 3.5 (excluding the effect of IFRS 16).

Total amount of future minimum payments to be made under non-cancelable operating leases (see table below):

Lease agreements	Less than 1 year	Between 1 and 5 years	More than 5 years
Offices/Warehouses	242,479	4,351,963	
Office equipment			
Vehicles	233,309	71,413	
TOTAL	475,789	4,423,376	

Contingent liabilities: None

Note 20 - Compensation of executives and the total amount of pension obligations contracted for them

The gross compensation paid to the Chairman and CEO for the period ended amounted to €434 thousand in respect of his fixed compensation for 2020 and his bonus for 2019.

A contract under the GSC corporate officer unemployment insurance was taken out in 2012 for the Chairman and CEO. The annual contribution for 2020 amounts to €20 thousand.

This contract includes the basic plan as well as a complementary plan, providing for compensation over a period of 12 months (former plan).

Note 21 - Statutory Auditors' fees

The expense recognized in respect of the Statutory Auditors' fees amounted to €507 thousand for the statutory audit assignment (including €464 thousand for the certification of the individual and consolidated financial statements and €43 thousand for services other than the certification of financial statements). In addition, fees for services other than the certification of financial statements provided to entities controlled by SES-imagotag SA amount to €12 thousand.

Note 22 - Degree of exposure to market

risks With regard to receivables and payables subject to exchange rate fluctuations:

As of December 31, 2020, open trade payables in USD amounted to \$43,400 thousand, or €35,339 thousand. Unpaid trade receivables denominated in USD amounted to \$26,035 thousand, or €21,199 thousand.

These receivables and payables gave rise to the recognition of an asset translation difference of €1,135 thousand and a liability translation difference of €1,246 thousand.

Note 23 - Amounts relating to affiliates

SES-imagotag SA carried out the following transactions during 2020 with its majority shareholder BOE Smart Retail (Hong Kong) Co. Limited, or companies affiliated with this company:

- \$169.4 million, i.e. €148 million in label purchases with Chongqing BOE Smart Electronics Co., Ltd relating to a contract for the production, assembly, testing and packaging of finished products.
- \$113 thousand, i.e. revenue of €102 thousand with BOE Digital Technology Co, Ltd relating to a finished product supply agreement.

Other transactions with related parties were carried out under normal market conditions.

	Amount (€k)
Revenue and other income	102
Purchases and other expenses	-147,996
Trade receivables	131
Trade payables	-24,675

Note 24 - Table of subsidiaries and equity interests ¹³

Subsidiaries and equity interests	Share capital	Reserves & retained earnings/ accumulated losses	% of capital held	Gross value of shares held	Net value of shares held	Loans and advances granted by the Company	Revenue excl. VAT for the previous period	Profit (loss) for the previous period
SES-imagotag Mexico srl. de cv	0	-1,223	99	0	0	1,929	5,943	-427
SES-imagotag Pte Ltd	31	-163	100	29	29	0	0	-17
SES-imagotag Italia Srl.	10	455	100	10	10	3,232	10,972	60
SES-imagotag GmbH	50	8,777	100	17,570	17,570	7,980	105,629	-1,423
Solutions Digitales SES-imagotag Ltée	0	-1,449	100	0	0	1,851	1,018	211
SES-imagotag Inc	8	-1,763	100	7	7	1	45,926	1,361
Captana GmbH	67	2,044	100	20,020	20,020	1,200	3,740	-537
Pervasive Displays Inc	4,352	1,050	100	29,921	29,921	9,452	16,838	1,792
SES-imagotag Denmark Aps.	7	150	100	7	7	14	245	4
SES-imagotag Netherlands BV	1	-37	100	1	1	476	226	3
SES-imagotag Iberia S.L	3	35	100	3	3	1,205	705	8
Market Hub Technologies Ltd	872	-1,197	60	1,100	1,100	256	2,051	44
SES-imagotag Pdi Digital	35	459	70	350	350	0	975	-105
BOE Digital Technology Co Ltd	17,050	-3,810	51	13,867	13,867	0	20,085	-1,366
SES-imagotag Hong Kong Ltc	1	-28	100			25		-5

By decision of the Board of Directors of PDI on June 29, 2020, the Company approved the distribution of dividends for an amount of €1,057 thousand.

Guarantees granted to subsidiaries are presented in Note 19.

Note 25 - Credit, liquidity and cash flow risks

The Company does not hold any risky investments.

¹³ Data presented in thousands of euros, converted on the basis of the average exchange rate recorded for the year ended December 31, 2020.

6.3 Statutory Auditors' reports

Statutory Auditors' report on the annual financial statements for the year ended December 31, 2020

SES-imagotag SA

Registered office: 55, place Nelson Mandela-92000 Nanterre, France

Statutory Auditors' Report on the Annual Financial Statements

Year ended December 31, 2020

To the General Meeting of SES-imagotag SA,

Opinion

Pursuant to the assignment entrusted to us by your General Meeting, we have audited the annual financial statements of SES-imagotag SA for the year ended December 31, 2020, as appended to this report.

We certify that the annual financial statements are, in accordance with French accounting rules and principles, regular and fair and give a true and fair view of the operating profit or loss for the past fiscal year as well as the financial position and assets of the Company at the end of the fiscal year.

The opinion expressed above is consistent with the content of our report submitted to the Audit Committee.

Basis of opinion

Audit guidelines

We conducted our audit in accordance with the professional standards applicable in France. We believe that the information we have collected is sufficient and appropriate to provide a basis for our opinion.

The responsibilities incumbent upon us by virtue of these standards are indicated in the section "Statutory Auditors' responsibilities relating to the audit of the annual financial statements" of this report.

Independence

We carried out our audit in accordance with the rules of independence provided for by the French Commercial Code and the Code of Ethics for the Statutory Auditors, for the period from January 1, 2020 to the date of issue of the Statutory Auditors' report, and, in particular, we have not provided services prohibited by Article 5, paragraph 1 of Regulation (EU) no. 537-2014.

Justification of our assessments - Key points of the audit

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and audit of the financial statements for this fiscal year. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have multiple consequences for companies, particularly on their activity and their financing, as well as increased uncertainties concerning their outlook. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and the way in which audits are carried out.

It is in this complex and evolving context that, in application of the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the annual financial statements for the fiscal year, as well as the answers we have provided to address these risks.

The assessments thus made are part of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not

express an opinion on elements of these annual financial statements taken separately.

Valuation of equity securities and related receivables

Identified risk

Equity securities and receivables from equity interests, recorded in the statement of financial position at December 31, 2020 for a net amount of respectively €82,884 thousand and €13,774 thousand, represent significant items in the statement of financial position. They are recognized at their acquisition date at acquisition cost and impaired, where applicable, on the basis of their value-in-use for equity securities and their recoverable value for receivables from equity interests.

As indicated in Note "II. Accounting rules and methods- 3) Financial investments" to the annual financial statements, the value-in-use estimated by management is based on the future business and profitability outlook.

The estimation of the value-in-use of these equity securities requires the exercise of management's judgment in estimating these forecast items.

Because of these uncertainties inherent in the probability of achieving the forecasts, we considered that the correct valuation of the equity securities and related receivables was a key point of the audit.

Our answer

To assess the reasonableness of the estimate of the value-in-use of the equity securities and the recoverable amount of the related receivables, on the basis of the information provided to us, our work mainly involved:

- verifying that the estimate of the values-in-use determined by management is based on an appropriate justification of the valuation method and the figures used;
- comparing the net carrying amount of the equity securities with the value-in-use estimated by management on the basis of the future business and profitability outlook;

- assessing the consistency of the cash flow forecasts used by management in the impairment test with the business plans drawn up by the Finance Department and General Management of the entities concerned as part of their budgeting process, which we compared with the Group budget for 2021 approved by the Board of Directors' meeting on December 21, 2020 and the Group business plan used by management for the years after 2021;

- verifying, in particular by interviewing the Finance Department and General Management, that the estimate of these cash flows is based on an appropriate justification of the key assumptions used, in particular with regard to recent performance and firm orders and business opportunities;

- assessing the recoverability of the related receivables based on the analyses carried out on the equity securities.

Finally, we verified the appropriateness of the information provided in the notes to the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by the law and regulations.

Information given in the management report and in the other documents on the financial position and the annual financial statements sent to the shareholders

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the other documents on the financial position and the annual financial statements sent to the shareholders.

We certify the accuracy and consistency with the annual financial statements of the information relating to the payment terms mentioned in Article D.441-6 of the French Commercial Code.

Corporate governance report

We certify that the Board of Directors' corporate governance report contains the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

With regard to the information provided in application of the provisions of Article L.22-10-9 of the French Commercial Code on compensation and benefits paid or awarded to corporate officers, as well as the commitments granted to them, we verified that they were consistent with those of the financial statements or with the data used to prepare these financial statements and, where applicable, with the information collected by your Company from the companies controlled by it that are included in the scope of consolidation. On the basis of this work, we certify the accuracy and fairness of this information.

With regard to the information relating to the elements that your Company considered likely to have an impact in the event of a public offering or exchange offer, provided in accordance with the provisions of Article L.22-10-11 of the French Commercial Code, we verified their compliance with the documents from which they were taken and which were provided to us. On the basis of this work, we have no matters to report on this information.

Other information

In accordance with the law, we have ensured that the various information relating to the identity of the holders of the share capital or voting rights has been communicated to you in the management report.

Other verifications or information required by laws and regulations

Format of the annual financial statements intended to be included in the annual financial report

In accordance with section III of Article 222-3 of the AMF General Regulation, your Company's management has informed us of its decision to postpone the application of the single electronic information format as defined by

the delegated European Regulation no. 2019/815 of December 17, 2018 to the fiscal years beginning on or after January 1, 2021. Consequently, this report does not include a conclusion on compliance with this format in the presentation of the annual financial statements intended to be included in the annual financial report mentioned in I of Article L.451-1-2 of the French Monetary and Financial Code.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of SES-imagotag SA by the General Meeting of June 23, 2017 for Deloitte & Associés and KPMG.

As of December 31, 2020, Deloitte & Associés and KPMG were in the fourth year of their assignment without interruption.

Responsibilities of management and those charged with corporate governance relating to the annual financial statements

It is the responsibility of management to prepare the annual financial statements presenting a true and fair view in accordance with French accounting rules and principles and to implement the internal control that it deems necessary to prepare the annual financial statements that are free of material misstatement, whether due to fraud or error.

When preparing the annual financial statements, it is the responsibility of management to assess the Company's ability to continue as a going concern, to present in these financial statements, where applicable, the necessary information relating to the going concern and to apply the going concern accounting principle, unless the Company intends to liquidate or cease operations.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit, with regard to the procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities relating to the audit of the annual financial statements

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit conducted in accordance with professional standards will systematically detect any material misstatement. Misstatements may arise from fraud or error and are considered material when it is reasonably expected that they could, taken individually or in aggregate, influence the economic decisions that the users of the financial statements make in their entirety based on those same financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not involve guaranteeing the viability or the quality of the management of your Company.

- As part of an audit conducted in accordance with the professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit. In addition, the Statutory Auditor: identifies and assesses the risks that the annual financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and collects information that they deem sufficient or appropriate to provide a basis for their opinion. The risk of not identifying a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, falsification, willful omissions, and misrepresentation or circumvention of internal control;
- examines the internal control relevant to the audit in order to define the appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the ac-

counting estimates made by management, as well as the information concerning them provided in the annual financial statements;

- assesses the appropriateness of management's application of the going concern accounting policy and, depending on the information collected, the existence or not of a material uncertainty related to events or circumstances that could give rise to the Company's ability to continue operating. This assessment is based on the information collected up to the date of their report, it being noted, however, that subsequent circumstances or events could call into question the going concern. If they conclude that there is a material uncertainty, they draw the attention of the readers of their report to the information provided in the annual financial statements about this uncertainty or, if this information is not provided or relevant, they issue a certification with reservation or a refusal to certify;
- assesses the overall presentation of the annual financial statements and assesses whether the financial statements reflect the underlying transactions and events in such a way as to give a true and fair view.

Report submitted to the Audit Committee

We submit a report to the Audit Committee that presents the scope of the audit work and the work program implemented, as well as the conclusions arising from our work. We also bring to its attention, where applicable, any significant weaknesses in internal control that we have identified with regard to the procedures relating to the preparation and processing of accounting and financial information.

Among the elements disclosed in the report to the Audit Committee are the risks of material misstatements that we consider to have been the most significant for the audit of the annual financial statements for the fiscal year and which therefore constitute the audit's key points that we must describe in this report.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Com-

mercial Code and in the Code of Ethics for the Statutory Auditors. Where applicable, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

The Statutory Auditors
PARIS LA DEFENSE, April 30, 2021

KPMG Audit
Department of KPMG S.A.
Grégoire Menou
Partner
PARIS LA DEFENSE, April 30, 2021

Deloitte & Associés
Julien Razungles
Partner

Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2020

SES-imagotag SA

Registered office: 55, place Nelson Mandela-92000 Nanterre, France

Statutory Auditors' report on the consolidated financial statements

To the General Meeting of
SES-imagotag SA,

Opinion

Pursuant to the assignment entrusted to us by your General Meeting, we have audited the consolidated financial statements of SES-imagotag SA for the year ended December 31, 2020, as attached to this report.

We certify that the consolidated financial statements are, with regard to the IFRS standards as adopted in the European Union, regular and fair and give a true and fair view of the results of the operations of the previous fiscal year as well as of the financial position and assets, at the end of the fiscal year, of the group comprising the persons and entities included in the scope of consolidation.

The opinion expressed above is consistent with the content of our report submitted to the Audit Committee.

Basis of opinion

Audit guidelines

We conducted our audit in accordance with the professional standards applicable in France. We believe that the information we have collected is sufficient and appropriate to provide a basis for our opinion

The responsibilities incumbent upon us by virtue of these standards are indicated in the section "Statutory Auditors' responsibilities relating to the audit of the consolidated financial statements" of this report.

Independence

We carried out our audit in accordance with the rules of independence provided for by the French Commercial Code and the Code of Ethics for the Statutory Auditors, for the period from January 1, 2020 to the date of issue of the Statutory Auditors' report, and, in particular, we have not provided services prohibited by Article 5, paragraph 1 of Regulation (EU) no. 537-2014.

Justification of our assessments – Key points of the audit

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and audit of the financial statements for this fiscal year. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have multiple consequences for companies, particularly on their activity and their financing, as well as increased uncertainties concerning their outlook. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and the way in which audits are carried out.

It is in this complex and evolving context that, in application of the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the fiscal year, as well as the answers we have provided to address these risks.

The assessments thus made are part of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on elements of these consolidated financial statements taken separately.

Measurement of goodwill

(Notes II.1.1.2, II.1.2 and II.4– Note 1 to the consolidated financial statements)

Identified risk

Goodwill from previous acquisitions corresponds to the difference between the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed, and is allocated to a single cash-generating unit (CGU). They are recorded as assets in the consolidated financial statements for an amount of €51.3 million at December 31, 2020.

At each annual reporting date, or more frequently if there is an indication of impairment, management checks that the carrying amount of this goodwill does not exceed its recoverable amount and does not present any risk of impairment.

The methods of the impairment test used and the details of the assumptions used are presented in Note II.1.2 to the consolidated financial statements.

The determination of the recoverable amount of goodwill is based on management's significant judgments, in particular as regards growth rates, cash flow projections based on operating forecasts and the discount rate applied to them. We therefore considered the valuation of goodwill to be a key point of our audit.

Our answer

We took note of the methods for implementing the impairment test performed by management and examined the compliance of the methodology applied with the accounting standards in force.

We also carried out a critical analysis of the methods used to implement this methodology and assessed:

- the relevance of the determination of a single cash-generating unit used by management;
- the relevance of the forecasts made in previous fiscal years with the achievements of 2020 to assess their reliability;
- the consistency of the cash flow projections for the years 2021 to 2030 with the Group budget for 2021

approved by the Board of Directors on December 21, 2020 and with the Group business plan used by management for the following years;

- the reasonableness of the key assumptions used (in particular the discount rate and long-term growth rate), in view of our knowledge of the economic environment in which the Group operates and market analyses for comparable companies;
- the consistency of the revenue forecasts used with the order backlog and the sales forecasts, by discussing with the management team responsible for their preparation and by reconciling these elements with the information gathered and the documentation obtained;
- the sensitivity of the recoverable amount determined by management to a change in the main assumptions used.

Finally, we verified the appropriateness of the information provided in the notes to the consolidated financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific checks required by laws and regulations on the information relating to the Group, provided in the Board of Directors' management report.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

Non-Financial Performance Report

We hereby certify that the consolidated Non-Financial Performance Report required by Article L.225-102-1 of the French Commercial Code is contained in the Group's management report. It is specified that, in accordance with Article L.823-10 of said code, we have not verified the information contained in this report with regard to its accuracy or consistency with the consolidated financial statements. This information must be the subject of a report by a third independent party.

Other verifications or information required by laws and regulations

Presentation format of the consolidated financial statements intended to be included in the annual financial report

In accordance with section III of Article 222-3 of the AMF General Regulation, your Company's management has informed us of its decision to postpone the application of the single electronic information format as defined by the delegated European Regulation no. 2019-815 of December 17, 2018 to the fiscal years beginning on or after January 1, 2021. Consequently, this report does not include a conclusion on compliance with this format in the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in section I of Article L.451-1-2 of the French Monetary and Financial Code.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of SES-imagotag SA by the annual General Meeting of June 23, 2017 for Deloitte & Associés and KPMG.

As of December 31, 2020, Deloitte & Associés and KPMG were in the fourth year of their assignment without interruption.

Responsibilities of management and those charged with corporate governance relating to the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a true and fair view in accordance with IFRS as adopted in the European Union and to implement the internal controls that it deems necessary to prepare the consolidated financial statements that are free of material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, it is the responsibility of management to assess the Company's ability to continue as a going concern, to present in these financial statements, where applicable, the necessary information relating to the going concern and to apply the going concern accounting principle, unless the Company intends to liquidate or cease operations.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit, with regard to the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities relating to the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit conducted in accordance with professional standards will systematically detect any material misstatement. Misstatements may arise from fraud or error and are considered material when it is reasonably expected that they could, taken individually or in aggregate, influence the economic decisions that the users of the financial statements make in their entirety based on those same financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not involve guaranteeing the viability or the quality of the management of your Company.

As part of an audit conducted in accordance with the professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit. In addition, the Statutory Auditor:

- identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and collects information that they deem sufficient or appropriate to provide a basis for their opinion. The risk of not iden-

tifying a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, falsification, willful omissions, and misrepresentation or circumvention of internal control;

- examines the internal control relevant to the audit in order to define the appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;
- assesses the appropriateness of management's application of the going concern accounting policy and, depending on the information collected, the existence or not of a material uncertainty related to events or circumstances that could give rise to the Company's ability to continue operating. This assessment is based on the information collected up to the date of their report, it being noted, however, that subsequent circumstances or events could call into question the going concern. If they conclude that there is a material uncertainty, they draw the attention of the readers of their report to the information provided in the consolidated financial statements about this uncertainty or, if this information is not provided or relevant, they issue a certification with reservation or a refusal to certify;
- assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view of them;
- concerning the financial information of the persons or entities included in the scope of consolidation, they collect the elements that they consider sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and performance of the audit of the consolidated financial statements as well as the opinion expressed thereon.

Report submitted to the Audit Committee

We submit a report to the Audit Committee that presents the scope of the audit work and the work program implemented, as well as the conclusions arising from our work. We also bring to its attention, where applicable, any significant weaknesses in internal control that we have identified with regard to the procedures relating to the preparation and processing of accounting and financial information.

Among the elements disclosed in the report to the Audit Committee are the risks of material misstatements that we consider to have been the most significant for the audit of the consolidated financial statements for the fiscal year and which therefore constitute the audit's key points that we must describe in this report.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for the Statutory Auditors. Where applicable, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

The Statutory Auditors

Paris La Défense, April 30, 2021

KPMG Audit
Department of KPMG S.A.
Grégoire Menou
Partner

Paris La Défense, April 30, 2021

Deloitte & Associés
Julien Razungles
Partner



7

Capital and shareholding

Table of contents

7.1 Shareholders	243
7.1.1 Breakdown of the share capital and voting	243
7.1.2 Declarations for crossing legal thresholds and declarations of intent	243
7.2 Employee profit sharing	244
7.3 Stock market data	246
7.4 Relationship with the financial community	247
7.5 Dividends	248
7.6 Share buyback program – Number of shares and share of the capital held by the Company at December 31, 2020	248
7.7 Special report on stock options	252
7.8 Special report on bonus shares granted	255
7.9 Change in the amount of share capital over the last five years	257

7.1 Shareholders

7.1.1 Breakdown of the share capital and voting

The table below shows the main shareholders identified (i.e. those who hold [or held in previous years] at least 2% of the share capital at December 31 of the fiscal years 2018, 2019 and 2020).

Main shareholders >2%	Dec. 31, 2020			Dec. 31, 2019			Dec. 31, 2018		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
BOE Smart Retail (Hong Kong) Co.	10,789,186	68.47%	68.47%	10,789,186	68.47%	68.47%	10,789,186	74.39%	74.39%
Yuen-Yu Investment Co. Ltd	866,666	5.50%	5.50%	866,666	5.50%	5.50%	866,666	5.98%	5.98%
Qualcomm Incorporated	315,789	2.00%	2.00%	315,789	2.00%				

The table below is a projection of the diluted share capital at December 31, 2020:

Diluted share capital	2020	%
Shares issued	15,758,108	97.02%
Stock options granted	3,600	0.02%
2020 General Meeting bonus share plan (detailed in section 7.8)	470,000	2.98%
Total diluted share capital	16,231,708	100%

7.1.2 Declarations for crossing legal thresholds and declarations of intent

In accordance with the provisions of Article L.233-13 of the French Commercial Code, the Company was not informed of any threshold crossings during 2020.

7.2 Employee profit sharing

Employee profit-sharing agreement and company

Savings plan

At its meeting of May 15, 2005, the Board of Directors of SES-ESL decided to implement a profit-sharing agreement for the benefit of the Group's employees and delegated all powers to the Chairman and CEO of SES-ESL for this purpose.

This agreement was signed on June 7, 2005 and is intended to define the methods for calculating the special profit-sharing reserve of the Group companies and to determine the distribution of this reserve among the beneficiaries, the methods for managing employee rights, the procedure by which any disputes between the parties are settled, as well as the procedures for informing employees individually and collectively.

On December 21, 2012, an amendment to this profit-sharing agreement was signed in order to include a company savings plan created and managed in accordance with Articles L.3332-1 et seq. of the French Labor Code.

This profit-sharing agreement was amended on October 5, 2016 following the change in the account's holder.

Granting and exercise of options during the year ended December 31, 2020

Granting

No new stock options were granted during the fiscal year 2020.

At December 31, 2020, three stock option subscription plans were in progress or had expired during 2020, namely:

As part of the authorization by the EGM of March 1, 2012,

- the 2013 Plan dated May 28, 2013 matured on May 28, 2020;

- the 2014 Plan (first tranche) dated April 3, 2014 and matured on April 3, 2021.

- As part of the authorization by the EGM of May 21, 2014,

- the Plan 2014 (second tranche) dated October 23, 2014 and maturing on October 23, 2021.

Exercise of options and capital increase

In 2020

No stock option plan in force resulted in the exercise of stock options during 2020.

Plan	Number of notified options	Number of options remaining in circulation net of options exercised or delisted
May 30, 2013	65,200	0
Apr. 3, 2014	43,000	0
Oct. 23, 2014	33,150	3,600
	141,350	3,600

Granting of bonus shares during the year ended December 31, 2020

Bonus shares were granted during 2020. The General Meeting of shareholders is informed more specifically of the transactions relating to the granting of bonus shares in a special report prepared in accordance with the provisions of Article L.225-197- 4 of the French Commercial Code and attached to the management report (section 7.8).

Granting of share subscription warrants

No share subscription warrants were granted during 2020.

Percentage of share capital held by employees

As of December 31, 2020, the threshold of 3% ownership of the share capital pursuant to Article L.225-102 of the French Commercial Code has not been reached.

In order to comply with the legal obligations set out in Articles L.225-129-6 et seq. of the French Commercial Code, the Combined General Meeting of June 22, 2018 was called upon to vote on a draft delegation of authority to the Board of Directors with a view to increasing the share capital without preferential subscription rights through the issue of Company shares reserved for members of a company savings plan. It was proposed that this authorization supersedes the authorization granted by the General Meeting of June 23, 2017, which expired on August 23, 2019. However, this resolution was rejected.

Similarly, the Extraordinary General Meeting of May 24, 2019 (19th resolution) submitted a draft resolution to increase the share capital, with the cancelation of shareholders' preferential subscription rights, for the benefit of said employees, former employees and corporate officers eligible for the shares thus issued, if applicable granted free of charge, through the issue of Company shares reserved for members of a company savings plan. It was proposed that this authorization supersedes the authorization granted by the General Meeting of June 23, 2017, which expired on August 23, 2019. However, this resolution was rejected.

The delegation granted by the General Meeting of June 23, 2017 therefore expired on August 23, 2019.

For all practical purposes, the three-year obligation to submit to the General Meeting a proposed capital increase reserved for employees was abolished by the Law on the Simplification of Company Law of July 19, 2019.

The General Meeting of June 29, 2020 (23rd resolution) was asked to vote on a proposed delegation of authority to the Board of Directors to increase the share capital without preferential subscription rights through the issue

of Company shares reserved for members of a company savings plan. It was proposed that this delegation be granted for a period of twenty-six (26) months as from the date of this General Meeting. However, this resolution was rejected.

The General Meeting of June 16, 2021 will once again vote on a proposed delegation of authority to the Board of Directors with a view to increasing the share capital without preferential subscription rights through the issue of Company shares reserved for members of a company savings plan.

7.3 Stock market data

2020 was marked by the global pandemic which affected all stock market values. The share capital remained stable during 2020 as well as the free float.

	2020	2019
Highest (in €)	39.30	35.70
Lowest (in €)	19.50	16.84
Close (last trading session of the year)	37.05	31.70
Annual volume processed ¹	3,172,871	2,049,033
Number of shares comprising the capital (in number of shares)	15,758,108	15,758,108
Free float	3,786,467	3,786,467
Percentage of the capital (in number of shares) traded during the year	20%	10%
Percentage of the free float (in number of shares) traded during the year	84%	54%
Market valuation at Dec. 31 (€m)	583.8	499.5
(a)		
Financial debt (excl. effect of IFRS 16)	84.8	55.8
(b)		
Enterprise value (EV) at Dec. 31 (€m)	668.6	555.3
(a)+(b)		
EV/revenue	2.3x	2.2x

Variations in the SES-imagotag share price compared to the CAC Small & Mid and the CAC 40 in 2020



¹ Bloomberg data (trading on Euronext and other platforms, in OTC and on dark pools)

7.4 Relationship with the financial community

The relationship that the Group has with its shareholders is based on regular contact, in the form of conference calls and investor meetings, when its provisional and annual financial statements are published after market close.

At the same time, the Group's CFO takes part in investor road shows/forums to promote the Group's strategy and answer questions from potential or current investors.

In 2020 the CFO took part in the following events:

- a. Oddo Forum on January 9 and 10, 2020;
- b. Investor breakfasts with Euroland on February 21, 2020;
- c. Euroland Forum on March 26 and 27, 2020;
- d. Investor calls on July 10.

Covid-19 has clearly reduced the number of forums.

Financial communication tools are also available in the "investors" section of the website www.ses-imagotag.com: all financial documentation (publications, activity reports and investor presentations) and all regulated information.

Finally, there is a continuous stream of publications reporting on commercial successes, innovation awards, etc.

2020 financial calendar

Event	Date
Revenue for 2019	February 21, 2020
2019 results	March 23, 2020
Revenue for Q1 2020	April 23, 2020
Annual General Meeting	June 29, 2020
Revenue for H1 2020	July 28, 2020
Results for H1 2020	September 23, 2020
Revenue for Q3 2020	October 23, 2020

7.5 Dividends

The Company has not distributed dividends since 2013 and does not intend to distribute dividends for 2020.

7.6 Share buyback program - Number of shares and share of the capital held by the Company at December 31, 2020

The Board of Directors was authorized to set up its first share buyback program by the Combined General Meeting of June 22, 2012 (sixth resolution).

The Board of Directors used this authorization and the option of subdelegation, at its meeting of June 22, 2012, and gave full powers to the Chairman and CEO to implement the objectives of the share buyback program and to sign a liquidity agreement with the company Gilbert Dupont.

This liquidity agreement was entered into on June 22, 2012 for a period of twelve months, renewable tacitly. It was the subject of an addendum signed on December 20, 2018.

Gilbert Dupont is paid annually on the basis of fixed compensation of €26,000 excluding taxes.

Legal framework

Since the Combined General Meeting of May 21, 2014, the Board of Directors has renewed every year the authorization given to the Chairman and CEO to continue the liquidity agreement with Gilbert Dupont.

The Combined General Meeting of November 30, 2016 (first resolution) authorized the adjustment of the share buyback program as it resulted from the Meeting of June 23, 2016 (seventh resolution) by setting the maximum overall amount of the program to €10 million, instead of the previous €5 million.

Description of the share buyback program authorized by the Combined General Meeting of June 29, 2020

The Combined General Meeting of June 29, 2020 renewed the share buyback authorization granted at the General Meeting of May 24, 2019.

- The share buyback program has the following characteristics: securities concerned: shares;
- maximum authorized buyback percentage: 5% of the number of shares comprising the Company's share capital at any time;
- maximum unit purchase price excluding fees: at €50 per share;
- duration: 18 months;
- objective of the program: to enable the Company to use the options for trading in treasury shares provided for by law, particularly in order to:
 - Manage the secondary market or the liquidity of the shares by an investment service provider, acting independently, under a liquidity contract in accordance with the market practice accepted by the AMF on July 2, 2018,
 - Use all or part of the shares acquired to grant them to employees and/or corporate officers of the Company and other Group entities, and in particular in the context of: (i) profit-sharing (ii) in any plan to purchase the Company's shares, in accordance with the provisions of Articles L.225-177 et seq. of the French Commercial

Code; or (iii) any savings plan in accordance with the provisions of Articles L.3331-1 et seq. of the French Labor Code; or (iv) any granting of bonus shares under the provisions of Articles L.225-197-1 et seq. of the French Commercial Code, and to carry out any hedging transactions related to these transactions, under the conditions stipulated by the financial market authorities and at the times that the Board of Directors or the person acting under the Board of Directors' delegation of authority deem appropriate,

- Deliver its shares upon the exercise of rights attached to securities giving entitlement by conversion, exercise, redemption or exchange or in any other way to the granting of Company shares, in accordance with the regulations in force, as well as to carry out all hedging transactions relating to these transactions, under the conditions provided for by the financial market authorities and at the times that the Board of Directors or the person acting under the Board of Directors' delegation of authority deem appropriate,
- Cancel the shares repurchased by capital reduction under the conditions provided for by the French Commercial Code, subject to the approval of the eleventh resolution of this General Meeting;
- Use all or part of the shares acquired for holding and subsequent delivery in exchange, or as payment in the context of a possible external growth operation,
- Implement any market practice approved by the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) and, more generally, carry out any transaction in accordance with the regulations in force.
- The Board of Directors may not, without the prior authorization of the General Meeting, make use of this authorization from the date of filing by a third party of a public offer for the Company's shares until the end of the offer period.
- The acquisition, sale, transfer or exchange of these shares may be carried out and paid for by any means, and in particular under a liquidity contract entered into by the Company with an investment service provider, subject to applicable regulations, including over-the-counter and block shares, through the

use of derivatives and the implementation of option strategies (purchase and sale of call and put options and any combination thereof in compliance with applicable regulations) and at the times that the Board of Directors deems appropriate.

- In order to ensure this authorization is carried out, it will be proposed to confer full powers on the Board of Directors, with the option of subdelegation under the conditions provided for by law, for the purposes in particular to:
 - decide to implement this authorization;
 - place all stock market orders;
 - make all declarations and formalities with the AMF relating to the buyback program referred to above; and
 - complete all other formalities or to enter into any other agreements for this purpose and, more generally, to do whatever is necessary for the purposes of implementing the aforementioned buyback program.

This authorization supersedes the authorization granted by the Combined General Meeting of June 22, 2018, which became null and void for the remainder of the period.

Under the liquidity contract entrusted by SES-imagotag to the brokerage firm Gilbert Dupont, as of December 31, 2020, the following resources were included in the liquidity account:

- Number of SES-imagotag shares: 6,300 shares;
- Cash balance of the liquidity account: €366,845.10.

An authorization for the Board of Directors to trade in the Company's shares is submitted to the Combined General Meeting of June 16, 2021.

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, and in accordance with the applicable legal and regulatory provisions and in particular those of Articles L.225-209 et seq. of the French Commercial Code, having reviewed the report of the Board of Directors authorizes the Board of Directors, with the option of subdelegation under the conditions provided for by law, to carry out transactions on the stock market or other ways in the Company's shares according to the procedures presented below.

The Board of Directors is empowered by virtue of this authorization to acquire, in a single or multiple purchase(s) and by any means, a number of shares totaling up to 5% of the number of shares in the Company's share capital at any time.

In accordance with the provisions of Article L.225-209 paragraph 2 of the French Commercial Code, when shares are bought back to improve liquidity, under the conditions defined by the General Regulations of the AMF, the number of shares taken into account to calculate the 5% limit corresponds to the number of shares purchased, less the number of shares sold during the authorization period.

Transactions carried out by the Board of Directors by virtue of this authorization can be used to:

- Stimulate the secondary market or the liquidity of the shares via an investment service provider, acting independently within the framework of a liquidity contract in accordance with the market practices allowed by the AMF on July 2, 2018;
- Use all or some of the shares acquired to allocate them to employees and/or corporate officers of the Company and of other Group entities, notable for (i) profit-sharing (ii) Company stock option plans in accordance with the provisions of Articles L.225 177 et seq. of the French Commercial Code; or (iii) for any savings plan in accordance with the provisions of Articles L.3331-1 et seq. of the French Labor Code; or
- (iv) any allocation of free shares in accordance with the provisions of Articles L.225-197 1 et seq. of the French Commercial Code, and to carry out all hedging transactions for these operations under the conditions provided for by the market authorities and at the times that the Board of Directors or the person acting on delegation of the Board of Directors, deems appropriate;
- Provide shares for the exercise of rights attached to shares giving rights via conversion, exercise, redemption or exchange, or in any other means to the allocation of Company shares, in accordance with the regulations in effect, and to carry out all hedging transactions for these operations, under the conditions provided for by the market authorities and at the times that the Board of Directors or the person acting on delegation of the Board of Directors, deems appropriate;
- Cancel the shares purchased by reducing the capital under the conditions provided for by the French Commercial Code, subject to the approval of the fifteenth resolution by this General Meeting;
- Keep all or some of the shares acquired for later exchange, or in payment as part of potential future growth by acquisition;
- Implement market practices authorized by the AMF and, more generally, to carry out all transaction in accordance with the regulations in force.

The Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a public offer on the Company's shares until the offer has expired.

The acquisition, disposal, transfer or exchange of the shares can be completed and paid for by any means and, notably within the framework of a liquidity contract entered into by the Company with an investment service provider, subject to the regulations in effect, including over the counter and by blocks of shares, via the use of derivative financial instruments and the implementation of options strategies (purchase and sale of stock options and all combinations in compliance with the applicable regulations) and at the times the Board of Director deems appropriate

The General Meeting decides that the maximum unit purchase price, excluding costs, may not exceed 60 euros per share.

Acquisitions made by the Company may under no circumstances lead the Company to hold more than 5% of the shares comprising its share capital at any time.

The number of shares and the price shown above will be adjusted in the event of a change in the nominal value of the share, a capital increase *via* the incorporation of reserves, profits or premiums, the allocation of free shares, the splitting or grouping of shares, amortization or a reduction in capital, the distribution of reserves or other assets and all other transactions impacting equity to take into account the incidence of these transactions on the share price.

This authorization is provided for a period of eighteen months as of the date of this General Meeting. In order to ensure execution of this resolution, all powers are granted to the Board of Directors with the option to subdelegate under the conditions provided for by law, for the purposes of:

- Deciding to implement this authorization;
- Placing all stock market orders;
- Making all declarations and formalities with the AMF relating to the buyback program referred to above;
- Completing any other formalities or to enter into any other agreements for this purpose and, more generally, to do whatever is necessary for the purposes of implementing the aforementioned buyback program.

This authorization would supersede the authorization granted by the Combined General Meeting of June 29, 2020 in its fourteenth resolution.

7.7 Special report on stock options

Special report of the Board of Directors on transactions carried out pursuant to the provisions of Articles L.225-177 to L.225-186 of the French Commercial Code.

Year ended December 31, 2020.

Share subscription and purchase options

Ladies and Gentlemen,

In accordance with the provisions of Article L.225-184 of the French Commercial Code, we have the honor to report to you on the transactions carried out pursuant to the provisions of Articles L.225-177 to L.225-186 of said Code relating to share purchase and subscription options.

Employee corporate officers in the Company or controlled companies

We remind you that no stock options have been granted by the Company to corporate officers in respect of the offices and positions held in the Company and in the subsidiaries of the Company under the conditions provided for in Article L.225-180 of the French Commercial Code.

We would also like to point out that no options have been granted to corporate officers in respect of the positions and offices held by the companies controlled within the meaning of Article L.233-16 of the French Commercial Code.

Employees who are not corporate officers

No new stock options were granted during the past year by the Company to employees who were not corporate officers; the last stock option grant was on October 23, 2014.

We would also like to point out that no stock options were exercised by employees who were not corporate

officers during the past year.

We report to you on all the options granted by the Company to employee beneficiaries who are not corporate officers, including the ten employees for whom the number of options granted was the highest, in a table appearing below in **Appendix 1**.

Granting of subscription options during previous fiscal years

At December 31, 2020, three stock option subscription plans were in progress or had expired during 2020, namely:

As part of the authorization by the EGM of March 1, 2012,

- The 2013 Plan dated May 28, 2013 and maturing on May 28, 2020;
- The 2014 Plan (first tranche) dated April 3, 2014 and maturing on April 3, 2021.
- As part of the authorization by the EGM of May 21, 2014,
- The 2014 Plan (second tranche) dated October 23, 2014 and maturing on October 23, 2021.

2013 Plan

We remind you that, in a decision of May 28, 2013, the Board of Directors decided to grant stock options to three additional employees, in accordance with the authorization granted by the General Meeting of March 1, 2012 (fifth resolution) and under the terms and conditions set by the Board of Directors of August 31, 2012.

According to the calculation formula adopted by the Board of Directors of August 31, 2012 and in accordance with Article L.225-177 of the French Commercial Code, the subscription price will be set at €10.44, i.e. the average over the 20 trading sessions preceding this Board

meeting granting the stock options, less a discount of 5%.

The Board has delegated to the Chairman the task of notifying each beneficiary by letter of stock options granted to them as well as the conditions for exercising them; the aforementioned notification having been made in the amount of 65,200 options distributed among three employees.

The number of stock options granted by the Board of Directors on May 28, 2013 is shown in the table in **Appendix 1**.

2014 Plans

Under the authorization of the General Meeting of March 1, 2012 (fifth resolution), the Board of Directors of April 3, 2014 decided to grant a new subdelegation to the Chairman in order to grant (before May 1, 2014) 43,000 share subscription options to the Company's employees under the following conditions ("first tranche of the 2014 Plan"):

- Volume of options to be granted: 43,000;
- Formula for calculating the subscription price set in accordance with Article L.225-177 of the French Commercial Code: the average trading price over the 20 trading sessions preceding the Board meeting granting the stock options, less a discount of 5%; i.e. €14.84 for the options granted by the Board of Directors on April 3, 2014;
- Option exercise date: on the day of the Board of Directors' meeting approving the 2015 financial statements;
- Stock option validity period: seven years from the grant date;
- Two cumulative conditions: a performance condition and a presence condition.
- As a reminder, the number of options granted by the Board of Directors on April 3, 2014 appears in the table in Appendix 1.
- As part of the extension by the General Meeting of May 21, 2014 (seventeenth resolution) of the delega-

tion of authority granted by the General Meeting of March 1, 2012 (fifth resolution), the Board of Directors of October 23, 2014 decided to grant stock options to employees of IMAGOTAG under the following conditions ("second tranche of the 2014 Plan"):

- Volume of options to be granted: 33,150;
- Formula for calculating the subscription price set in accordance with Article L.225-177 of the French Commercial Code: the average trading price over the 20 trading sessions preceding the Board meeting granting the stock options, less a discount of 5%; i.e. €12.21 for the options granted by the Board of Directors on October 23, 2014;
- Option exercise date: on the day of the Board of Directors' meeting approving the 2015 financial statements;
- Stock option validity period: seven years from the grant date;
- Two cumulative conditions: a performance condition and a presence condition.

As a reminder, the number of options granted by the Board of Directors on October 23, 2014 appears in the table in **Appendix 1. Exercise of options and share capital increase in 2020**

We inform you that no stock subscription options were exercised during the previous year under the conditions provided for by Article L.225-180 of the French Commercial Code.

Appendix 1

	2013 Plan	2014 Plan 1 st tranche	2014 Plan 2 nd tranche
Date authorized by the EGM	March 1, 2012 5 th resolution 26 months until May 1, 2014		May 21, 2014 17 th resolution Extension until May 1, 2015
Maximum volume authorized		551,251	
Grant date	May 28, 2013	April 3, 2014	October 23, 2014
Exercise price	€10.44	€14.84	€12.21
Maturity date	May 28, 2020	April 3, 2021	October 23, 2021
Number of notified options	65,200	43,000	33,150
to employees who are not corporate officers	60,000	20,000	6,150
to employee corporate officers (subsidiaries)			
Number of options exercised	35,200	13,500	29,550
Number of options canceled	<p>400,000 stock options authorized by the Board of Directors of August 31, 2012 have been granted.</p> <p>The remainder of 151,251 stock options corresponding to the maximum volume authorized by the General Meeting of March 1, 2012 would have lapsed on May 1, 2014, the date on which the EGM's delegation expired.</p> <p>In addition, 62,100 options were canceled (32,100 options from the first tranche and 30,000 options from the 2013 Plan). Lastly, 5,700 options for the first tranche have lapsed.</p>		
Number of remaining stock options	0	0	3,600

Before May 1, 2014, the Board of Directors decided to use the remainder of up to 43,000 stock options. In addition, 29,500 stock options were delisted.

As part of the extension until May 1, 2015, the Board of Directors decided to use the remainder of 33,150 stock options. The remainder of 75,101 lapsed as of May 1, 2015.

7.8 Special report on bonus shares granted

Special report of the Board of Directors on transactions carried out pursuant to the provisions of Articles L.225-197-4 of the French Commercial Code

Year ended December 31, 2020

Granting of bonus shares

Ladies and Gentlemen,

In accordance with the provisions of Article L.225-197-4 of the French Commercial Code, we are honored to report to you on the transactions carried out pursuant to the provisions of Articles L.225-197-1 to L.225-197-3 of the aforementioned code relating to bonus shares.

Indeed, we inform you that pursuant to the delegation of the General Meeting of June 29, 2020 (twenty-fourth resolution), bonus shares were granted during the fiscal year.

“VUSION” Strategic Plan

The Extraordinary General Meeting of June 29, 2020 (24th resolution) has decided to authorize the Board of Directors, in accordance with Articles L.225-197-1 et seq. of the French Commercial Code, to grant existing ordinary bonus shares on one or more occasions or to grant the Company's ordinary shares that are either existing or will be issued, up to an overall limit of 3% of the share capital existing on the date of the Board of Directors' decision to grant them to eligible employees and corporate officers of the Company and its related companies within the meaning of Article L.225-197-1-II, paragraph 1 of the French Commercial Code (i.e., 472,743 shares).

The General Meeting thus gave the Board of Directors the power to decide on the terms and conditions of the bonus share plan and, in particular, the duration of the vesting and holding periods for the shares, which must, in accordance with the decision of the General Meeting, comply with a minimum vesting period of one year and a cumulative vesting and holding period of at least two years. However, for shares granted with a vesting period

of at least two years, the holding period may be reduced or canceled so that the shares are freely transferable from the date on which they are definitively granted.

The General Meeting also gave the Board of Directors the power to set the conditions and criteria for the granting of bonus shares and to determine the category of beneficiaries. For this purpose, the General Meeting specifies that the beneficiaries will be the employees, or certain categories of them, and the corporate officers, or certain categories of them, of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code.

The proposed new plan is a four-year bonus share plan.

Pursuant to this authorization, and on the recommendations of the Nomination and Remuneration Committee, the Board of Directors, at its meeting of June 29, 2020, decided to authorize 95,600 performance shares to be granted to employees who are not corporate officers (first tranche).

The objective of the plan is to grant 470,000 shares to be issued subject to performance conditions and continued presence conditions. The definitive vesting of the shares is subject to the presence of the beneficiary and provided for as follows:

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

For bonus shares delivered from 2022 to 2025 (targets of 2020 to 2023), the bonus shares will not be subject to any lock-up period from the date of delivery of the shares (given the two-year period between granting and vesting).

However, as long as the Company's shares are admitted to trading on a regulated market, the bonus shares may not be sold during periods of legal prohibition. In the event of a change in control of the Company (within the meaning of Article L.233-3 of the French Commercial Code), the continued presence condition and the performance conditions will no longer apply and there will be no other condition for the delivery of performance shares to the beneficiaries on the delivery date.

Detail of bonus shares granted

Date authorized by the EGM		EGM of June 29, 2020 (38 months until August 30, 2023) Maximum authorized volume: 3% of the share capital at the date of the Board meeting of June 29, 2020, i.e. a maximum of 472,743 bonus shares ¹
Grant date ²		June 29, 2020
Beneficiaries	to Mr. Thierry Gadou, in his capacity as Chairman and CEO	None
	To employees who are not corporate officers	94,300 (out of the authorized budget of 95,600 bonus shares)
Acquisition/delivery date ³		June 29, 2022

¹ Number of shares at June 29, 2020: 15,758,108

² Date granted by the Board of Directors

³ Acquisition/delivery: definitive, subject to performance and presence conditions

7.9 Change in the amount of share capital over the last five years

At December 31, 2020, the Company's share capital totaled €31,516,216, divided into 15,758,108 shares with a nominal value of €2 each.

Years	Change in share capital	Date observed	New shares	Number of shares comprising the share capital	Successive amount of share capital (in €)	Accounting year
2016	Exercise of options in Dec. 2015	03/11/2016	23,900	11,688,672	23,377,344	12/31/2015
2016	Contribution in kind of FINDBOX GmbH shares	11/30/2016	265,114	11,953,786	23,907,572	12/31/2016
2017	Exercise of stock options	02/16/2017	123,714	12,077,500	24,155,000	12/31/2016
	Contributions in kind of PERVASIVE DISPLAYS Inc shares	02/16/2017	790,684	12,868,184	25,736,368	12/31/2017
	Bonus share grant	04/27/2017	110,014	12,978,198	25,956,396	12/31/2017
	Exercise of stock options	04/27/2017	32,044	13,010,242	26,020,484	12/31/2017
	Exercise of stock options	10/23/2017	33,577	13,043,819	26,087,638	12/31/2017
	Exercise of stock options	12/15/2017	8,700	13,052,519	26,105,038	12/31/2017
	Bonus share grant	02/06/2018	226,000	13,278,519	26,557,038	12/31/2017
	Exercise of stock options	02/06/2018	105,710	13,384,229	26,768,458	12/31/2017
2018	Exercise of stock options	03/05/2018	110,017	13,494,246	26,988,492	12/31/2018
	Bonus share grant	03/05/2018	15,850	13,510,096	27,020,192	12/31/2018
	Capital increase	09/17/2018	866,666	14,376,762	28,753,524	12/31/2018
	Exercise of stock options	09/17/2018	37,275	14,414,037	28,828,074	12/31/2018
	Bonus share grant	09/17/2018	2,000	14,416,037	28,832,074	12/31/2018
2019	Exercise of stock options	02/11/2019	17,800	14,433,837	28,867,674	12/31/2018
	Bonus share grant	02/11/2019	69,500	14,503,337	29,006,674	12/31/2018
	Exercise of stock options	09/18/2019	23,600	14,526,937	29,053,874	12/31/2019
	Capital increase	12/04/2019	1,228,071	15,755,008	31,510,016	12/31/2019
	Exercise of stock options	12/17/2019	1,100	15,756,108	31,512,216	12/31/2019
	Exercise of stock options	02/20/2020	2,000	15,758,108	31,516,216	12/31/2019
2020				15,758,108	31,516,216	12/31/2020

8

General Meeting

Table of contents

8.1 Agenda of the Combined General Meeting of June 16, 2021	261
Within the remit of the Ordinary General Meeting	263
Within the remit of the Extraordinary General Meeting	267
8.2 Draft resolutions and Report of the Board of Directors to the Combined General Meeting of June 16, 2021	279
8.3 Special report of the Statutory Auditors on regulated agreements and commitments	290

8.1 Agenda of the Combined General Meeting of June 16, 2021

The Chairman notes that the General Meeting is required to deliberate on the following agenda:

Ordinary resolutions:

1. Approval of the separate financial statements for the fiscal year closed on December 31, 2020
2. Approval of the consolidated financial statements for the fiscal year closed on December 31, 2020
3. Allocation of the profit (loss) for the 2020 fiscal year
4. Approval of the agreements covered in Articles L.225-38 et seq. of the French Commercial Code
5. Renewal of the term of office of Ms. Hélène Ploix as an independent director
6. Renewal of the term of office of Mr. Feng Bai as a director
7. Renewal of the term of office of Mr. Gang Cheng as a director
8. Renewal of the term of office of Ms. Fangqi Ye as a director
9. Approval of the information covered in Article L.22-10-9 I of the French Commercial Code relating to the compensation of corporate officers for the 2020 fiscal year, pursuant to Article L.22-10-34 I of the French Commercial Code
10. Approval of the fixed, variable and exceptional elements of the total compensation and benefits of all kind paid during the 2020 fiscal year or allocated for the same fiscal year to Mr. Thierry Gadou, Chairman and Chief Executive Officer, in application of Article L.22-10-34 II of the French Commercial Code
11. Setting of the overall annual compensation package for directors
12. Approval of the compensation policy for directors for the 2021 fiscal year in application of Article L.22-10-8 II of the French Commercial Code
13. Approval of the compensation policy for the Chairman and Chief Executive Officer for the 2021 fiscal year, in application of Article L.22-10-8 II of the French Commercial Code
14. Authorization to the Board of Directors to carry out transactions on the Company's shares

Extraordinary resolutions:

15. Authorization granted to the Board of Directors to reduce the share capital via the cancelation of treasury shares
16. Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums or any other amount that can be legally capitalized
17. Delegation of authority to the Board of Directors to increase the share capital through the issue, with preferential subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued
18. Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers other than those referred to in Article L.411-2-II of the French Monetary and Financial Code

19. Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers referred to in Article L.411-2-II of the French Monetary and Financial Code
20. Authorization granted to the Board of Directors in the event of the issue, without preferential subscription rights, via public offers, to set the issue price according to the terms set by the General Meeting, within the limit of 10% of the capital per year
21. Authorization granted to the Board of Directors to increase the amount of issues with or without preferential subscription rights
22. Delegation of authority to the Board of Directors to increase the share capital through the issue of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued in consideration for contributions in kind
23. Delegation of authority to the Board of Directors to increase the share capital without preferential subscription rights via the issue of Company shares reserved for the members of a company savings plan
24. Powers

Within the remit of the Ordinary General Meeting

First resolution

Approval of the separate financial statements for the fiscal year closed on December 31, 2020

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the reports of the Board of Directors and of the Statutory Auditors for the fiscal year closed on December 31, 2020, approves the annual financial statements closed on that date as they were presented to it and the transactions described or summarized in the statements and reports which show a net profit (loss) of **-11,923,028 euros**.

In accordance with the provisions of Article 223 quater of the General Tax Code, the General Meeting records that the Company incurred the expenses and charges listed in Section 4 of Article 39 and 54 quater of said code in the amount of **237,251 euros**.

Second resolution

Approval of the consolidated financial statements for the fiscal year closed on December 31, 2020

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the reports of the Board of Directors and of the Statutory Auditors on the consolidated financial statements, approves the consolidated financial statements for the fiscal year closed on December 31, 2020, as they were presented to it, and the transactions described in the statements and or summarized in the reports.

Third resolution

Allocation of the profit (loss) for the 2020 fiscal year

On the proposal of the Board of Directors, the General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the reports of the Board of Directors and of the

Statutory Auditors on the fiscal year closed on December 31, 2020, decides to proceed with the allocation of the profit (loss) for the 2020 fiscal year in the amount of **-11,923,028 euros** as follows:

Profit (loss) for the year	-11,923,028 €
Earnings fully allocated to retained earning	-11,923,028 €
Which, when added to the amount previously carried forward is now	-6,428,310 €

In accordance with the provisions of Article 243 of the General Tax Code, the General Meeting states that it has not distributed a dividend since the 2012 fiscal year. In 2012, the Company paid 5,491,011.50 euros in dividends.

Fourth resolution

Approval of the agreements covered in Articles L.225-38 et seq. of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the reports of the Board of Directors and the special report of the Statutory Auditors on the regulated agreements and commitments referred to in Article L.225-38 of the French Commercial Code, and ruling on the report, approves, under the conditions set out in the last paragraph of Article L.225-40 of the French Commercial Code, each of the agreements listed in said special report.

Fifth resolution

Renewal of the term of office of Ms. Hélène Ploix as an independent director

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, decides to renew the term of office of Ms. Hélène Ploix as a director, which expired with this General Meeting, for a period of three years, i.e. until the

Ordinary General Meeting to be held in 2024 to deliberate on the financial statements for the 2023 fiscal year.

Sixth resolution

Renewal of the term of office of Mr. Feng Bai as a director

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, decides to renew the term of office of Mr. Feng Bai as a director, which expired with this General Meeting, for a period of three years, i.e. until the Ordinary General Meeting to be held in 2024 to deliberate on the financial statements for the 2023 fiscal year.

Seventh resolution

Renewal of the term of office of Mr. Gang Cheng as a director

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, decides to renew the term of office of Mr. Gang Cheng as a director, which expired with this General Meeting, for a period of three years, i.e. until the Ordinary General Meeting to be held in 2024 to deliberate on the financial statements for the 2023 fiscal year.

Eighth resolution

Renewal of the term of office of Ms. Fangqi Ye as a director

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, decides to renew the term of office of Ms. Fangqi Ye as a director, which expired with this General Meeting, for a period of three years, i.e. until the Ordinary General Meeting to be held in 2024 to deliberate on the financial statements for the 2023 fiscal year.

Ninth resolution

Approval of the information covered in Article L.22-10-9 I of the French Commercial Code relating to the compensation of corporate officers for the 2020 fiscal year, pursuant to Article L.22-10-34 I of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board

of Directors on corporate governance referred to in Article L.225-37 of the French Code of Commerce, approves, in accordance with Article L.22-10-34 I of the French Commercial Code, the information referred to in Article L.22-10-9 I of the French Commercial Code relating to the compensation for fiscal year 2020 of the corporate officers, in accordance with their terms of office, as they appear in the corporate governance report (Section 3.3.2).

Tenth resolution

Approval of the fixed, variable and exceptional elements of the total compensation and benefits of all kind paid during the 2020 fiscal year or allocated for the same fiscal year to Mr. Thierry Gadou, Chairman and Chief Executive Officer, in application of Article L.22-10-34 II of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in application of Article L.22-10-34 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or granted during the 2020 fiscal year in respect of the same fiscal year to Mr. Thierry Gadou, by virtue of his office as Chairman and Chief Executive Officer of the Company, as they appear in the report on corporate governance (Chapter 3.3.2).

Eleventh resolution

Setting of the overall annual compensation package for directors

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors, resolves to set the maximum amount of the annual fixed sum provided for in Article L.225-45 of the French Commercial Code to be allocated to the directors in compensation for their activities for the 2021 fiscal year in the amount of 50,000 euros, the distribution of which will be determined by the Board of Directors under the conditions provided for in Article L.22-10-8 I of the French Commercial Code.

Twelfth resolution

Approval of the compensation policy for directors for the 2021 fiscal year in application of Article L.22-10-8 II of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in accordance with Article L.22-10-8 II of the French Commercial Code, the compensation policy for directors, as presented in the report on corporate governance (Chapter 3.3.3).

Thirteenth resolution

Approval of the compensation policy for the Chairman and Chief Executive Officer for the 2021 fiscal year, in application of Article L.22-10-8 II of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors on corporate governance referred to in Article L.225-37 of the French Commercial Code, approves, in accordance with Article L.22-10-8 II of the French Commercial Code, the compensation policy for the Chairman and Chief Executive Officer, as presented in the report on corporate governance (Chapter 3.3.3).

Fourteenth resolution

Authorization to the Board of Directors to carry out transactions on the Company's shares

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, and in accordance with the legal and regulatory provisions applicable and, notably, those of Articles L.22-10-62 et seq. and L.225-210 of the French Commercial Code, having reviewed the report of the Board of Directors, authorizes the Board of Directors, with the option to subdelegate under the conditions provided for by law, to carry out transactions on the stock market or in other ways on the Company's shares according to the procedures presented below.

The Board of Directors is empowered by virtue of this authorization to acquire, in a single or multiple purchase(s) and by any means, a number of shares totaling up to 5% of the number of shares in the Company's share capital at any time.

In accordance with the provisions of Article L.22-10-62 paragraph 2 of the French Commercial Code, when shares are bought back to improve liquidity, under the conditions provided for in the General Regulation of the French Financial Markets Authority, the number of shares taken into account to calculate the 5% limit corresponds to the number of shares purchased, less the number of shares sold during the authorization period.

The transactions carried out by the Board of Directors by virtue of this authorization can be used to:

- Stimulate the secondary market or the liquidity of the share via an investment service provider acting independently within the framework of a liquidity contract in accordance with the market practices allowed by the French Financial Markets Authority on July 2, 2018;
- Use all or some of the shares acquired to allocate them to employees and/or to the corporate officers of the Company and of the other Group entities, notably for (i) profit-sharing, (ii) Company stock option plans in accordance with the provisions of Articles L.225-177 et seq. and L.22-10-56 et seq. of the French Commercial Code, or (iii) for any savings plan in accordance with the provisions of Articles L.3331-1 et seq. of the French Labor Code, or (iv) any allocation of free shares in accordance with the provisions of Articles L.225-197-1 et seq. and L.22-10-59 et seq. of the French Commercial Code and to carry out all hedging transactions for these operations under the conditions provided for by the market authorities, at the times the Board of Directors, or the person acting on delegation of the Board of Directors, deems appropriate;
- Provide shares for the exercise of rights attached to shares giving rights via conversion, exercise, redemption or exchange, or any other means, to the allocation of Company shares, in accordance with the regulations in effect and to carry out all hedging transactions related to these operations, under the conditions provided for the market authorities, at the

times the Board of Directors, or the person acting on delegation of the Board of Directors deems appropriate;

- Cancel the shares purchased by reducing the capital under the conditions provided for in the French Commercial Code, subject to the approval of the fifteenth resolution by this General Meeting;
- Keep all or some of the shares acquired for later exchange or in payment as part of potential future growth by acquisition;
- Implement market practices authorized by the French Financial Markets Authority and, generally, to carry out all transactions in compliance with the regulation in effect.

The Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a public offer on the Company's shares until the offer has expired.

The acquisition, disposal, transfer or exchange of the shares can be completed and paid for by any means and, notably within the framework of a liquidity contract entered into by the Company with an investment service provider, subject to the regulations in effect, including over the counter and by blocks of shares, via the use of derivative financial instruments and the implementation of options strategies (purchase and sale of stock options and all combinations in compliance with the applicable regulations) and at the times the Board of Director deems appropriate.

The General Meeting decides that the maximum unit purchase price, excluding costs, may not exceed 60 euros per share.

Acquisitions made by the Company may under no circumstances lead the Company to hold more than 5% of the shares comprising its share capital at any time.

The number of shares and the price shown above will be adjusted in the event of a change in the nominal value of the share, a capital increase via the incorporation of reserves, profits or premiums, the allocation of free shares, the splitting or grouping of shares, amortization or a reduction in capital, the distribution of reserves or

other assets and all other transactions impacting equity to take into account the incidence of these transactions on the share price.

This authorization is provided for a period of eighteen months as of the date of this General Meeting. In order to ensure execution of this resolution, all powers are granted to the Board of Directors with the option to sub-delegate under the conditions provided for by law, for the purposes of:

- Deciding to implement this authorization;
- Placing all stock market orders;
- Making all declarations and formalities with the French Financial Markets Authority relating to the buyback program referred to above; and
- Completing any other formalities or to enter into any other agreements for this purpose and, more generally, to do whatever is necessary for the purposes of implementing the aforementioned buyback program.

This authorization cancels and replaces that granted by the Combined General Meeting of June 29, 2020 in its fourteenth resolution.

Within the remit of the Extraordinary General Meeting

Fifteenth resolution

Authorization granted to the Board of Directors to reduce the share capital via the cancelation of treasury shares

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings and in accordance with the provisions of Article L.22-10-62 of the Commercial Code, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, decides to grant the Board of Directors authority, with the option to subdelegate under the conditions provided for by law, to reduce the share capital, in one or several times, and at the times it deems appropriate, via the cancelation of shares which the Company can buy as part of the implementation of a share buyback program decided by the Company.

In accordance with the law, the reduction in capital cannot exceed 10% of the share capital in existence on the cancelation date (i.e., adjusted based on the transactions on the share capital occurring since the adoption of this resolution), per 24-month period.

The General Meeting grants all powers to the Board of Directors, with the option to subdelegate under the conditions provided for by law, to decide on the procedure to reduce the capital and to cancel shares, to allocate the difference between the carrying amount of the canceled shares and their nominal value in all reserve accounts or premiums and to make the changes to the Articles of Association resulting from this authorization and to accomplish all required formalities.

This authorization is provided for a period of twenty-six months as of the date of this General Meeting.

This authorization cancels and replaces that granted by the Combined General Meeting of June 29, 2020 in its fifteenth resolution.

Sixteenth resolution

Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums or any other amount that can be legally capitalized

The General Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, having reviewed the report of the Board of Directors and in accordance with the provisions of Articles L.225-129, L.225-129-2, L.225-130, and L.22-10-50 of the French Commercial Code:

- delegates to the Board of Directors, with the option to subdelegate under legislative and regulatory conditions in effect, its authority to increase, in one or several times, in the amounts and at the times it deems appropriate, the share capital of the Company via the incorporation of reserves, profits or issue premiums, merger or contribution, or any other amount whose capitalization will be legally and statutorily possible, to be implemented via the issue of new shares or by an increase in the nominal amount of existing shares or via a combination of these two methods, according to the procedures it decides on;
- decides that the nominal amount of the capital increases which may be decided by the Board of Directors and implemented, immediately and/or in the future, by virtue of this delegation cannot exceed the amount of three million one hundred thousand euros (3,100,000 euros). This ceiling will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the holders of transferable securities or other rights giving access to the capital of the Company in accordance with the legal and regulatory provisions in effect and, if relevant, any applicable contractual stipulations.
- states that, in the event of a capital increase resulting in the allocation of new free shares, the Board of Directors can decide that the fractional rights cannot be traded and that the corresponding shares will be

sold, in accordance with the provisions of Articles L.225-130 and L.22-10-50 of the French Commercial Code, with the amounts resulting from the sale allocated to the rights holders at the latest 30 days following the date of registration in their account of the full number of shares allocated;

- decides that the Board of Directors will have all powers, with the option to subdelegate in accordance with legal and regulatory provisions in effect, to implement this delegation, and notably:
 - i. to determine the terms and conditions of the transactions authorized and, notably, to set the amount and nature of reserves, profits, premiums or other amounts to be incorporated in the capital, set the number of new shares to be issued and/or the amount, with the nominal value of the existing shares of which the capital consists being increased, decide on the date, potentially retroactive, on which the new shares will bear rights or on which the increase in the nominal value will take effect and proceed, if applicable, with all allocations to the issue premium(s) and, notably, those for the fees resulting from the issues,
 - ii. takes all measures required to protect the rights of the holders of securities or of other rights giving access to the capital, in existence at the date of the capital increase,
 - iii. takes all measures required and concludes all agreements to ensure the successful completion of the planned transaction(s) and, generally, to do everything required, carry out all actions and undertake all formalities to complete the capital increase(s) which can be carried out by virtue of this delegation and to proceed with the required changes to the Articles of Association;
- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
- decides that this delegation, which cancels and replaces the delegation granted in the sixteenth resolution of the Combined General Meeting of June 29, 2020, is granted for a period of twenty-six (26) months as of this General Meeting.

Seventeenth resolution

Delegation of authority to the Board of Directors to increase the share capital through the issue, with preferential subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 et seq., L.225-132, L.225-133 and L.228-91 et seq.:

- delegates to the Board of Directors, with the option of subdelegation under the legislative and regulatory conditions in effect, the authority to decide to proceed on one or more occasions, in the proportions and at the times that it will appreciate, both in France and abroad, in euros or other currencies, on issue, with preferential subscription rights, of Company shares and/or equity securities giving access to other equity securities and/or granting the right to the allocation of debt securities and/or transferable securities giving access to equity shares to be issued, the subscription of which may be made in cash or by offsetting against certain, liquid and payable receivables, or in whole or in part, by the incorporation of reserves, profits or premiums;
- resolves that the total nominal amount of the capital increases that may be carried out immediately and/or in the future under this delegation may not exceed a maximum amount of fifteen million seven hundred and fifty thousand euros (15,750,000 euros), or the equivalent in any other currency, it being specified that the nominal amount of the capital increases carried out pursuant to this resolution as well as the eighteenth to twenty-third resolutions submitted to this General Meeting will be deducted from this ceiling. This ceiling will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the holders of transferable securities or other rights giving access to the capital of the Company in accordance with the legal and regulatory

provisions in effect and, if relevant, any applicable contractual stipulations;

- decides that the transferable securities providing access to equity shares to be issued by the Company issued in this way can consist of debt securities or be associated with the issue of such shares or enable their issue as intermediate securities. The maximum aggregate nominal amount of debt securities issues that may be carried out on the basis of this delegation may not exceed two hundred and fifty million euros (250,000,000 euros) or its equivalent in foreign currencies, it being specified that the nominal amount of debt securities issued pursuant to this resolution and the eighteenth to twenty-second resolutions submitted to this General Meeting will be deducted from this ceiling;
- takes note of the fact that the current delegation implies the waiver, by shareholders, of their preferential subscription right, to the shares of the Company to which the securities to be issued based on this delegation can give right immediately or in the future;
- decides that the shareholders can exercise their irrevocable preferential subscription rights to the shares under the conditions provided for by law and/or to the transferable securities whose issue will be decided by the Board of Directors by virtue of this delegation of authority. The Board of Directors will be entitled to grant shareholders the revocable right to subscribe to a number of securities higher than the number of irrevocable securities they can subscribe to, proportionally to the subscription rights they hold and, in any event, within the limit of their requests. If the irrevocable subscription rights, and if applicable, revocable rights, have not absorbed all the equity securities and/or transferable securities issued, the Board of Directors shall have the option, in the order it determines, either to limit, in accordance with the law, the issue for the amount of subscriptions received, provided that this amounts to at least three-quarters of the issue decided upon, or to freely distribute all or part of the unsubscribed securities among the persons of its choice, or to offer them to the public in the same way, the Board of Directors being entitled to use all the options set out above or only some of them;

• notes, in addition, that the Board of Directors, which has the right to subdelegate in accordance with legal and regulatory conditions, can:

- i. decide and set the characteristics of the shares and transferable securities to be issued and, notably, their issue price (with or without an issue premium), the terms of their subscription and their vesting date,
- ii. in the event of the issue of equity warrants, to decide on their number and characteristics and to decide, if it believes that it is appropriate, under conditions and procedures that it will set, that the warrants can be redeemed or purchased, or allocated free to shareholders in proportion to their rights in the share capital,
- iii. and, generally, decide on the characteristics of all transferable securities and, notably, the conditions in terms of allocation of shares, the duration of loans which may be issued as bonds, whether they are subordinated or not, the issue currency, the terms of repayment of the principal, with or without premium, the conditions and terms of amortization and, if applicable, of early purchase, exchange or redemption, interest rates, fixed or variable, and the payment date. The compensation can include a variable portion calculated including elements related to the business activity and to the Company's results with a deferred payment if there is no distributable profit,
- iv. decide to use the shares acquired as part of a share buyback program authorized by the shareholders to allocate them as a result of the issue of securities issued based on this delegation,
- v. take all measures intended to protect the rights of the holders of securities issued or other rights giving access to the capital of the Company required by legislative and regulatory provisions and the applicable contractual stipulations,
- vi. potentially suspend exercise of the rights
- vii. related to the securities for a period set in compliance with legislative and regulatory provisions and the contractual stipulations applicable,
- viii. record all capital increases and issues of securities, proceed with the required changes to the Articles of Association, allocate the issue fees to the pre-

miums and, if it deems it applicable, deduct from the amount of capital increases, the amounts required to increase a legal reserve to one tenth of the new share capital,

ix. take all measures and proceed with all formalities required for admission to the trading of the securities created on a regulated market;

- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
- decides that this delegation, which cancels and replaces the delegation granted in the seventeenth resolution of the Combined General Meeting of June 29, 2020, is granted for a period of twenty-six (26) months as of this General Meeting.

Eighteenth resolution

Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 et seq., L.225-135, L.22-10-51, L.225-136, L.22-10-52, L.22-10-54 and L.228-91 et seq.:

- delegates to the Board of Directors, with the option of subdelegation under the legislative and regulatory provisions in effect, the authority to decide to proceed by means of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code, under the maximum conditions and limits provided for by the laws and regulations, on one or more occasions, in the proportions and at

the times that it will appreciate, both in France and abroad, in euros or other currencies, on issue, without preferential subscription rights, Company shares and/or equity securities giving access to other equity securities and/or granting the right to the allocation of debt securities and/or transferable securities giving entitlement to the granting of shares to be issued, the subscription of which may be made in cash or by offsetting against certain, liquid and payable receivables. These securities may be issued in particular to remunerate securities that would be contributed to the Company as part of a public exchange offer carried out in France or abroad in accordance with local rules (for example in a reverse merger) on securities meeting the conditions set out in Article L.22-10-54 of the French Commercial Code;

- decides: that the total nominal amount of the capital increases which may be carried out immediately and/or in the future by virtue of this delegation cannot exceed the total amount of six million three hundred thousand euros (6,300,000 euros) or the equivalent in any other currency, it being noted that (i) the nominal amount of capital increases carried out in application of this resolution and of the nineteenth and twentieth resolutions submitted to this General Meeting will be allocated to this ceiling, and (ii) the total normal amount of all capital increases carried out under this delegation will be allocated to the overall nominal ceiling provided for capital increases in paragraph 2 of the seventeenth resolution of this General Meeting.

These ceilings will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the security holders or other rights providing access to the capital of the Company in accordance with legal and regulatory provisions and, if relevant, any applicable contractual stipulations;

- decides to eliminate the preferential subscription rights of shareholders to shares and other securities to be issued by virtue of this resolution;
- decides that, with respect to the issues carried out by virtue of this delegation, the Board of Directors can implement a priority your revocable, and potentially revocable, subscription right for shareholders which will not provide rights to the creation of tradable rights and, therefore, delegates to the Board of Directors with the option to subdelegate in accordance

with legislative and regulatory provisions in effect, the ability to set the period and its terms, in accordance with the provisions of Article L.22-10-51, paragraph 1 of the French Commercial Code;

- decides that the transferable securities providing access to equity shares to be issued by the Company issued in this way can consist of debt securities or be associated with the issue of such shares or enable their issue as intermediate securities. The maximum aggregate nominal amount of debt securities issues that may be carried out immediately or in the future on the basis of this delegation may not exceed two hundred and fifty million euros (250,000,000 euros) or its equivalent in foreign currencies, it being specified that this amount will be deducted from the overall nominal ceiling for debt securities issues provided for in paragraph 3 of the seventeenth resolution;
- takes note of the fact that the current delegation implies the waiver, by shareholders, of their preferential subscription right to the shares of the Company to which the securities to be issued based on this delegation can give rights;
- resolves that if the subscriptions have not absorbed all the equity securities and/or transferable securities issued, the Board of Directors shall have the option, in the order it determines, either to limit, in accordance with the law, the issue for the amount of subscriptions received, provided that this amounts to at least three-quarters of the issue decided upon, i.e. freely distributing all or part of the unsubscribed securities among the persons of its choice, either to offer them to the public in the same way, the Board of Directors being entitled to use all the options set out above or only some of them;
- notes, in addition, that the Board of Directors, which has the right to subdelegate in accordance with legal and regulatory conditions, can:
 - i. decide and set the characteristics of the shares and transferable securities to be issued and, notably, their issue price (with or without an issue premium), the terms of their subscription and their vesting date,
 - ii. in the event of the issue of equity warrants, to decide on their number and characteristics and to decide, if it believes that it is appropriate, under

conditions and procedures that it will set, that the warrants can be redeemed or purchased, or allocated free to shareholders in proportion to their rights in the share capital,

- iii. and, generally, decide on the characteristics of all transferable securities and, notably, the conditions in terms of allocation of shares, the duration of loans which may be issued as bonds, whether they are subordinated or not, the issue currency, the terms of repayment of the principal, with or without premium, the conditions and terms of amortization and, if applicable, of early purchase, exchange or redemption, interest rates, fixed or variable, and the payment date. The compensation can include a variable portion calculated including elements related to the business activity and to the Company's results with a deferred payment if there is no distributable profit,
- iv. set the issue price of the shares or securities which can be created by virtue of the sections above such that the Company will receive for each share created or allocated independently of any compensation, in any form whatsoever, notably interest, issue premium, or redemption, an amount at least equal to the minimum price provided for in the legislative and regulatory provisions applicable on the date of issue (i.e. to date, the weighted average of the Company's share price over the last three stock market sessions on the regulated Euronext Paris exchange preceding the start of the public offer as meant in Regulation (EU) no. 2017/1129 of June 14, 2017, potentially reduced by a maximum discount of 10%),
- v. take all measures intended to protect the rights of the holders of transferable securities issued or other rights giving access to the capital of the Company required by legislative and regulatory provisions and the applicable contractual stipulations,
- vi. potentially suspend exercise of the rights
- vii. related to the securities for a period set in compliance with legislative and regulatory provisions and the contractual stipulations applicable,
- viii. record all capital increases and issues of securities, proceed with the required changes to the Articles of Association, allocate the issue fees to the premiums and, if it deems it applicable, deduct from the amount of capital increases, the amounts required to increase a legal reserve to one tenth of the new share capital,

ix. take all measures and proceed with all formalities required for admission to the trading of the securities created on a regulated market;

- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
- decides that this delegation, which cancels and replaces the delegation granted in the eighteenth resolution of the Combined General Meeting of June 29, 2020, is granted for a period of twenty-six (26) months as of this General Meeting.

Nineteenth resolution

Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers referred to in Article L.411-2 of the French Monetary and Financial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 et seq., L.225-135, L.22-10-51, L.225-136, L.22-10-49, L.22-10-52 and L.228-91 et seq.:

- delegates to the Board of Directors, with the option of subdelegation under legislative and regulatory conditions, the authority to decide to proceed in the context of public offers referred to in 1 of Article L.411-2 of the French Monetary and Financial Code, under the maximum conditions and limits provided for by the laws and regulations, on one or more occasions, in the proportions and at the times that it will appreciate, both in France and abroad, in euros or other currencies, on the issue, without preferential subscription rights, of Company shares and/or equity securities giving access to other equity securities and/or granting the right to the allocation of debt securities and/or transferable securities giving entitlement to the granting of shares to be issued, the subscription of which may be made in cash or by offsetting against certain, liquid and payable receivables;
- decides that the total nominal amount of capital increases which can be carried out immediately and/or by virtue of this delegation cannot exceed a total amount of six million three hundred thousand euros (6,300,000 euros, i.e. 20% of the capital) or the equivalent in any other currency, it being noted that the amount will be allocated (i) to the nominal ceiling of six million three hundred thousand euros (6,300,000 euros) provided for capital increases without preferential subscription rights via public offers in paragraph 2 of the eighteenth resolution of this General Meeting, and (ii) to the overall nominal ceiling provided for capital increases in paragraph 2 of the seventeenth resolution of this General Meeting. These ceilings will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the security holders or other rights providing access to the capital of the Company in accordance with legal and regulatory provisions and, if relevant, any applicable contractual stipulations.
- decides to eliminate the preferential subscription rights of shareholders to shares and other securities to be issued by virtue of this resolution;
- decides that the transferable securities providing access to equity shares to be issued by the Company issued in this way can consist of debt securities or be associated with the issue of such shares or enable their issue as intermediate securities. The maximum aggregate nominal amount of debt securities issues that may be carried out immediately or in the future on the basis of this delegation may not exceed two hundred and fifty million euros (€250,000,000) or its equivalent in foreign currencies, it being specified that this amount will be deducted from the overall nominal ceiling for debt securities issues provided for in paragraph 3 of the seventeenth resolution;
- takes note of the fact that the current delegation implies the waiver, by shareholders, of their preferential subscription right to the shares of the Company to

which the securities to be issued based on this delegation can give rights;

- resolves that if the subscriptions have not absorbed all the equity securities and/or securities issued, the Board of Directors shall have the option, in the order it determines, either to limit, in accordance with the law, the issue for the amount of subscriptions received, provided that this amounts to at least three-quarters of the issue decided upon, i.e. freely distributing all or part of the unsubscribed securities among the persons of its choice, either to offer them to the public in the same way, the Board of Directors being entitled to use all the options set out above or only some of them;
- notes, in addition, that the Board of Directors, which has the right to sub-delegate in accordance with legal and regulatory provisions, can:
 - i. decide and set the characteristics of the shares and transferable securities to be issued and, notably, their issue price (with or without an issue premium), the terms of their subscription and their vesting date,
 - ii. in the case of the issue of share subscription warrants, decide on the number and characteristics and decide, if it believes that it is appropriate at conditions and under terms it will set, that the warrants can be redeemed or bought,
 - iii. generally, decide on the characteristics of all transferable securities and, notably, the conditions in terms of allocation of shares, the duration of loans which may be issued as bonds, whether they are subordinated or not, the issue currency, the terms of repayment of the principal, with or without premium, the conditions and terms of amortization and, if applicable, of early purchase, exchange or redemption, interest rates, fixed or variable, and the payment date. The compensation can include a variable portion calculated including elements related to the business activity and to the Company's results with a deferred payment if there is no distributable profit,
 - iv. set the issue price of the shares or securities which can be created by virtue of the sections above such that the Company will receive for each share created or allocated independently of any compensation, in any form whatsoever, notably interest, issue premium, or redemption, an

amount at least equal to the minimum price provided for in the legislative and regulatory provisions applicable on the date of issue (i.e. to date, the weighted average of the Company's share price over the last three stock market sessions on the regulated Euronext Paris exchange preceding the start of the public offer as meant in Regulation (EU) no. 2017/1129 of June 14, 2017, potentially reduced by a maximum discount of 10%),

- v. decide to use the shares acquired as part of a share buyback program authorized by the shareholders to allocate them as a result of the issue of securities issued based on this delegation,
 - vi. take all measures intended to protect the rights of the holders of securities issued required by legislative and regulatory provisions and the applicable contractual stipulations,
 - vii. potentially suspend the exercise of the rights
 - viii. related to the securities for a period set in compliance with legislative and regulatory provisions and the contractual stipulations applicable,
 - ix. record all capital increases and issues of securities, proceed with the required changes to the Articles of Association, allocate the issue fees to the premiums and, if it deems it applicable, deduct from the amount of capital increases, the amounts required to increase a legal reserve to one tenth of the new share capital,
 - x. take all measures and proceed with all formalities required for admission to the trading of the securities created on a regulated market;
- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
 - decides that this delegation, which cancels and replaces the delegation granted in the nineteenth resolution of the Combined General Meeting of June 29, 2020, is granted for a period of twenty-six (26) months as of this General Meeting.

Twentieth resolution

Authorization granted to the Board of Directors in the event of the issue without preferential subscription rights, via public offers, to set the issue price according to the terms set by the General Meeting, within the limit of 10% of the capital per year

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code and in particular Article L.22-10-52;

- authorizes the Board of Directors, with the option of subdelegation under the legislative and regulatory conditions in effect, in the event of the issue of shares and/or any other securities giving immediate and/or future access to the Company's share capital, without preferential subscription rights, by public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code or by public offers referred to in 1 of Article L.411-2 of the French Monetary and Financial Code, in the conditions, including the amount, provided for in the eighteenth and nineteenth resolutions, to be waived from the pricing conditions provided for in the aforementioned resolutions and to determine the issue price in accordance with the following conditions:
 - i. based on the decision by the Board of Directors, the issue price of the shares will be at least equal to (i) the average weighted price of the Company's share on the regulated Euronext Paris exchange on the day preceding the day the issue price is set, potentially less a maximum discount of 10%, or (ii) to the weighted average of the price of the Company's share on the regulated Euronext Paris exchange over a period of six months preceding the date on which the issue price is set, potentially less a maximum discount of 10%,
 - ii. the issue price of the securities giving access to the capital must be such that the amount collected immediately by the Company plus, if applicable, the amount that may be collected by the Company at a later time must, for each Company share issued as a result of the issue of the securities, be at least equal to the amount above;

- resolves that the total nominal amount of the capital increases that may be carried out under this resolution may not exceed 10% of the share capital per period of 12 months (said capital being assessed on the date of the decision to set the price of this resolution), it being specified that this amount will be deducted from the (i) nominal cap of six million three hundred thousand euros (6,300,000 euros) provided for capital increases without preferential subscription rights through public offers in paragraph 2 of the eighteenth resolution of this General Meeting and (ii) on the overall nominal ceiling for capital increases provided for in paragraph 2 of the seventeenth resolution of this General Meeting.

These ceilings will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the security holders or other rights providing access to the capital of the Company in accordance with legal and regulatory provisions and, if relevant, any applicable contractual stipulations;

- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
- decides that this delegation, which cancels and replaces the delegation granted in the twentieth resolution of the Combined General Meeting of June 29, 2020, is granted to the Board of Directors for a period of twenty-six (26) months as of this General Meeting.

Twenty-first resolution

Authorization granted to the Board of Directors to increase the amount of issues with or without preferential subscription rights

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, and subject to the adoption of the seventeenth, eighteenth and nineteenth resolutions of this General Meeting, in accordance with Article L.225-135-1 of the French Commercial Code:

- authorizes the Board of Directors, with the option of subdelegation under the legislative and regulatory conditions in effect, to decide to increase the number of securities to be issued for each of the issues with or without preferential subscription rights decided under the seventeenth, eighteenth and nineteenth resolutions of this General Meeting under the conditions provided for by the laws and regulations applicable on the date of the issue (i.e., to date, within thirty days of the closing of the subscription, within the limit of 15% of each issue and at the same price as that used for the initial issue);
- resolves that the total nominal amount of the capital increases that may be carried out under this delegation shall be deducted from the amount of the ceiling stipulated in the resolution pursuant to which the issue is decided and against the overall nominal ceiling provided for the purposes of capital increases in paragraph 2 of the seventeenth resolution of this General Meeting. This ceiling will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the holders of transferable securities or other rights giving access to the capital of the Company in accordance with the legal and regulatory provisions in effect and, if relevant, any applicable contractual stipulations;
- decides that the securities providing access to shares to be issued by the Company issued in this way can consist of debt securities or be associated with the issue of such shares or enable their issue as intermediate securities. The maximum aggregate nominal amount of debt securities issues that may be carried out immediately or in the future on the basis of this delegation may not exceed two hundred and fifty million euros (250,000,000 euros) or its equivalent in foreign currencies, it being specified that this amount will be deducted from the overall nominal ceiling for debt securities issues provided for in paragraph 3 of the seventeenth resolution;
- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
- decides that this delegation, which cancels and replaces the delegation granted in the twenty-first re-

solution of the Combined General Meeting of June 29, 2020, is granted for a period of twenty-six (26) months as of this General Meeting.

Twenty-second resolution

Delegation of authority to the Board of Directors to increase the share capital through the issue of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued in consideration for contributions in kind

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 et seq., L.225-147, L.22-10-53 and L.228-91 et seq.:

- delegates to the Board of Directors, with the option of subdelegation under the legislative and regulatory conditions in effect, the authority to decide to proceed, based on the report of the capital contributions auditor, on one or more occasions, in the proportions and at the times that it will appreciate, both in France and abroad, in euros or other currencies, on the issue of Company shares and/or equity securities giving access to other equity securities and/or granting the right to the allocation of debt securities and/or transferable securities giving entitlement to the granting of equity securities to be issued to remunerate contributions in kind granted to the Company given access to the capital when the provisions of Article L.22-10-54 of the French Commercial Code are not applicable;
- decides that the total nominal amount of capital increases that may be carried out by virtue of this delegation cannot exceed 10% of the share capital (as of the day the Board of Directors decides on the issue), it being noted that the amount will be allocated to the overall nominal ceiling provided for capital increases in paragraph 2 of the seventeenth resolution of this General Meeting.

These ceilings will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the security holders or other rights pro-

viding access to the capital of the Company in accordance with legal and regulatory provisions and, if relevant, any applicable contractual stipulations;

- decides that the transferable securities providing access to equity shares to be issued by the Company issued in this way can consist of debt securities or be associated with the issue of such shares or enable their issue as intermediate securities. The maximum aggregate nominal amount of debt securities issues that may be carried out immediately or in the future on the basis of this delegation may not exceed two hundred and fifty million euros (€250,000,000) or its equivalent in foreign currencies, it being specified that this amount will be deducted from the overall nominal ceiling for debt securities issues provided for in paragraph 3 of the seventeenth resolution;
- decides to eliminate the preferential subscription rights of shareholders to shares and other securities to be issued by virtue of this resolution for the benefit of the holders of shares or securities, the object of the contributions in kind;
- takes note of the fact that the current delegation implies the waiver, by shareholders, of their preferential subscription right to the shares of the Company to which the securities to be issued based on this delegation can give rights;
- notes, in addition, that the Board of Directors, which has the right to sub-delegate in accordance with legal and regulatory provisions, can:
 - i. decide, based on the report of the capital contributions auditor(s) on the valuation of the contributions and the potential granting of special benefits,
 - ii. sets the characteristics of the issues of shares and securities to be issued and, notably, their issue price (with or without an issue premium), the exchange parity and, if applicable, the balancing payment, the terms of their subscription and their effective date,
 - iii. at its sole discretion, allocate the fees of the share capital increase(s) to the premiums related to the contributions and deduct from this amount the sums required to increase the legal reserve to a tenth of the new capital after each increase,
 - iv. take all measures intended to protect the rights of the holders of transferable securities issued or other

rights giving access to the capital of the Company required by legislative and regulatory provisions and the applicable contractual stipulations,

- v. record all issues of shares and transferable securities, proceed with the required changes to the Articles of Association made necessary by a capital increase, potentially allocate the issue fees to the premium and, if it deems it applicable, increase the legal reserve to one tenth of the new share capital and undertake all formalities and declarations and request all authorizations required for these contributions,
- vi. take all measures and proceed with all formalities required for admission to the trading of the securities created on a regulated market;
- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a draft public offer on the Company's shares until the offer has expired;
- decides that this delegation, which cancels and replaces the delegation granted in the twenty-second resolution of the Combined General Meeting of June 29, 2020, is granted for a period of twenty-six (26) months as of this General Meeting.

Twenty-third resolution

Delegation of authority to the Board of Directors to increase the share capital without preferential subscription rights via the issue of Company shares reserved for the members of a company savings plan

The General Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors and in accordance with the provisions of Articles L.225-129-2, L.225-129-6, L.225-138 and L.225-138-1 of the French Commercial Code and those of Articles L.3332-18 et seq. of the French Labor Code:

- delegates to the Board of Directors, with the option of subdelegation under the legislative and regulatory conditions in effect, the authority to decide to proceed, on one or more occasions, at its sole discretion, in the proportions and at the times that it will appreciate, both in France and abroad, to the issue

of new shares reserved for eligible employees, former employees and corporate officers of the Company and/or of companies related to the Company as meant by the provisions of Article L.225-180 of the French Commercial Code and of Article L.3344-1 of the French Labor Code, who belong to a company savings plan;

- eliminates, for the benefit said members, the preferential subscription rights of shareholders to shares issued by virtue of this authorization and waives all rights to free shares allocated based on this resolution;
- resolves that the nominal amount of the capital increase likely to be carried out, pursuant to this delegation of authority, may not exceed nine hundred and forty-five thousand euros (945,000 euros) or the equivalent in any other currency, it being specified that (i) the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from this cap and (ii) the nominal amount of any capital increase carried out pursuant to this delegation will be deducted from the overall nominal cap provided for capital increases in paragraph 2 of the seventeenth resolution of this General Meeting. This ceiling will be increased, if required, by the nominal value of the shares to be issued to protect the rights of the holders of transferable securities or other rights giving access to the capital of the Company in accordance with the legal and regulatory provisions in effect and, if relevant, any applicable contractual stipulations;
- decides that the price of the securities issued in application of this delegation will be determined under the conditions of Article L.3332-19 of the French Labor Code, it being noted that the maximum discount compared to the average of listed prices of the share during the 20 exchange sessions preceding the decision setting the subscription opening date cannot exceed 20%.

However, when it implements this delegation, the Board of Directors can reduce the amount of the discount on a case-by-case basis, notably via tax, social or accounting constraints applicable in the countries in which the Group's entities are located and which are taking part in the capital increase. The Board of Directors can also decide to allocate free shares to subscribers to new shares, instead of the discount and/or as a top-up;

- decides that the Board of Directors will have all powers, with the option to subdelegate under the legislative and regulatory conditions in effect, to implement this delegation within the limits and under the conditions described below in order to, notably:

- i. decide on the issue of new Company shares,
- ii. decide on the list of companies whose eligible employees, former employees and corporate officers can benefit from the issue, set the conditions the beneficiaries must meet to be able to subscribe, directly or via the intermediary of a mutual fund, to the shares which will be issued by virtue of this delegation of authority,
- iii. set the amounts of the issues, the prices and the subscription dates, terms of each issue and the conditions of subscription, to pay up and deliver the shares issued by virtue of this delegation of authority, as well as the date, even it is retroactive, on which the new shares will come into effect,
- iv. decide, in application of Article L.3332-21 of the French Labor Code, of the allocation of free shares issued or to be issued as a top up and/or, if applicable, of the discount, subject to their monetary countervalue assessed at the subscription price, does not exceed the limits provided for in Article L.3332-11 of the French Labor Code,
- v. set the deadline granted to subscribers to pay up their securities,
- vi. record, or have recorded, the completion of the capital increase in the amount of the shares that will be effectively subscribed to,
- vii. at its sole discretion, allocate the fees of the share capital increase(s) to the premiums related to the contributions and deduct from this amount the sums required to increase the legal reserve to a tenth of the new capital after each increase,
- viii. generally speaking, take all measures and carry out all formalities required for the issue and the quotation of the shares issued and consecutive to the capital increases and matching changes in the Articles of Association by virtue of this delegation;

- decides that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a

third party of a draft public offer on the Company's shares until the offer has expired;

- decides that this authorization is provided for a period of twenty-six (26) months as of the date of this General Meeting.

Twenty-fourth resolution

Powers

The General Meeting grants full powers to the bearer of an original, a copy or an excerpt of these minutes to carry out all formalities of filing, publication and other required by law.

8.2 Report of the Board of Directors to the Combined General Meeting of June 16, 2021

Dear Shareholders,

We have convened a Combined General Meeting to discuss the following items on the agenda:

Ordinary resolutions:

1. Approval of the separate financial statements for the fiscal year closed on December 31, 2020
2. Approval of the consolidated financial statements for the fiscal year closed on December 31, 2020
3. Allocation of the profit (loss) for the 2020 fiscal year
4. Approval of the agreements covered in Articles L.225-38 et seq. of the French Commercial Code
5. Renewal of the term of office of Ms. Hélène Ploix as an independent director
6. Renewal of the term of office of Mr. Feng Bai as a director
7. Renewal of the term of office of Mr. Gang Cheng as a director
8. Renewal of the term of office of Ms. Fangqi Ye as a director
9. Approval of the information covered in Article L.22-10-9 I of the French Commercial Code relating to the compensation of corporate officers for the 2020 fiscal year, pursuant to Article L.22-10-34 I of the French Commercial Code
10. Approval of the fixed, variable and exceptional elements of the total compensation and benefits of all kind paid during the 2020 fiscal year or allocated for the same fiscal year to Mr. Thierry Gadou, Chairman and Chief Executive Officer, in application of Article L.22-10-34 II of the French Commercial Code
11. Setting of the overall annual compensation package for directors
12. Approval of the compensation policy for directors for the 2021 fiscal year in application of Article L.22-10-8 II of the French Commercial Code
13. Approval of the compensation policy for the Chairman and Chief Executive Officer for the 2021 fiscal year, in application of Article L.22-10-8 II of the French Commercial Code
14. Authorization to the Board of Directors to carry out transactions on the Company's shares

Extraordinary resolutions:

15. Authorization granted to the Board of Directors to reduce the share capital via the cancelation of treasury shares
16. Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums or any other amount that can be legally capitalized

17. Delegation of authority to the Board of Directors to increase the share capital through the issue, with preferential subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving rise to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued
18. Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers other than those referred to in Article L.411-2-II of the French Monetary and Financial Code
19. Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers referred to in Article L.411-2-II of the French Monetary and Financial Code
20. Authorization granted to the Board of Directors in the event of the issue, without preferential subscription rights, via public offers, to set the issue price according to the terms set by the General Meeting, within the limit of 10% of the capital per year
21. Authorization granted to the Board of Directors to increase the amount of issues with or without preferential subscription rights
22. Delegation of authority to the Board of Directors to increase the share capital through the issue of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or securities giving access to equity securities to be issued in consideration for contributions in kind
23. Delegation of authority to the Board of Directors to increase the share capital without preferential subscription rights via the issue of Company shares reserved for the members of a company savings plan
24. Powers

The purpose of this report is to inform you of the resolutions that will be submitted for your approval at the Combined General Meeting.

Ordinary resolutions

1. Approval of the annual and consolidated financial statements for the fiscal year ended December 31, 2020, Allocation of the Company's profit (loss) and Approval of the agreements referred to in Articles L.225-38 et seq. of the French Commercial Code (Resolutions 1 to 4)

Resolutions 1 and 2, which will be submitted to you cover the approval of the annual individual and consolidated financial statements of the Company. The financial statements include notes which are provided to you, notably on the Company's website (<http://www.ses-imagotag.com>).

The separate financial statements for the fiscal year closed with a balance of **-11,923,028 euros**.

We propose that you approve the financial statements.

In its **third resolution**, the Board of Directors proposes to allocate the income for fiscal year 2020 in the amount of **-11,923,028 euros** as follows:

Earnings fully allocated to retained earnings **-11,923,028 euros**

Which, added to the previous retained earnings, now amounts to **-6,428,310 euros**

In accordance with the provisions of Article 243 of the General Tax Code, the General Meeting also stated that it has not distributed a dividend since 2013. The Company paid 5,491,011.50 euros in dividends in 2012.

The fourth resolution concerns the so-called "regulated" agreements approved by your Board (Article L.225-38 of the French Commercial Code). These agreements resulting in the drafting by your Statutory Auditors of the special report which also includes the agreements approved during prior fiscal years and whose execution continued in 2020. After reviewing this report, you will be asked to approve it and the agreements described in the Statutory Auditors' special report.

2. Directors' terms of office (Resolutions 5 to 8)

Renewal of terms of office: By **Resolutions 5 to 8**, you are kindly requested to renew the term of office of the directors of the Company expiring at this Meeting, for a period of three years, i.e. until the Ordinary General Meeting called to approve the financial statements of fiscal year 2023 to be held in 2024, namely:

- Ms. Hélène Ploix;
- Mr. Feng Bai;
- Mr. Gang Cheng;
- Ms. Fangqi Ye.

3. Compensation of the Company's corporate officers (Resolutions 9 to 13)

Approval of the information mentioned in Article L.22-10-9 I of the French Commercial Code relating to the compensation of corporate officers for the 2020 fiscal year, pursuant to Article L.22-10-34 I of the French Commercial Code

In accordance with the new legal provisions no. 2019-486 of May 22, 2019, the "Pacte Law", and in application of Article L.22-10-34 I of the French Commercial Code (following the re-codification resulting from Order no. 2020-1142 of September 16, 2020), the General Meeting must deliberate on the draft resolution on the information contained in Article L.22-10-9 I of the French Commercial Code regarding fiscal year 2020 compensation for the corporate officers based on their mandate.

In the **ninth resolution** it is therefore proposed that you approve the information mentioned in Article L.22-10-9 I of the French Commercial Code as it appears in the report on corporate governance (Chapter 3.3.2).

Approval of the fixed, variable and exceptional elements of the total compensation and benefits of all kinds paid during the 2020 fiscal year or allocated for the same fiscal year to Mr. Thierry Gadou, Chairman and Chief Executive Officer, in application of Article L.22-10-34 II of the French Commercial Code

As part of the **tenth resolution**, and having taken note of the recommendation of the Remuneration Committee, it is proposed that you approve, in accordance with Article L.22-10-34 II of the French Commercial Code, the fixed, variable and exceptional items making up the total compensation and benefits of any kind paid during fiscal year 2020 or granted for the same fiscal year to Mr. Thierry Gadou, due to his office as Chairman and Chief Executive Officer of the Company, as they appear in the report on corporate governance (Chapter 3.3.2).

Setting of the annual fixed amount allocated to directors for their contribution

In the **eleventh resolution**, we propose to set the overall annual maximum amount of compensation allocated to directors in compensation for their activity for the current fiscal year at the sum of fifty thousand (50,000) euros. In accordance with the provisions of Article L.225-45 of the French Commercial Code, this amount is all-inclusive and it is up to the Board of Directors to decide on its allocation.

Approval of the compensation policy for corporate officers for the 2021 fiscal year, in application of Article L.22-10-8 II of the French Commercial Code (Resolutions 12 and 13)

In accordance with the new legal provisions of the “Pacte Law” no. 2019-486 of May 22, 2019 and in application of Article L.22-10-8 II of the French Commercial Code (after re-codification following the issuing of Order no. 2020-1142 of September 16, 2020) the compensation policy for corporate officers is the subject of a resolution submitted for the approval of the General Meeting.

In the **twelfth resolution** it is therefore proposed that you approve the compensation policy for directors, as presented in the corporate governance report (Chapter 3.3.3).

In the **thirteenth resolution** it is therefore proposed that you approve the compensation policy for the Chairman and Chief Executive Officer, as presented in the corporate governance report (Chapter 3.3.3).

4. Authorization to the Board of Directors to carry out transactions on the Company's shares (Resolution 14)

The purpose of the **fourteenth resolution** is to renew the authorization of the Board of Directors to buy Company shares. The Company must be able to trade its own shares at any time. We therefore propose that the Board of Directors be authorized, with the option for subdelegation and under the conditions provided for in law, to trade Company shares on the stock exchange or in other ways, under the conditions and terms presented below.

We propose that you authorize the Board of Directors, as part of this authorization, to acquire, on one or more occasions and by all means, a number of shares representing up to 5% of the number of shares in the share capital of the Company at any time.

The transactions carried out by the Board of Directors by virtue of this authorization could be used to:

- Stimulate the secondary market or the liquidity of the share via an investment service provider acting independently within the framework of a liquidity contract in accordance with the market practices allowed by the French Financial Markets Authority on July 2, 2018;
- Use all or part of the shares acquired to allocate them to employees and/or corporate officers of the Company and other Group entities, and in particular in the context of (i) profit-sharing (ii) in any stock option plan of the Company, in accordance with the provisions of Articles L.225-177 et seq. of the French Commercial Code, or (iii) any savings plan in accordance with the provisions of Articles L.3331-1 et seq. of the French Labor Code or (iv) any allocation of free shares under the provisions of Articles L.225-197-1 et seq. of the French Commercial Code, and to carry out all hedging transactions for these operations, under the conditions stipulated by the market authorities and at the times that the Board of Directors or the person acting as delegated by the Board of Directors would appreciate;
- Provide shares for the exercise of rights attached to shares giving rights via conversion, exercise, redemption or exchange, or any other means, to the

allocation of Company shares, in accordance with the regulations in effect and to carry out all hedging transactions related to these operations, under the conditions provided for the market authorities, at the times the Board of Directors, or the person acting on delegation of the Board of Directors deems appropriate;

- Cancel the shares purchased by reducing the capital under the conditions provided for in the French Commercial Code, subject to the approval of the **fifteenth resolution** by this General Meeting;
- To keep all or some of the shares acquired for later exchange or in payment as part of potential future growth by acquisition;
- Implement any market practices that would be authorized by the French Financial Markets Authority and, generally, to carry out all transactions in compliance with the regulation in effect.

The Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use this authorization as of the filing by a third party of a public offer on the Company's shares until the offer has expired. The acquisition, disposal, transfer or exchange of the shares can be completed and paid for by any means and, notably within the framework of a liquidity contract entered into by the Company with an investment service provider, subject to the regulations in effect, including over the counter and by blocks of shares, via the use of derivative financial instruments and the implementation of options strategies (purchase and sale of stock purchase and sale options of all combinations in compliance with the applicable regulations) and at the times the Board of Director will deem appropriate.

Under this authorization, the Meeting would decide that the maximum purchase price per share may not exceed 60 euros per share, excluding costs.

Acquisitions made by the Company may under no circumstances lead the Company to hold more than 5% of the shares comprising its share capital at any time.

The number of shares and the price shown above will be adjusted in the event of the modification of the nominal value of the share, a capital increase via the incorpora-

tion of reserves, profits or premiums, the allocation of free shares, the splitting or grouping of shares, amortization or a reduction in capital, the distribution of reserves or other assets and all other transactions impacting equity to take into account the incidence of these transactions on the share price.

In order to ensure execution of this authorization, it will be proposed that all powers be granted to the Board of Directors with the option to subdelegate under the conditions provided for by law, for the purpose of:

- Deciding to implement this authorization;
- Placing all stock market orders;
- Making all declarations and formalities with the French Financial Markets Authority relating to the buyback program referred to above; and
- Completing any other formalities or to enter into any other agreements for this purpose and, more generally, to do whatever is necessary for the purposes of implementing the aforementioned buyback program.

This authorization will replace the authorization granted by the Combined General Meeting of June 29, 2020 which would be null and void for its remaining period. The authorization was granted for a period of 18 months.

Extraordinary resolutions

As part of the **sixteenth to twenty-third resolutions**, it is proposed to that the General Meeting grant the Board of Directors a number of delegations in order to carry out, if required, capital increases and/or securities issues giving access to the capital. It should be noted that the Board of Directors cannot, unless it has received the prior authorization of the General Meeting, use these authorizations as of the filing by a third party of a draft public offer on the Company's shares until the end of the offer period.

The table below provides a summary of the financial delegation (including salaried shareholder transactions included in the twenty-third resolution, whose approval is proposed to your General Meeting).

5. Reduction in the share capital via the cancelation of Company treasury shares (Resolution 15)

The purpose of the **fifteenth resolution** is to authorize the Board of Directors to reduce the share capital via the cancelation of treasury shares, up to 10% of the existing share capital on the date of cancelation, per 24-hour (24) period and to allocate the difference to the premiums or available reserves, at its discretion.

The Board of Directors proposes that the authorization, which will cancel and replace the authorization granted by the fifteenth resolution of the General Meeting of June 29, 2020 be granted for a period of twenty-six (26) months as of the General Meeting.

6. Delegations of authority to the Board of Directors to carry out transactions on the Company's capital (Resolutions 16 to 22)

As part of the **sixteenth to twenty-second resolutions**, the Board of Directors proposes to your General Meeting to adopt the usual financial authorizations for a listed company and to renew the financial authorizations granted by the General Meeting in 2020.

Your Company would, therefore, have authorizations enabling it to quickly and flexibly bring together the financial resources required to implement the Group's growth strategy, based on the opportunities provided by the financial markets and the interests of the Company and its shareholders.

Resolution	Purpose of the delegation	Maximum nominal amount	Duration of the authorization
16	Delegation of authority to the Board of Directors to increase the share capital by incorporating reserves, profits or premiums or any other amount that can be legally capitalized	3,100,000 euros (i.e. approximately 10% of the share capital at the date of this report)	26 months
17	Delegation of authority to the Board of Directors to increase the share capital through the issue, with preferential subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued	For capital increases: 15,750,000 euros (i.e. about 50% of the share capital on the date of this report) For the issue of debt securities: 250,000,000 euros	26 months
18	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued, in the context of public offers other than those referred to in Article L.411-2-II of the French Monetary and Financial Code	For capital increases: 6,300,000 euros (i.e. about 20% of the share capital on the date of this report) For the issue of debt securities: 250,000,000 euros	26 months
19	Delegation of authority to the Board of Directors to increase the share capital by issuing, without preferential subscription rights, shares and/or equity securities giving access to other equity securities and/or giving rise to debt securities and/or transferable securities giving access to equity securities to be issued through private placements referred to in Article L.411-2 II of the French Monetary and Financial Code	For capital increases: 6,300,000 euros (i.e. about 20% of the share capital on the date of this report) For the issue of debt securities: 250,000,000 euros	26 months
20	Authorization granted to the Board of Directors in the event of an issue without preferential subscription rights, via public offers or by private placements referred to in Article L.411-2 II of the French Monetary and Financial Code, to set the issue price according to the terms and conditions set by the General Meeting, up to a limit of 10% of the share capital per year.	For capital increases: 10% of the share capital per period of 12 months.	26 months
21	Authorization granted to the Board of Directors to increase the amount of issues with or without preferential subscription rights	For capital increases: 15,750,000 euros (i.e. about 50% of the share capital on the date of this report) For the issue of debt securities: 250,000,000 euros	26 months
22	Delegation of authority to the Board of Directors to increase the share capital through the issue of shares and/or equity securities giving access to other equity securities and/or giving right to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued in consideration for contributions in kind	For capital increases: 10% of the share capital For the issue of debt securities: 250,000,000 euros	26 months
23	Delegation of authority to the Board of Directors to increase the share capital without preferential subscription rights via the issue of Company shares reserved for the members of a company savings plan	945,000 euros (i.e. around 3% of the share capital at the date of this report)	26 months

Delegations 18 to 23 are all deducted from the maximum overall nominal amount of capital increases, i.e., 15,750,000 euros.

7. Share capital increase by incorporating reserves, profits and premiums or any other amount whose capitalization is permitted (Resolution 16)

With the **sixteenth resolution**, your Board of Directors is requesting that the General Meeting grant it authorization to increase capital via the incorporation of reserves, profits and premiums, or any other amount whose capitalization is permitted up to the maximum nominal amount of three million one hundred thousand euros (€3,100,000). This ceiling is autonomous and separate from the ceiling of the other resolutions submitted to a vote or your General Meeting. The capital increases which may result from this resolution could be implemented, at the discretion of the Board of Directors, either by the allocation of new free shares, or by the increase in the value of existing shares or based on a combination of the two methods based on the procedure it decides.

The Board of Directors proposes that this authorization be provided for a period of twenty-six (26) months as of the date of this General Meeting.

8. Issue of shares and/or equity securities giving access to other equity securities and/or giving access to the allocation of debt securities and/or securities giving access to equity securities to be issued with preferential shareholder subscription rights (Resolution 17)

With the **seventeenth resolution**, the Board of Directors requests that your General Meeting grant a delegation of authority to issue shares and/or equity securities giving access to other equity securities and/or giving access to the allocation of debt securities and/or securities giving access to equity securities to be issued, with preferential subscription rights up to the limit of the maximum nominal amount of fifteen million seven hundred fifty thousand euros (€15,750,000), it being noted that the nominal amount of these capital increases carried out in application of the **eighteenth resolution** and the **nineteenth to twenty-second resolutions** will be allocated to this ceiling. This ceiling will be increased, if required, by the nominal value of the shares to be issued to protect

the rights of the security holders or other rights providing access to the capital of the Company in accordance with legal and regulatory provisions and, if relevant, any applicable contractual stipulations. Shares and/or equity securities giving access to other equity securities and/or giving entitlement to the allocation of debt securities and/or securities giving access to equity securities to be issued that would be issued under this delegation may in particular consist of debt securities or be associated with the issue of such securities, or allow their issuance as intermediate securities.

The nominal amount of the debt securities that could be issued by virtue of the eighteenth resolution cannot exceed two hundred fifty thousand euros (€250,000,000) on the date the issue is decided.

Shareholders could exercise, in accordance with the conditions provided for in law, their irrevocable and, if applicable, their revocable preferential subscription right if the Board of Directors provides for it on subscription of the shares or securities issued.

The Board of Directors proposes that the authorization, which will cancel and replace the authorization granted by the eleventh resolution of the General Meeting of June 29, 2020 be granted for a period of twenty-six (26) months as of the General Meeting.

9. Issue of shares and/or equity securities giving access to other equity securities and/or giving access to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued without preferential shareholder subscription rights (Resolutions 18, 19 and 20)

The Board of Directors requests delegations of authority from your General Meeting to issue shares and/or equity securities giving access to other equity securities and/or transferable securities giving access to equity securities to be issued, without preferential subscription rights of shareholders to the shares or securities thus issued.

In accordance with the recommendations of the French Financial Markets Authority, these issues are the subject

of two separate resolutions, depending on whether they are carried out in the context of public offers other than those referred to in Article L.411-2 of the Monetary and Financial Code (**eighteenth resolution**) or through offers to the public referred to in 1 of Article L.411-2 of the Monetary and Financial Code, i.e. securities granted exclusively to a small circle of investors acting on their own behalf or to qualified investors (**nineteenth resolution**).

Indeed, depending on market conditions, the nature of the investors concerned and the type of securities issued, and in order to be able to seize the opportunities offered by the market, your Board of Directors believes that it could be useful to have the option of issuing without preferential subscription rights for shareholders, but with more limited ceilings than for capital increases with preferential subscription rights.

The total nominal amount of the capital increases which may be carried out by virtue of the **eighteenth resolution** could not exceed six million three hundred thousand euros (6,300,000 euros, i.e. 20% of current capital) or the equivalent in any other currency it being noted that (i) the nominal amount of capital increases carried out in application of the **eighteenth resolution** and of the **nineteenth and twentieth resolutions** submitted to this General Meeting will be allocated to this ceiling, and (ii) that the total nominal amount of all capital increases carried out under the eighteenth delegation will be allocated to the overall nominal ceiling provided for capital increases in paragraph 2 of the **seventeenth resolution**.

The total nominal amount of the capital increases which may be carried out by virtue of the **nineteenth resolution** could not exceed six million three hundred thousand euros (€6,300,000, i.e. approximately 20% of current capital) or the equivalent in any other currency it being noted that the amount will be allocated to (i) the nominal ceiling of six million three hundred thousand euros (€6,300,000) provided for capital increases with cancellation of the preferential subscription right for public offers in paragraph 2 of the **eighteenth resolution**, and (ii) to the overall nominal ceiling for capital increases in paragraph 2 of the **seventeenth resolution**.

The Board of Directors would have the right to issue, by way of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code (**eighteenth resolution**) and/or offers to the public re-

ferred to in 1 of Article L.411-2 of the French Monetary and Financial Code (**nineteenth resolution**), shares and/or equity securities giving access to other equity securities and/or transferable securities giving access to equity securities to be issued which could in particular consist of debt securities or be associated with the issuing such securities, or allowing their issuance as intermediate securities. The nominal amount of the debt securities that could be issued by virtue of the **eighteenth and nineteenth resolutions** would be allocated to the ceiling of two hundred fifty thousand euros (250,000,000 euros) set in the **seventeenth resolution**.

As part of the **eighteenth resolution** relating to the issue, by way of public offers other than those referred to in Article L.411-2 of the French Monetary and Financial Code, of shares and/or equity securities giving access to other equity securities and/or transferable securities giving access to equity securities to be issued, the Board of Directors may establish, for the benefit of the shareholders, a priority subscription period on an irreducible and/or reducible basis under the conditions provided for by the regulations.

The issue price of the shares based on the **eighteenth and nineteenth resolutions** would be set under the legislative and regulatory conditions in effect at the time of issue. They currently provide for a price at least equal to the weighted average of the price of the Company's share equal to the last three trading sessions on the regulated Euronext Paris market preceding the start of the public offer as meant in Regulation (EU) no. 2017/1129 of June 14, 2017, potentially decreased by a maximum discount of 10%.

In accordance with the provisions of Article L.225-136 of the French Commercial Code, the twentieth resolution proposes that you authorize the Board of Directors, up to a limit of 10% of the share capital per period of 12 months, to set the issue price as follows: the issue price will be at least equal, at the discretion of the Board of Directors, (i) to the weighted average price of the Company's share on the regulated market of Euronext Paris on the day before the issue price is set, less a maximum discount of 10%, or (ii) the weighted average of the Company's share price on the Euronext regulated market over a maximum period of six months prior to setting of the issue price, less a maximum discount of 10%.

Use of the faculty described above would enable your Company to benefit, given the significant volatility of the markets, from opportunities to proceed with the issue of securities when market conditions do not enable it to carry out an issue under the price conditions set in the **eighteenth and nineteenth resolutions**.

The Board of Directors proposes that these delegations, which would replace those granted by the **eighteenth, nineteenth and twentieth resolutions** of the General Meeting of June 29, 2020, be granted for a period of twenty-six (26) months from your General Meeting.

10. Authorization granted to the Board of Directors to increase the amount of issues with or without preferential subscription rights (Resolution 21)

Subject to the adoption of **seventeenth, eighteenth, nineteenth and twentieth resolutions** relating to capital increases with or without preferential subscription rights for shareholders, it is proposed by the **twenty-first resolution**, to your General Meeting to authorize the Board of Directors, for a period of 26 months and with the option of subdelegation under the legal and regulatory conditions in effect, to decide to increase the number of securities to be issued for each of the issues that would be decided upon under the **seventeenth, eighteenth, nineteenth and twentieth resolutions** of your General Meeting under the conditions provided for by the laws and regulations applicable on the date of the issue (i.e., to date, within thirty days of the closing date of the subscription, up to a limit of 15% of each issue and at the same price as that used for the initial issue).

It should be noted that the total nominal amount of the capital increases that may be carried out under this **twenty-first resolution** will be deducted from the amount of the resolution by virtue of which the issue is decided and against the overall nominal ceiling of fifteen million seven hundred fifty euros (€15,750,000) provided for capital increases in the **seventeenth resolution**. The maximum nominal amount of the debt securities that could be issued immediately or in the future by virtue of the **twenty-first resolution** may exceed two hundred fifty thousand euros (€250,000,000) on the date the issue is decided.

The Board of Directors proposes that this authorization be provided for a period of twenty-six (26) months as of the date of this General Meeting.

11. Issue of shares and/or equity securities giving access to other equity securities and/or giving access to the allocation of debt securities and/or transferable securities giving access to equity securities to be issued in consideration for contributions in kind up to 10% of the share capital (Resolution 22)

With the **twenty-second resolution**, the Board of Directors requests that your General Meeting grant a delegation of authority to issue shares and/or equity securities giving access to other equity securities and/or transferable securities giving access to equity securities to be issued as compensation for contributions in kind granted to the Company and consisting of equity securities or securities giving access up to 10% of the capital of the Company, allocated (i) to the overall nominal amount of fifteen million seven hundred fifty euros (€15,750,000) provided for capital increases in the **seventeenth resolution**, and (ii) to the nominal ceiling of six million three hundred thousand euros (€6,300,000) provided for capital increases without preferential subscription rights provided for in the **eighteenth resolution**.

The maximum aggregate nominal amount of debt securities issues that could be carried out immediately or in the future on the basis of this resolution may not exceed two hundred and fifty million euros (250,000,000 euros), it being specified that this amount would be deducted from the overall nominal ceiling for debt securities issues of two hundred and fifty million euros (250,000,000 euros) provided for by the **seventeenth resolution**.

This delegation would include, for the benefit of the holders and shares or transferable securities covered by contributions in kind, the elimination of the preferential subscription rights of shareholders to shares or securities issued.

The Board of Directors proposes that this authorization be provided for a period of twenty-six (26) months as of the date of this General Meeting.

12. Capital increases reserved for employees (Resolution 23)

With the **twenty-third resolution**, we propose to delegate to the Board of Directors for a period of 26 months, with the option to subdelegate, your authority to increase the share capital via the issue of Company shares reserved for the members of a Company savings plan up to the maximum nominal amount of nine hundred forty-five thousand euros (€945,000), it being noted that the nominal amount of any capital increase would be deducted from the overall nominal ceiling provided for capital increases of fifteen million seven hundred fifty thousand euros (€15,750,000) provided for by the **seventeenth** resolution of your General Meeting.

This delegation would include elimination of the preferential subscription right for the benefit of the employees, former employees and corporate officers and shares or securities eligible for the shares issued or granted free of charge.

The subscription price of the shares issued will be determined under the conditions provided for in Article L.3332-19 of the French Labor Code, it being noted that the maximum discount compared to an average of share prices for the last twenty trading sessions preceding the decision setting the opening date of the subscription cannot exceed 20%. The Board of Directors can reduce the amount of the discount on a case-by-case basis, notably via tax, social or accounting constraints applicable in the countries in which the Group's entities are located and which are taking part in the capital increase. The Board of Directors can also decide to allocate free shares to subscribers to new shares, instead of the discount and/or as a top-up.

The Board of Directors proposes that this authorization be provided for a period of twenty-six (26) months as of the date of this General Meeting.

However the Board of Directors recommends that shareholders not approve this last delegation.

13. Powers (Resolution 24)

The **twenty-fourth resolution** is intended to provide the powers required for the completion of the formalities resulting from the General Meeting.

8.3 Special report of the Statutory Auditors on regulated agreements and commitments

General Meeting to approve the financial statements of the fiscal year closed on December 31, 2020

Special report of the Statutory Auditors on regulated agreements

General Meeting to approve the financial statements of the fiscal year closed on December 31, 2020.

To the General Meeting of SES-imagotag SA,

In our capacity as Statutory Auditors of your Company, we present our report on regulated agreements.

It is our responsibility to inform you, on the basis of the information that has been given to us, of the characteristics, the main terms and the reasons justifying the interest for the Company, of the agreements of which we have been informed or that we have discovered on the occasion of our mission, without having to comment on their usefulness and their merits or to seek the existence of other agreements. It is your responsibility, in accordance with the terms of Article R.225-31 of the French Commercial Code, to assess the value of entering into these agreements with a view to their approval.

In addition, it is our responsibility, where applicable, to provide you with the information provided for in Article R.225-31 of the French Commercial Code about the execution, during the past fiscal year, of the agreements already approved by the General Meeting.

We have performed the procedures that we deemed necessary in accordance with the professional standards of the Compagnie Nationale des Commissaires aux Comptes relating to this mission. These procedures consisted in verifying that the information provided to us was consistent with the source documents from which it was taken.

Agreements submitted for approval by the General Meeting

Agreements and commitments authorized and entered into during the past fiscal year

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed of the following agreements entered into during the past fiscal year, which were the subject of the prior authorization of your Board of Directors.

Amendments and memorandums of agreement related to the industrial supply and subcontracting agreement (Master Service Agreement) with Chongqing BOE Smart Electronic Systems Co., Ltd.

Person in question:

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of your Company and indirectly related to Chongqing BOE Smart Electronics System Co., Ltd.;
- Mr. Thierry Gadou, Chairman and Chief Executive Officer, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.;
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Feng Bai, Director of your company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

Nature, purpose and terms:

Your Board of Directors meeting on October 23, 2018 authorized the supply and industrial subcontracting agreement (Master Service Agreement) with Chongqing BOE Smart Electronics System Co., Ltd. This contract, signed on August 18, 2019, covers the production, assembly, testing and packaging of finished products (electronic labels).

Amendment no. 1 to this agreement was signed on July 20, 2020, with an effective date of January 26, 2020. This amendment, authorized by the Board of Directors on May 12, 2020, modifies the Incoterm (FCA) and the duration of the agreement for a period of three years with a tacit renewal for an indefinite period at the end of this period (except for termination by one of the parties at any time with a notice period of 30 days).

A memorandum of agreement was signed on July 14, 2020 with an effective date of January 1, 2020 until December 31, 2020. This agreement, authorized by the Board of Directors on June 29, 2020, introduces the possibility of a discount of 6% subject to a minimum purchase quantity of 26 million units produced.

A memorandum of agreement was signed on July 14, 2020 with an effective date of January 1, 2020 until December 31, 2020. This agreement, authorized by the Board of Directors on June 29, 2020, introduces a price increase from April 2020.

Your Company recorded a total amount of US\$169,396 thousand in purchases in fiscal year 2020 under the supply and industrial subcontracting agreement (Master Service Agreement) with Chongqing BOE Smart Electronics System Co., Ltd and its related amendments and memoranda of understanding.

Reasons justifying its interest for your Company:

In application of the law, we inform you that the prior authorization given by your Board of Directors does not

include, due to an omission, the reasons justifying the value of these three amendments and protocols for the Company provided by Article L.225-38 of the French Commercial Code, the latter arising from the supply and industrial subcontracting agreement authorized by the Board of Directors on October 23, 2018.

Your Board of Directors meeting of October 23, 2018 considered that this supply and industrial subcontracting agreement allowed your Company to have an integrated digital label plant of critical size, which will increase the competitiveness of products offered by the Group.

Agreements already approved by the General Meeting**Agreements approved in previous years****A) Whose implementation continued during the past fiscal year**

In accordance with Article R.225-30 of the French Commercial Code, we have been informed that the following agreements, already approved by the General Meeting in previous years, continued during the year ended.

Agreements with entities of the BOE group (BOE Intelligent IoT Technology Co., Ltd, BOE Digital Technology Co., Ltd and Chongqing BOE Smart Electronics System Co., Ltd)**Person in question:**

- BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of your Company and indirectly related to Chongqing BOE Smart Electronics System Co., Ltd;
- Mr. Thierry Gadou, Chairman and Chief Executive Officer and director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.;

- Ms. Xiangshun Yin, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Linfeng Jing, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

1. Creation of a joint venture in China with BOE (BOE Intelligent IoT Technology Co, Ltd) and JD Digits (Suqian Xin Dong Teng Commercial Services Co., Ltd).

Nature, purpose and terms:

The BOE Digital Technology Co., Ltd joint venture was established in China in July 2019 by your Company, BOE Intelligent IoT Technology Co., Ltd. (a subsidiary of the BOE group) and Suqian Xin Dong Teng Commercial Services Co., Ltd (a subsidiary of the JD Digits group), holding respectively 51%, 15% and 34% of the capital of this joint venture. The investment made by your Company for the creation of the joint venture totaled USD 15.3 million. This agreement was previously authorized by your Board of Directors on April 24, 2019.

2. Agreement for the supply of electronic labels with the Chinese joint venture BOE Digital Technology Co., Ltd.

Nature, purpose and terms:

A finished products supply agreement (electronic labels) was signed with an effective date of October 16, 2019 between your Company and BOE Digital Technology Co., Ltd, for an initial period of two years. This agreement was previously authorized by your Board of Directors on October 24, 2019.

Your Company made USD 113 thousand in sales of finished products and USD 812 thousand in purchases of finished products during the 2020 fiscal year under this agreement.

3. Exclusivity agreement with Chongqing BOE Smart Electronics System Co., Ltd.

Nature, purpose and terms:

This exclusive agreement covers the production capacity of the Chongqing plant and was signed on July 1, 2019 for a period of four and a half years. This agreement was previously authorized by your Board of Directors on May 24, 2019.

The total amount of the exclusivity right recognized in 2019 was 14.7 million euros. The full amount of the contract was paid during the 2020 fiscal year.

Affiliation of the Chairman and Chief Executive Officer of your Company to the GSC scheme

Person in question:

Mr. Thierry GADOU, Chairman and Chief Executive Officer of your Company.

Nature, purpose and terms:

Your Board meeting of January 13, 2012 authorized the subscription by your Company of a GSC unemployment insurance agreement for the benefit of Mr. Thierry Gadou, as of January 18, 2012.

For the fiscal year ended December 31, 2020, the amount of the contribution paid by your Company was 19 thousand euros.

B) Commitments approved in previous years without performance during the past fiscal year

In addition, we have been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous years, which were not implemented during the past fiscal year.

Agreements with entities of the BOE Group (BOE Digital Technology Co., Ltd)

Person in question:

BOE Smart Retail (Hong Kong) Co., Ltd, shareholder holding more than 10% of the voting rights of your Company and indirectly related to BOE Intelligent IoT Technology Co., Ltd.;

- Mr. Thierry Gadou, Chairman and Chief Executive Officer and director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Xiang Jun Yao, director of your Company and Chairman of the Board of Directors of BOE Smart Retail (Hong Kong) Co.;
- Ms. Cenhui He, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Feng Bai, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Mr. Gang Cheng, director of your Company and director of BOE Smart Retail (Hong Kong) Co.;
- Ms. Fangqi Ye, director of your Company and director of BOE Smart Retail (Hong Kong) Co.

1. Technology licensing agreement with the Chinese joint venture BOE Digital Technology Co., Ltd.

Nature, purpose and terms:

A technology license agreement is being signed between your Company and BOE Digital Technology Co., Ltd., for an initial term of two years. This agreement was previously authorized by your Board of Directors on October 24, 2019.

This technology license, proportionate to the revenue from the sale of electronic labels and related services, is intended to enable the joint venture to use, copy, reproduce, and develop the historical intellectual property of the entities of the SES-imagotag Group in order to manufacture, sell, distribute and sub-license products and solutions in mainland China. This license also grants the right to schedule industrially, directly from the Chongqing plant.

No technology fees were received by your Company in 2020 under this agreement.

2. Management fees agreement (support service agreement) with the Chinese joint venture BOE Digital Technology Co., Ltd

Nature, purpose and terms:

A support service agreement was signed with an effective date of September 1, 2019 between your Company and BOE Digital Technology Co., Ltd, for an initial period of two years. This agreement was previously authorized by your Board of Directors on October 24, 2019.

It provides for the re-invoicing by your Company of support costs incurred to assist BOE Digital Technology Co., Ltd.

BOE Digital Technology Co., Ltd did not use these central services during fiscal year 2020 and therefore no amount was invoiced by your Company for this fiscal year.

Paris La Défense, April 30, 2021

KPMG Audit
A department of KPMG SA
Grégoire Menou
Partner

Paris La Défense, April 30, 2021
Deloitte & Associés
Julien Razungles Partner

9

Statement by the
person responsible
for the report

I certify, to the best of my knowledge, that the financial statements are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the SES-imagotag Group, and that the management report presents a true and fair view of changes in the Group's business, results and financial position, as well as a description of the main risks and uncertainties with which it is exposed.

Mr. Thierry Gadou

Chairman and CEO



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