2018-2019

Universal Registration Document as of June 30, 2019

including the Annual Financial Report

claranova™

SUMMARY

claranova™

2018-2019

Universal Registration Document as of June 30, 2019

Including the Annual Financial Report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Universal Registration Document was filed with the Autorité des marchés financiers (AMF, French Financial Markets Authority) on October 21, 2019 under numer D. 19-0905 in accordance with Article 212-13 of the AMF General Regulations. It may be used in connection with a financial transaction if it is supplemented by a prospectus (note d'opération) approved by the AMF. This document has been prepared by the issuer and is binding on its signatories.

This Universal Registration Document constitutes the annual financial report for the fiscal year ended June 30, 2019, as required by Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulations.

Pursuant to Article 28 of Commission Regulation (EC) no. 809/2004, the following information is incorporated by reference in this Universal Registration Document:

- the Claranova Consolidated Financial Statements for fiscal year 2017-2018, prepared in accordance with IFRS, and the Group Auditors' report thereon, presented in Sections 2.1 to 2.6 of the Registration Document filed with the AMF on October 2, 2018 under the number D. 18-0856;
- the Claranova Consolidated Financial Statements for fiscal year 2016-2017, prepared in accordance with IFRS, and the Group Auditors' report thereon, presented in Sections 6.1 to 6.3 of the Registration Document filed with the AMF on October 3, 2017 under the number D. 17-0964.

Copies of this Document are available free of charge from Claranova (89-91, boulevard National, 92257 La Garenne-Colombes Cedex, France) and on its website (**http://www.claranova.com**), as well as on the AMF's website (**http://www.amf-france.org**).

In this Document, the term "**Group**" refers to Claranova and its subsidiaries, while the terms "**Claranova**" and the "**Company**" refer to Claranova as an entity.

This Document contains information about the Company's objectives and development strategy. Such information may be identified by the use of the future and conditional tenses and by forward-looking terms such as "consider", "envisage", "think", "target", "expect", "intend", "should", "aim", "estimate", "believe", "wish" and "may" or, in certain cases, the negative form of these terms, or similar expressions.

The reader's attention is drawn to the fact that these objectives and development strategy depend on circumstances and events which may or may not occur.

These objectives and development strategy are not historical data and should not be considered to give any assurance that the stated events and data will occur, the assumptions confirmed, or the objectives attained. By their nature, these objectives may not be achieved and the statements and information presented in this Document may prove incorrect, without the Company being required in any way to provide an update, subject to applicable regulations and particularly the AMF General Regulations.

This Document also contains information about the Company's business and the market and industry in which it operates. This information notably stems from studies conducted by internal and external sources (analysts' reports, specialized studies, sector publications, and any other information published by market research firms, companies and government agencies). The Company considers that this information presents a true and fair view of the market and industry in which it operates and accurately reflects its competitive position. However, while this information is considered reliable, it has not been independently verified by the Company.

The English language version of this report is a free translation of the original document prepared in French. Only the French version of the Universal Registration Document has been filed with the AMF. It is therefore the only legally binding version.

PIERRE CESARINI

“This year demonstrated our ability to boost the performance of each of our businesses.”

Claranova closes another fiscal year of stellar growth, with revenue in excess of €260 million and operating profitability of €16 million. These results demonstrate once again our Group’s strength and our ability to boost the performance of each of our businesses.

In a constantly changing technology world, our expertise, our innovative strategic vision and our execution capacity set us apart. We develop profitable and extremely high-growth businesses in buoyant markets, using unique business models.

This is how we became the world leader in mobile printing in only four years, with over €170 million in revenue and growth of 40%, while increasing our profitability. Our business is supported by millions of loyal customers across 10 countries.

We’ve transformed our Internet segment, moving towards a software publishing model in the security, financial services, PDF and photo sectors, with a repeat revenue business model. We’ve already seen clear results, with profitability rising from 2% to 12% in just one year.

Finally, our IoT business has now entered the commercialization phase. More than 250 customers started roll-out in the past six months, revealing tremendous development potential.

The Group’s positive momentum and embedded growth have encouraged us to be more daring and raise our four-year goals. We’re now, therefore, aiming for revenue of €700 million and operating profitability in excess of 10%.

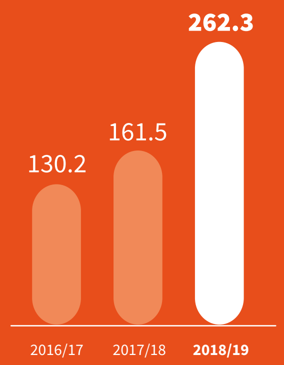
I’d like to thank all our partners, customers and shareholders, without whom the Claranova adventure wouldn’t exist. The Group is still far from achieving its full potential. We’ll continue our innovation-driven growth strategy to harness the major source of value creation available to us.

Pierre Cesarini
Claranova CEO

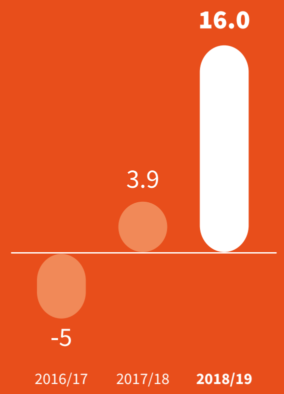
KEY FIGURES

(in € million)

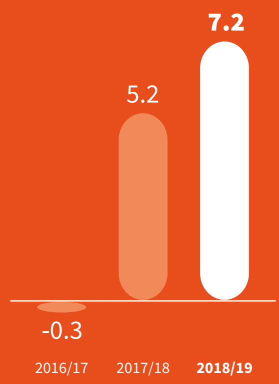
Annual revenue



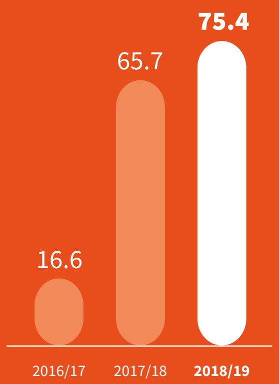
EBITDA*



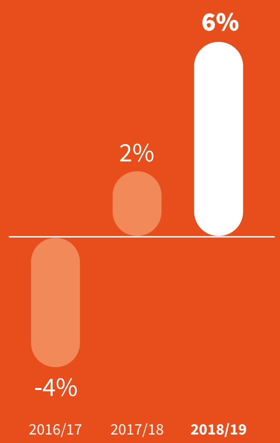
Cash flow from operations



Net Cash



Recurring Operating Margin
(% of revenue)



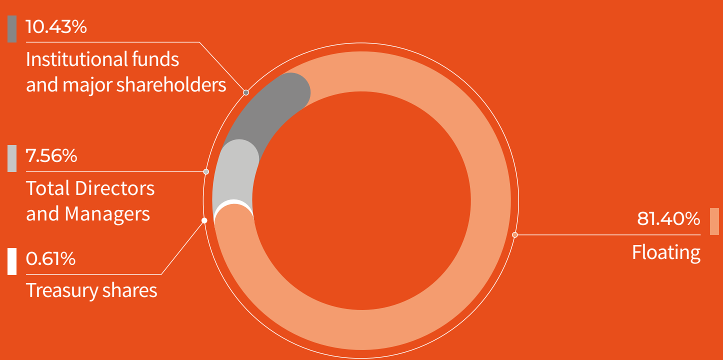
€262M

Annual revenue

€16M

EBITDA*

Shareholder base estimated as of June 30, 2019



* EBITDA : Earnings before deduction of interest, taxes and duties, depreciation (but after provisions related to inventories and trade receivables), amortization and share-based payments, including related social security expenses.

Business review

Claranova is an international technology group operating in three distinct markets: Internet, mobile and IoT. In recent years, it has stood out for its command of major technological issues and its ability to systematically make each of its businesses a resounding success. Boosted by these achievements, for the past four years Claranova has enjoyed an average annual growth trajectory of +30% while improving its profitability, both through organic and external growth. Claranova reports annual revenue of €262.3 million (FY 2018-2019), with operating profitability of 6.1%.

Internet Segment (Avanquest)

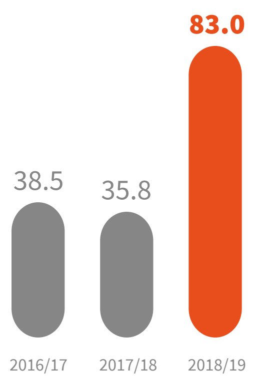
adaware Security

soda PDF

inPixio Photo

REVENUE

(in € millons)



The Group's Internet segment reported remarkable results in FY 2018-2019, boosted by the integration of the SodaPDF, Adaware and Upclick businesses. With this acquisition the segment scaled-up, with a structurally improved growth and profitability profile. Segment revenue therefore more than doubled in FY 2018-2019, increasing +132% in one year from €35.8 million to €83.0 million. It now represents 32% of Group revenue, compared to 22% last year.

One year after the integration of the new businesses, this segment has started its transformation, focusing on three pillars:

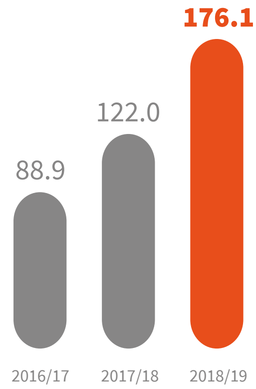
- software publishing in specific sectors (PDF, security, photo);
- fintech, with the development of PayAware, an innovative secure payment solution; and
- traffic monetization.

- More than **twofold increase** in activity following the first wave of acquisitions.
- **Profitability up from 2% to 12%.**
- Transformation to continue in 2020 towards **software publishing.**
- To seek **more growth and higher profitability.**
- Both **organic** and **external.**

Mobile Segment (PlanetArt)

REVENUE

(in € millons)



Since its launch, the Group's Mobile segment has shown continuous growth year after year, with revenue multiplied by 10 in five years (€176.1 million in FY 2018-2019 versus €17.3 million in FY 2013-2014).

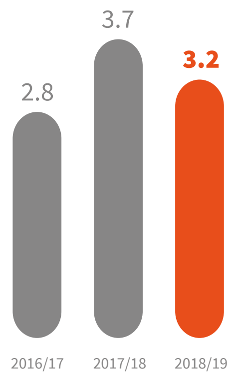
The FreePrints apps are now available in ten countries worldwide, following their launch in the Netherlands and Belgium at the beginning of 2019 and in India in September 2018. The FreePrints offering was also expanded with the addition of two new apps: FreePrints Photo Tiles which allows users to easily create repositionable wall art from their photos and FreePrints Cards, a new app that allows customers to order personalized cards (greeting cards, thank you cards, birthday cards, *etc*.). These new app added to FreePrints (photo printing) and FreePrints Photobooks (photo books) offer a complete line of custom object printing solutions.

To accelerate this strong and profitable growth, on August 2, 2019, the Group’s Mobile segment announced the acquisition of Personal Creations’® assets, the personalized gifts business of the US group FTD Companies, Inc. With this acquisition, the segment will be able to expand into the personalized gifts market.

- A **high growth business** and **increased profitability.**
- Constantly adding **new products acclaimed** by our millions of customers around the globe.
- A **first external acquisition** granting access to an even larger market.
- **Strong complementarity** between the photo and personalized gift worlds.
- **Major synergies** to be realized in Personal Creations®.
- Significant **growth prospects.**

Internet of Things Segment (myDevices)

REVENUE
(in € millons)



- **myDevices** – one platform, infinite solutions.
- Most extensive **catalog of connected devices** recognized on a single platform.
- **Strategic partnerships** with leading market players: Microsoft, ARM, Ingram, Semtech, *etc.*
- **Major companies** deploying IoT solutions in numerous sectors.
- An IoT market starting to gain steam: **over 250 IoT deployments in 6 months.**
- myDevices, the next **growth driver** for the Claranova group.

In the last few years, the Group's IoT segment has become a key player in platforms for management of connected devices. Based on a set of unique technologies, the IoT segment enables its customers to solve an infinite number of problems with very powerful solutions, simple to put in place and at a much lower price than other solutions currently available.

The partnerships signed in the past two years with large international IoT actors (Sprint, Ingram Micro, Arm, Microsoft, *etc.*) are beginning to bear fruit. Today, first contracts and proofs of concepts are deployed with more than 250 final customers served within six months.

The considerable potential of this market, and this activity in particular, begins to materialize. Although not material at consolidated level (€ 3.2 million revenue as of June 30, 2019), the IoT segment remains a strategic growth and profit driver for the Group in the mid-term, offering substantial prospects.

1 Comments on the fiscal year

All data are provided in € million, unless otherwise specified.

1.1 Selected financial information and other data for the fiscal year ended June 30, 2019

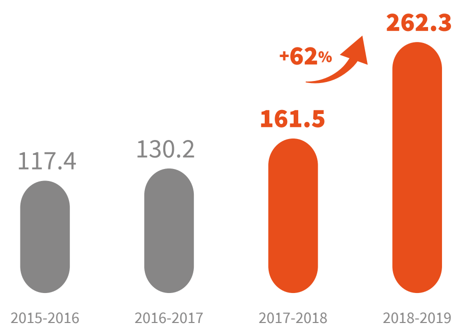
(in € million)	2018-2019	2017-2018	2016-2017
Revenue	**262.3**	**161.5**	**130.2**
EBITDA[(1)]	**16.0**	**3.9**	**(5.0)**
EBITDA/Revenue	6.1%	2.4%	-3.8%
Recurring operating income	14.3	(3.7)	(10.6)
Operating income	11.4	(6.1)	(10.1)
Net Income	(41.4)	(8.2)	(11.4)
Ajusted Net Income[(2)]	**8.4**	**1.3**	**(7.3)**
Net income, Group share	(40.8)	(7.9)	(11.0)
Equity, Group share	52.6	12.5	1.2
Borrowings and other financial liabilities	51.9	28.2	1.1
Available cash	75.4	65.7	17.1
Ratio net financial liabilities/equity (gearing ratio)	(0.4)	(3.0)	(13.3)
Net cash flow from operating activities	**14.8**	**(1.5)**	**(7.1)**
Cash flow from operations	7.2	5.2	(0.4)
Cash flow from investing activities	(15.8)	14.0	3.5
Cash flow from financing activities	17.9	29.6	3.0

(1) *EBITDA (Earnings before interest, taxes, depreciation and amortization) is a non-GAAP aggregate used to measure the operating performance of the businesses. It is equal to Recurring Operating Income before the impact of share-based payments (+€0.3 million in 2018-2019), including related social security contributions, and depreciation and amortization (-€2.0 million in 2018-2019).*

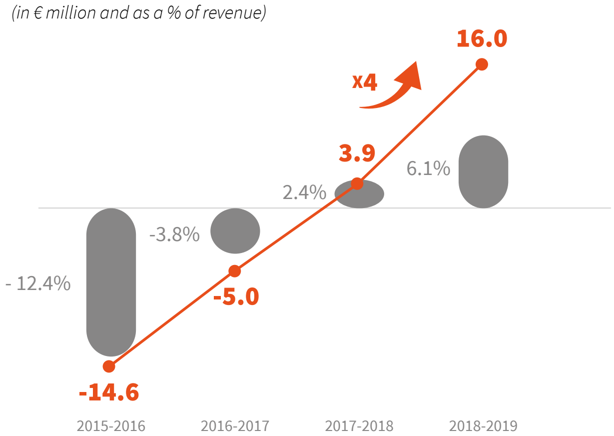
(2) *EBITDA and Adjusted net income are non-GAAP measures and should be viewed as additional information. They do not replace operating and financial performance measures of an accounting nature. Claranova's Management considers these measures to be relevant indicators of the Group's operating and financial performance. It presents them for information purposes, as they enable most non-operating and non-recurring items to be excluded from the measurement of business performance. Adjusted net income is equal to Net income before the impact of share-based payments (+€0.3 million in 2018-2019), Other operating income and expenses (-€2.9 million in 2018-2019) and Fair value remeasurement of financial instruments (-€47.2 million in 2018-2019).*

Growth accelerates as profitability surges

REVENUE
(in € million)

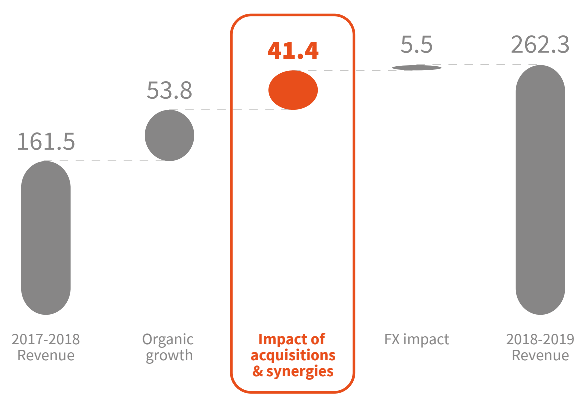


EBITDA
(in € million and as a % of revenue)

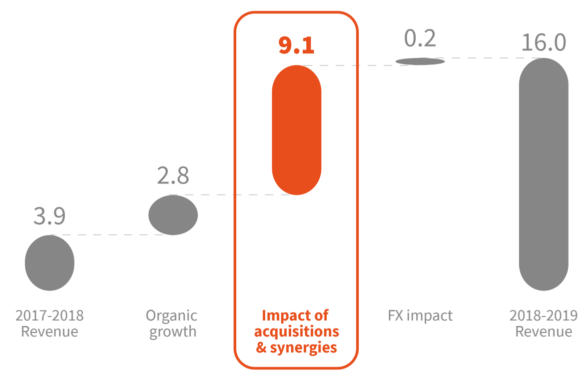


The Claranova group records another year of strong growth to June 30, 2019, accompanied by a marked improvement in profitability. Group revenue is up over €100 million at €262.3 million (+62%, including organic growth of +33%), with a fourfold increase in EBITDA to €16.0 million, driven mainly by strong momentum in the Internet segment instilled by the acquisitions completed on July 1, 2018. The integration of the new businesses acquired at the beginning of the fiscal year and the realization of synergies across the various Internet segment businesses boosted the Group's growth and profitability. The acquisitions contributed revenue of €41.4 million and EBITDA of €9.1 million in FY 2018-2019. The operating profitability of the businesses therefore improved from 2.4% in the last fiscal year to 6.1%. This remarkable level was achieved while the Group continued to invest heavily in marketing and R&D to strengthen growth potential in the coming years.

REVENUE
(in € million)



EBITDA
(in € million)



Internet segment doubles in value in one year to US$162 million

On July 1, 2018, Claranova completed the acquisition of the Adaware, SodaPDF and Upclick businesses in the Internet segment, for a consideration of €68.5 million(1). This acquisition was completed for a cash payment of €28.5 million, including €9.9 million paid immediately, and the issue of Preferred Shares to the sellers, convertible into Avanquest Software SAS shares (parent company of the Internet segment).

The successful integration of Claranova's new Internet segment businesses led to a significant revaluation of the entire segment. Its value (estimated by an external firm) all but doubled during the year, increasing from US$87 million to US$162 million between July 1, 2018 and June 30, 2019. Despite illustrating the operating success of this activity, this increase nonetheless had a sharply negative impact on net income for the year. The increase in the value of the Internet segment led to the remeasurement of the financial instruments issued on acquisition and the recognition of an exceptional non-cash financial expense of €44.5 million, in accordance with IFRS 9 and IAS 32.

This non-recurring and non-cash financial expense was tied to the specific nature of the financial instruments issued for this transaction and is not representative of the accounting treatment of other past or future transactions. The remeasurement of these financial instruments is specific to this fiscal year and should not impact future profits.

In accordance with IFRS 2, an additional expense of €2.9 million was recognized in other operating income and expenses, in respect of remuneration paid to the financial intermediary. This additional expense in the income statement, similarly did not generate a cash outflow for the Group.

The deferred portion of the purchase consideration (paid at the beginning of July 2019), also generated an accretion non-cash financial expense of €1.1 million in the fiscal year.

Therefore, the accounting recognition of this acquisition by the Internet segment in July 2018 led to the recognition of an expense of €48.5 million in FY 2018-2019, with no cash impact.

The accounting treatment of the acquisition explains the Net loss for the year of €41.4 million, compared to Net income of €8.4 million after neutralization of non-current items relating to these acquisitions.

(1) To the acquisition price, should be added a undiscounting charge of €1.1 million, related to differed payment, recorded in financial revenue.

(in € million)	2018-2019	2017-2018	2016-2017
Net income	(41.4)	(8.2)	(11.4)
Share-based payments	0.3	(7.1)	(4.5)
Other operating income and expenses	(2.9)	(2.4)	0.4
Fair value remeasurement of financial instruments	(47.2)	0.0	0.0
ADJUSTED NET INCOME[(1)]	**8.4**	**1.3**	**(7.3)**
Adjusted net income *(as a % of revenue)*	3.2%	0.8%	-5.6%

(1) *Adjusted net income is equal to Net income before the impact of share-based payments, Other operating income and expenses and Fair value remeasurement of financial instruments.*

Positive cash flow from operating activities of €14.8 million

The Group's strong growth was accompanied by positive cash flow generation. Cash flow from operating activities is therefore €14,8 million, compared to -€1.5 million in FY 2017-2018. This +€16.3 million increase represents 16% additional revenue realized during the period.

These results highlight the Group's ability to maintain a high level of growth over several periods, while improving operating profitability year-after-year.

A detailed cash flow analysis is presented paragraph 1.4 of this chapter.

A healthy balance sheet

FINANCIAL POSITION

(in € million)	6/30/19	6/30/18	6/30/17
Goodwill	63.0	0.0	0.0
Other non-current assets	12.1	1.3	2.0
Current assets	25.5	13.4	11.0
Cash and cash equivalents	75.4	65.7	17.1
TOTAL ASSETS	**176.1**	**80.5**	**30.0**

(in € million)	6/30/19	6/30/18	6/30/17
Equity	63.6	14.3	1.3
Financial liabilities	51.9	28.2	-
Non-current liabilities	2.8	0.9	0.7
Current liabilities	57.8	37.1	28.1
TOTAL LIABILITIES	**176.1**	**80.5**	**30.0**

The Group's improved cash level helped maintain an extremely strong financial position as of June 30, 2019. The Group has cash of €75.4 million and financial liabilities of €51.9 million at the end of June 2019, representing cash net of debt of €23.5 million.

The Group's balance sheet was increased significantly by the acquisitions completed in July 2018, with primarily goodwill of €63.0 million *(see Chapter 2 of this document, Note 4 for an overview of this acquisition and Note 15 for an analysis of goodwill)*.

1.2 Economic information and the financial performance of the Group

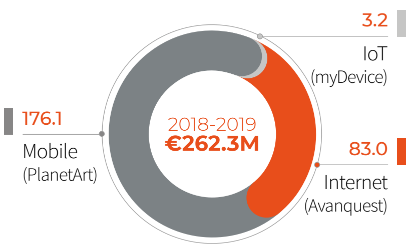
Activities during FY 2018-2019

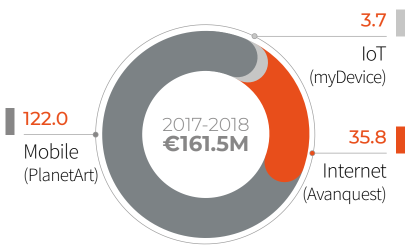
FY 2018-2019 consolidated revenue is up over €100 million (+62%) year-on-year at €262.3 million, with over half this increase (+33%) generated by organic growth in the Group's businesses.

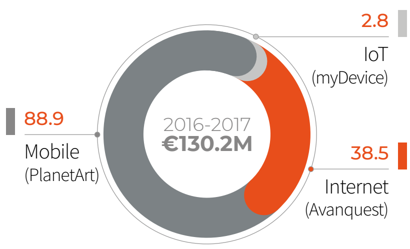
Fiscal year growth was driven by the Group's Internet and Mobile segments. With the integration of the new Adaware, SodaPDF and Upclick businesses, the Internet segment changed pace, reporting revenue growth of +132% to €83.0 million. This segment's renewed momentum was also accompanied by a return to double-digit growth (+16%) by its traditional activities. The success of the Mobile segment was confirmed by another year of strong growth, with revenue increasing +44% to €176.1 million.

This substantial development has enabled the Group to achieve a better activity balance, by increasing the weight of the Internet segment. This now contributes 32% of consolidated revenue (compared to 22% last year).

Revenue breaks down by business as follows:



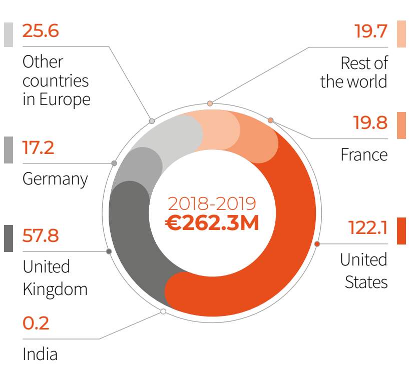


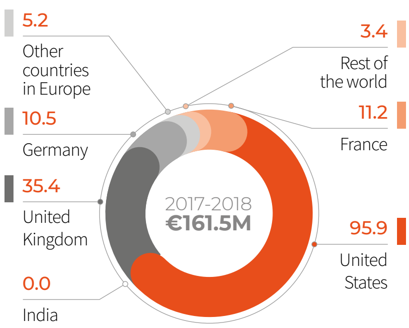


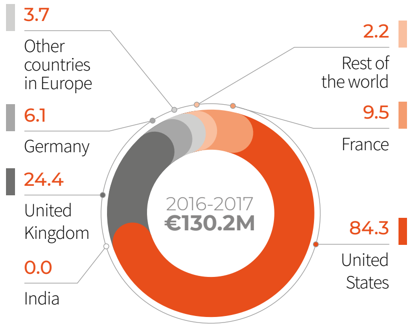
(in € million)	**2018-2019**	Change	**2017-2018**	Change	**2016-2017**
Internet (Avanquest)	83.0	132%	35.8	-7%	38.5
Mobile (PlanetArt)	176.1	44%	122.0	37%	88.9
IoT (myDevices)	3.2	-14%	3.7	32%	2.8
REVENUE	**262.3**	**62%**	**161.5**	**24%**	**130.2**

The Group confirmed its status as a global player, realizing over 90% of its revenue outside France. As in FY 2017-2018, the United States was the largest contributor to Group revenue (47%). The strong development of Mobile activities in Europe and the acquisitions completed at the beginning of the fiscal year, helped achieve a more balanced geographical spread of activities. Europe now generates the same percentage of revenue as the United States.

Revenue breaks down by region as follows:







The strong revenue growth reported in FY 2018-2019 was achieved while significantly improving the operating profitability of activities.

EBITDA, the operating performance indicator for the Group's businesses, therefore improved over fourfold during the fiscal year to €16.0 million, increasing from 2.4% to 6.1% of revenue. EBITDA increased by €12.1 million for revenue growth of €100 million, representing additional operating margin in excess of 12%.

This additional 12% margin could have been higher if the Group had not invested heavily in marketing during the year, to strengthen the Group's growth potential and profitability in the coming years. The shift in the business model from standard software distribution to software publishing with subscription, had an immediately negative impact on profit due to significant investment in marketing, but will provide improved visibility of repeat revenue and higher profitability in the future.

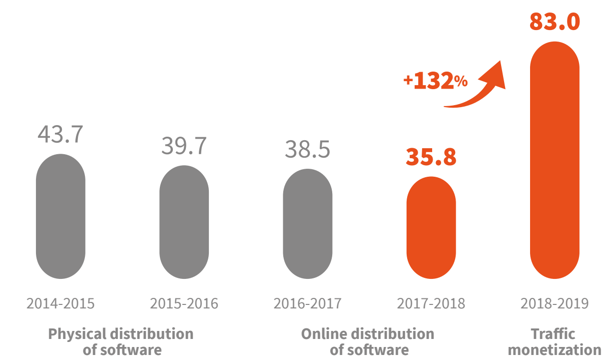
These results demonstrate the Group's ability to maximize its return on marketing investment, which increased 76% in the fiscal year from €29.1 million to €51.4 million. By accelerating this expenditure, the Group has been able to consolidate and increase the Mobile segment's customer base and accompany the transition of the Internet segment's business model towards a software publishing model with subscription sales. This has provided the Group with increased visibility of growth in its future revenue base.

Internet segment (Avanquest)

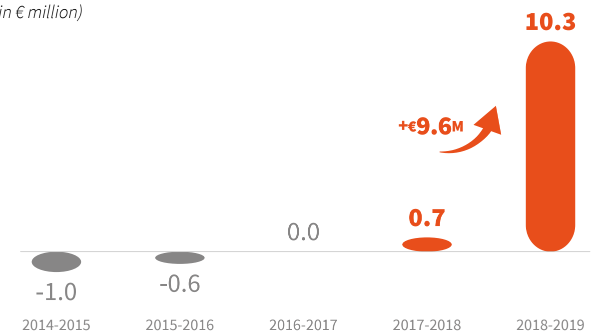
Accelerated transition towards a repeat revenue model

The Internet segment brings together the Group's software publishing, fintech and traffic monetization activities. This segment has transformed deeply in the past four years, moving from the simple physical distribution of software to online selling and the monetization of Internet traffic. The strategic repositioning of Internet activities was accelerated with the integration of the Adaware, SodaPDF and Upclick businesses at the beginning of FY 2018-2019. This enabled the segment to double in size and structurally improved the growth and profitability profile.

REVENUE[(1)]
(in € million)



EBITDA[(1)]
(in € million)



(1) Excluding businesses sold.

The Group's software publishing activities are positioned in three high potential vertical segments: the sale of IT security (antivirus, ad blocker, cleaning and optimization tools) sold under the Adaware and OneSafe Software brands, documentary management products and PDF apps under the SodaPDF brand, and photo editors developed under the InPixio brand. These three product lines provide the Group with highly diversified software revenue sources, while leveraging technology transfer and know-how between the three segments' marketing, sales, research and development teams.

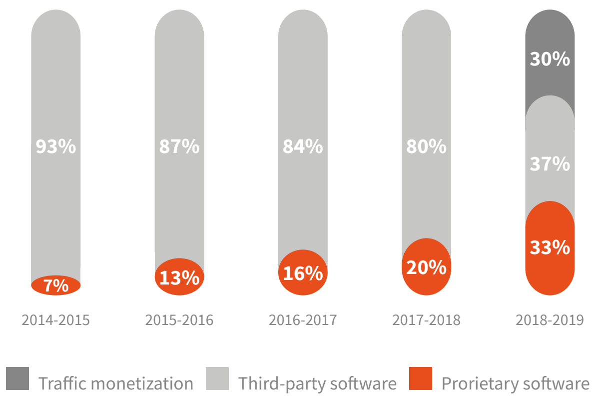
adaware — Security | soda — PDF | inPixio — Photo

Historically distributed under perpetual licenses, the software developed by the Internet segment is progressively moving towards a subscription-based sales model. This transition was launched several months ago by the Avanquest teams and accelerated substantially in the second half of FY 2018-2019. The Group will continue to move towards subscription-based invoicing models, to increase the proportion of repeat revenue. Despite impacting profitability in the short term, these measures will provide greater visibility of revenue generation, cash and profits of the Internet segment in the coming years.

The integration of the businesses acquired at the beginning of the fiscal year also helped speed-up the segment's move towards the development and sale of proprietary software. Proprietary software now accounts for one-third of Internet segment sales. In the coming years, the Group will focus investment on developing its proprietary brands and products, as they offer higher growth and profitability potential than the simple distribution of third-party software.

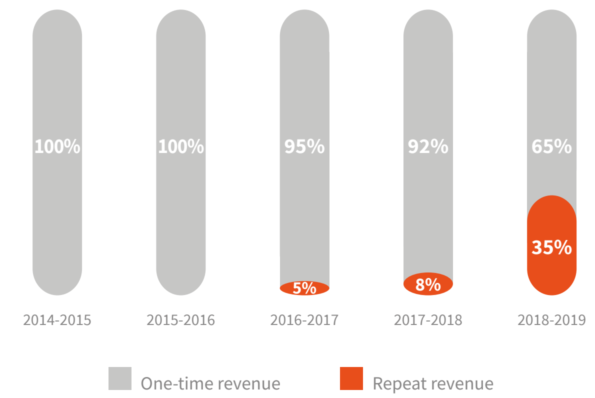
BREAKDOWN BY BUSINESS(1)(2)

(as a % of revenue)



REPEAT REVENUE(1)(2)

(as a % of revenue)



(1) Excluding businesses sold.
(2) Indicative figures.

In addition to software publishing, the Internet segment is developing traffic generation and monetization businesses. This traffic, fed organically by the Group's various websites (natural listing on search engines, creation of relevant content, free software download offer, focused emailing campaigns, *etc.*), or by paying partners (paid listing, affiliation, ad placements, *etc.*) is monetized through additional sales and cross-selling in the segment's products and services portfolio. The Group can call on the substantial experience of the Internet segment's digital marketing teams to feed traffic generation through its various acquisition channels and optimize monetization. Through the complementarity of software activities and traffic monetization, the segment can expand its users base, extend the life cycle of acquired customers and increase revenue generated with them. A unique, value creation strategy for the entire Internet segment.

Reflecting its constant desire to innovate, the Internet segment presented its PayAware offering in the second-half of 2018-2019, the first financial service developed by Claranova. PayAware proposes an innovative service to keep financial transactions on the Internet secure, involving a single-use credit card for each transaction. This service offers end-users a simple, free-of-charge means to secure online transactions, by avoiding the need to share bank details. This new fintech business integrates perfectly with the products and services portfolio proposed by the rest of the Internet segment and particularly Internet security activities, and is a promising source of repeat revenue for the Group.

The FY 2018-2019 results of the Group's Internet activities were quite remarkable, boosted by the integration of the Adaware, SodaPDF and Upclick businesses and proof of the successful repositioning of the segment. This first series of acquisitions enabled the Internet segment to double in size, generating revenue of €83.0 million compared to €35.8 million last year, a year-on-year increase of +132%. This strong growth was accompanied by a marked improvement in Internet segment profitability, from 2.0% to 12.4% in 2018-2019.

The activity's performance in the fiscal year therefore confirms the relevance of the commercial and strategic measures taken by the Group to make the Internet segment a major web player with revenue exceeding 200 million and profitability of 15% to 20% by 2022-2023.

	Internet segment (Avanquest) Year ended		
(in € million)	**6/30/2019**	**6/30/2018**	Δ
Revenue	83.0	35.8	+132%
EBITDA(1)	**10.3**	**0.7**	**+€9.6M**
% of revenue	*12.4%*	*2.0%*	

(1) EBITDA is the indicator used to monitor the operating performance of the businesses. It is equal to Recurring Operating Income before the impact of share-based payments, including related social security expenses, and depreciation of amortization.

Mobile segment (PlanetArt)

Strong and profitable growth

The Mobile segment embodies Claranova's vision in the digital printing sector and especially mobile photo printing and personalized product (photo albums, wall art, announcements, *etc.*) services. The Group aims to make this segment the global benchmark in this sector, while focusing on strong and profitable growth.

Capitalizing on the digital printing expertise gained through its various Web offerings (SimplytoImpress, Photo Affections, CanvasWorld), the Mobile segment rapidly positioned itself in the mobile photo printing market, with the launch of the FreePrints brand in 2013. The first mobile app developed by the segment offers a unique tool that can be used to select photos directly on a smartphone from the internal memory, social networks (Facebook, Instagram, Flickr, *etc.*) or a cloud storage service (Dropbox, Google Drive, One Drive, *etc.*) and edit them as needed in a few seconds. Printed in a professional laboratory, the photos are then mailed directly to the customer's address merely days after the order.

By responding to the growing demand for printing photos stored on smartphones and tablets, FreePrints has been highly successful around the world since its launch. The segment's momentum is partly driven by increased household smartphone ownership (2.5 billion people owned a smartphone in 2018 up from 1.5 billion in 2014[1]) and the rapid replacement of digital cameras by smartphones, following the significant improvement in picture quality in recent years. These technological developments, and the resulting new photographic practices, stimulate taking photos and, at the same time, demand for paper prints. The increased smartphone penetration rate and changes in consumer practices should support division growth. The Photo Printing market could exceed US$22 billion by 2023, with an expected average annual growth rate in excess of 14%, according to the research firm, Research Future[2].

Supported by the momentum of the mobile photo printing market and its status of market pioneer, FreePrints currently millions of customers worldwide and has printed nearly 2 billion photos since its launch. These figures bear witness to PlanetArt's successful shift to mobile and the quality of services proposed by the app, confirmed by the ratings awarded by its customers. FreePrints has received over 2.7 million 5-star reviews and has an average rating of 4.8 across all its regional markets. This level is quite remarkable in the mobile applications segment, demonstrating the quality of the app and the effectiveness of its positioning.

Following the global success of its first app, FreePrints, the Mobile segment monetized its customer base with the launch of three further apps. FreePrints Photobooks (2016) allows users to create photo albums from a smartphone, FreePrints PhotoTiles (2018) allows customers to easily order photo tiles that can be stuck, unstuck and moved on walls as often as they want and FreePrints Cards (2019) can be used to create personalized cards for all occasions (birth, wedding, birthday, *etc.*). These different product ranges share the same vision: offer the simplest and most affordable solution for ordering personalized items in a few clicks, direct from a smartphone or tablet.

Ranking	Downloads	5-star reviews	Geographic coverage
Regularly in the **TOP 5** in Apps Store[(1)]	**45**M	**2.7**M	**10** COUNTRIES

(1) In the photo printing apps category.

(1) Statista Research, "Mobile Internet usage worldwide", 2019.

(2) Market Research Future, "Photo Printing Market Research Report – Global Forecast till 2023", 2019.

Boosted by the success of its various apps, Claranova, through its Mobile segment, is currently the leader in mobile printing solutions in the United States and Europe, where FreePrints apps top photo printing app rankings.

MOBILE APPS POPULAR WITH OUR CUSTOMERS

	Store	TOP 5 MOBILE PRINTING APPS[1] #1	#2	#3	#4	#5	RANKING OTHER FREEPRINTS APPS		
USA		SHUTTERFLY ★ 4.6[2] 239k	★ 4.8 371k	MIXTILES ★ 4.8 30k	CHATBOOKS ★ 4.8 95k	-	#6 ★ 4.8 110k	#7 ★ 4.8 37k	#8 ★ 4.8 18k
		SHUTTERFLY ★ 4.6 142k	★ 4.7 138k	SNAPFISH ★ 4.6 51k	CHATBOOKS ★ 4.5 8k	★ 4.8 20k	#6 ★ 4.8 9k	#7 ★ 4.3 3k	
UK		★ 4.8 352k	★ 4.8 125k	★ 4.8 1k	★ 4.8 39k	SNAPFISH ★ 4.5 15k			
		★ 4.8 110k	★ 4.8 19k	★ 4.8 1k	★ 4.8 9k	SNAPFISH ★ 4.6 51k			
France		★ 4.6 69k	CHEERZ ★ 4.6 68k	PIIICS ★ 3.9 2k	LALALAB ★ 4.7 49k	★ 4.6 21k		#7 ★ 4.7 5k	
		★ 4.6 32k	CHEERZ ★ 4.4 22k	LALALAB ★ 4.7 67k	★ 4.6 6k	★ 4.8 9k			
Ireland		★ 4.8 14k	MIXTILES ★ 4.9 <1k	★ 4.8 5k	★ 4.8 2k	SNAPFISH ★ 4.6 <1k			
		★ 4.8 4k	★ 4.9 1k	SNAPFISH ★ 4.6 51k	★ 4.8 9k	LALALAB ★ 4.7 67k			
Italy		★ 4.7 33k	PHOTOSI ★ 4.7 44k	LALALAB ★ 4.8 26k	CHEERZ ★ 4.7 7k	★ 4.7 10k	#6 ★ 4.7 1k		
		★ 4.5 21k	PHOTOSI ★ 4.7 16k	LALALAB ★ 4.7 67k	CHEERZ ★ 4.4 22k	★ 4.6 3k	#6 ★ 4.8 9k		

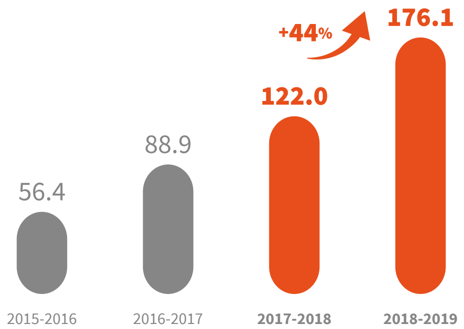
(1) Ranking within the category of mobile printing apps, as of June 30, 2019, source: App Annie.
(2) Average review on 5 and the number of ratings since the app was launched.

The FreePrints apps are now available in ten countries worldwide, following their launch in the Netherlands and Belgium respectively in December 2018 and at the beginning of 2019 and in India in September 2018. The Mobile segment is the only player in the mobile printing market present on three continents.

Since its launch, the Mobile segment has shown continuous and profitable growth year after year, with revenue multiplied by 10 in five years (€176.1 million in FY 2018-2019 versus €17.3 million in FY 2013-2014). Segment EBITDA improved significantly, in line with the strategic focus on strong, profitable growth. It increased from 5.2% to 6.2% of revenue in FY 2018-2019, reaching €10.9 million, compared to €6.4 million for FY 2017-2018. The improvement in PlanetArt's profitability profile confirms the relevance of its business model.

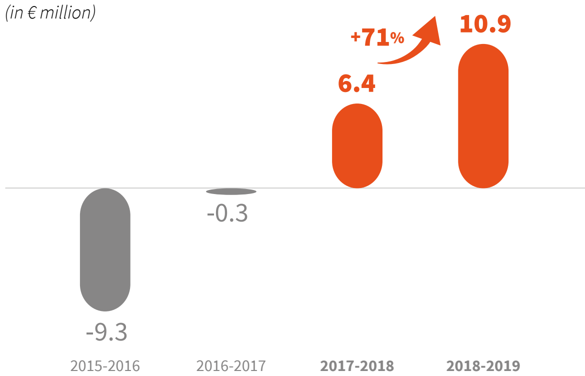
REVENUE

(in € million)



PROFITABILITY

(in € million)

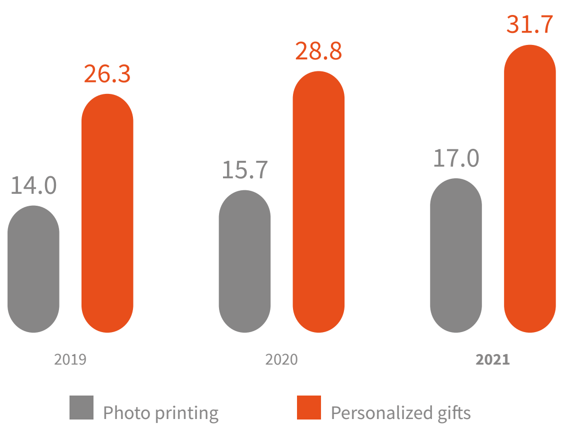


Strengthened by the results of the Mobile segment, the Group will accelerate the roll-out of its dual-pillar strategy: maintain a high rate of business growth driven by the regular launch of new products and targeted geographic coverage, and strengthened profitability through the development of higher-margin products at low marketing cost. With this strategy, the Mobile segment can position itself among the best major players in the sector, both in terms of organic growth and operating margin.

To accelerate this strong and profitable growth, on August 2, 2019, the Group's Mobile segment announced the acquisition of Personal Creations'® assets, the personalized gifts business of the US group, FTD Companies, Inc. With this acquisition, the segment will expand into the personalized gifts business, estimated at over US$26 billion worldwide by the research firm, Technavio(1). This first sizeable acquisition extends the growth potential of the Mobile segment by adding the personalized gifts market, twice as large as the photo printing market. Personal Creations'® is also a strategic addition, highly complementary to existing Mobile segment activities. Synergies between the two businesses are evident, given the segment's expertise in the mobile sector and the global geographic spread of activities. We will also benefit from Personal Creations®'s experience in the "gift" sector and its very rich personalized product catalog.

GLOBAL MARKET FOR PHOTO PRINTING AND PERSONALIZED GIFTS(2)

(in US$ billion)



Personalized gifts market

- 2x larger than the photo printing market.
- Not yet impacted by the mobile market.
- Global market with local features requiring agility and responsiveness.

(1) *Technavio, "Global Personalized Gifts Market 2017-2021", 2017.*
(2) *+F/22 Consulting, "Growing Photo Printing Opportunities in the USA", 2018. Futuresource, "Photo Prints Market analysis in Western Europe", 2017.*

	Mobile segment (PlanetArt) Year ended		
(in € million)	6/30/2019	6/30/2018	Δ
Revenue	176.1	122.0	44%
EBITDA[1]	**10.9**	**6.4**	**+70%**
% of revenue	*6.2%*	*5.2%*	*+19%*

(1) EBITDA is the indicator used to monitor the operating performance of the businesses. It is equal to Recurring Operating Income before the impact of share-based payments, including related social security expenses, and depreciation of amortization.

IoT segment (myDevices)

Accelerated roll-out of myDevices solutions

After micro-computing, Internet and mobile, the Internet of Things (IoT) announces the next major technological revolution. All conditions now appear to be satisfied to lift the constraints on large-scale development of IoT. The marked reduction in sensor cost and increase in lifespan, the deployment of low power, low debit and long-range networks and the popularization of uses should help accelerate adoption of this new technology, which promises to profoundly redefine all economic sectors. Irrespective of the market study considered, the number of sensors connected worldwide in the coming years is expected to reach tens of billions. The global IoT market already represented US$212 billion in 2018 and is expected to exceed US$1,600 billion by 2025, according to estimates by the research firm, Statista[1]. IoT forecasts leave no room for doubt as to the potential for connected devices to significantly transform the activities of companies and create new high added-value services.

While popularized by general consumer use (smartphones, connected watches and wristbands and domestic automation, *etc.*), the full potential of IoT lies in industrial applications (hospitality, food service, healthcare industries, *etc.*). The added-value provided by these applications is considerable. Estimated at €400 billion in 2014, it should have multiplied five-fold by 2020 to reach between €1,800 billion and €2,200 billion[2].

To capture this value, corporate investment in IoT products and services will need to increase by €250 billion by 2020, making IoT the number one technology expenditure line[3]. €15 billion of this €250 billion investment will be spent on loT platforms. These will have to offer connectivity management (connection of connected devices *via* various IoT networks), application management (for customized solutions) and data management (storage and analysis of collected data).

Through its IoT segment, Claranova aims to become a reference player for IoT management platforms for major corporations. Building on a range of unique technologies brought together in its Cayenne platform, myDevices enables all corporations, IT service companies and Telecom operators, *etc.* to manage their IoT infrastructure, simply and efficiently and rapidly and easily satisfy customer requirements.

Leading global corporations in the catering, hospitality, healthcare and manufacturing industries have deployed IoT solutions using the myDevices platform, providing concrete answers to their everyday problems involving, among others, temperature monitoring, energy and waste management, compliance, safety and asset monitoring.

(1) Statista, "Internet of Things", 2019.
(2) Olivier Wyman, "Internet of Things, Business Models challenged", 2015.
(3) Boston Consulting Group, "Winning in IoT: It's all about the business processes", 2017.

myDevices, ONE PLATFORM, INFINITE SOLUTIONS

By bringing together, today, on the same platform, more than 400 connected devices produced by 175 different manufacturers, irrespective of the communication network used (LoRa, Sigfox, 5G, *etc.*), myDevices enables its customers to respond to an infinite number of issues with easy-to-implement, high-performing solutions, at a price well below that of other solutions currently available.

These qualities are recognized by leading international IoT players, which have chosen to partner with myDevices to propose IoT products and solutions. The IoT segment multiplied its commercial partnerships in recent months to establish its position in this ecosystem, such as:

- Sprint (January 2018), the number four telecoms operator in the United States, with nearly 60 million customers[1];
- Ingram Micro (September 2018), one of the world's largest distributors of IT products;
- Arm (October 2018), the manufacturer of microprocessors used by 70% of the world's population[2];
- Microsoft (February 2019), world leader in cloud computing with their Microsoft Azure cloud platform.

The main business partnership, with Sprint, concerns the commercialization of myDevices' white label solutions through Sprint's network of specialized vendors to small, medium and large businesses.

Day-after-day, these distinguished partnerships strengthen myDevices' position in the IoT ecosystem, making Cayenne technology a benchmark management solution for connected devices.

While the IoT segment is not material at consolidated level, it remains a strategic growth and profit driver for the Group in the mid-term, offering substantial prospects. During the fiscal year, the Group increased its investment to accelerate commercial roll-out of the segment.

In recent years, myDevices has become a key player in the IoT ecosystem. Initial contracts and proof-of-concept studies are currently being rolled out. The impact on FY 2018-2019 remains limited, but the considerable potential of this market, and this activity in particular, is becoming apparent. This strategy is particularly reflected by partnerships signed in the past two years. It is beginning to bear fruit, with the expansion of the customer base to in excess of 250 end customers.

Revenue generated with each final customer remains low, as this type of solution is based on monthly subscription revenue proportional to the number of installed connected devices. The size of target customers therefore means sluggish scale-up prior to global roll-out, in terms of usage (temperature monitoring, safety, sundry meters, *etc.*) and operating sites. It reveals, however, considerable development potential for each customer.

The business reported a net loss of €5.2 million. This investment is necessary for the Group to strengthen myDevices' position in the IoT ecosystem, a major development lever for the future.

	IoT segment[1] (myDevices) Year ended		
(in € million)	**6/30/2019**	**6/30/2018**	Δ
Revenue	3.2	3.7	-13%
EBITDA[2]	**(5.2)**	**(3.1)**	**+68%**
% of revenue	*-162.3%*	*-85.3%*	

(1) Internet of Things.
(2) EBITDA is the indicator used to monitor the operating performance of the businesses. It is equal to Recurring Operating Income before the impact of share-based payments, including related social security expenses, and depreciation and amortization.

(1) Sprint, "Sprint Quarterly Investor Update – Fiscal 3Q18", 2018.
(2) Source: Arm, "Company Highlights".

Seasonality

Internet segment

Certain Internet segment activities (physical distribution of software in the United States and sale of documentary management products and PDF apps) record a sales peak during the back-to-school period, on Black Friday and in the year-end holiday season, covering the months of September to December.

Mobile segment

Mobile segment Internet sites generated the majority of their personalized product sales during the year-end holiday season, in November and December. The EBITDA generated by these activities is almost entirely realized during this period. Seasonality does not impact the results of FreePrints activities.

IoT segment

Seasonality does not have a significant impact on the IoT segment's results.

Competitive position

Internet segment

The Group Internet segment underwent a phase of strategic repositioning launched in 2014, leading to the remarkable turnaround of its activities. This transition period was accompanied by a progressive change in the Internet segment business model focusing on three pillars: a shift from the physical sale of software to online sale and the monetization of traffic, the strengthening of proprietary software solutions within the segment's product portfolio and the transition from the sale of software under license to subscription sale. Efforts made in recent years have structurally improved the growth and profitability profile of Internet activities.

This marked improvement in the Internet segment's operating profile also reflects the success of the initial focused build-up phase launched by the Group, which led to the acquisition of the Adaware, SodaPDF and Upclick businesses. This acquisition helped accelerate the transformation of the segment and strengthen its position in the software ecosystem, where size plays a major role in the commercial success of activities.

The Internet segment is currently positioned in high-potential Internet sectors: Security, PDF, Photo, Fintech and traffic monetization. Major players in these sectors, such as Avast, Adobe, Square or IAC, report double-digit growth and margins that can exceed 40%. To attain these performance levels, the Group has accelerated the shift of its software activities towards a subscription-based invoicing model. Despite impacting the margin in the short term, this change in the business model will provide greater visibility of growth generation and future profits. The Group also increased investment in the development of proprietary software products, which offer margin levels well above those generated by the sale of third-party products.

The Group will continue to concentrate its efforts on its proprietary products portfolio and on moving its activities towards a subscription-based model. This strategic focus, backed by the segment's ability to develop new innovative products, should help strengthen the Internet segment's competitive position in the coming years.

Mobile segment

The Group's Mobile segment is positioned on dynamic and competitive markets. The Group's early shift to mobile nonetheless gave it a strong competitive position in the digital printing ecosystem. In the United States, the main competitors of the Group's Mobile segment are groups traditionally specialized in Web-to-Print[(1)]. In Europe, the market is far more fragmented with a larger number of niche players, from start-ups present locally to larger Web-to-Print specialists without a dominant mobile position.

The segment's strength comes, above all, from its original business model. The Group's product range shares a unique vision, which is to offer the simplest and most affordable solution for ordering personalized items in a few clicks, direct from a smartphone or tablet. The FreePrints product range stands out for its "free" component and attractive prices, that have enabled the brand's apps to carve out a dominant position in all its local markets. This offering is unique for its quality/price and ease of use, enabling it to attract new customers and encourage initial orders. The free prints concept encourages consumers to order more regularly and naturally develops customer loyalty. The majority of segment sales are therefore realized with existing customers. Marketing investment during the year feeds the segment's future growth and margin, with a customer life cycle of several years.

While this approach generates a lower average basket than that of competitors providing a "premium" offering, it secures access to a larger customer base, providing significant visibility on app platforms through the ratings and comments left by our customers. FreePrints apps also regularly appear in the top 5 photo printing solutions in mobile app stores. This visibility strengthens the customer base virtuous growth cycle and enables the Mobile segment to roll-out higher margin products through additional personalization options and new products (photo albums, photo frames, personalized cards).

(1) Generic term encompassing all web broker apps linking printers and buyers of printed products.

The brand has enjoyed a meteoric rise across the globe since its launch in the United States in 2013, proof of the relevance of its business model. In just a few years, the Mobile segment has become the leader in mobile printing solutions in the United States and Europe, with one of the largest installed bases in the Mobile-To-Print[(1)] market in both continents. This global success is founded on tailoring the offering to specific local features, competitor offerings and consumer habits. This commercial know-how, combined with adopting a "fabless model"[(2)], strengthens the "scalability"[(3)] of Mobile activities. New markets can be developed without recruiting local commercial teams or adding other resources, naturally strengthening the profitability of activities as the segment develops.

With the launch of its FreePrints app in India in September 2018, the Claranova group's Mobile segment is now the only photo printing player present on three continents. This targeted geographic coverage strategy offers new reservoirs of growth and limits the increase in customer acquisition costs, thereby establishing the segment's growth cycle in the long-term and consolidating its position of global leader.

IoT segment

The Internet of Things (IoT) market is an emerging market characterized by a "techno push[(4)]" phase, where demand is not yet fully formalized by end users and remains driven by the offer. The IoT value chain is complex, with an ecosystem of rich and diversified players. The market structure can, nonetheless, be broken down schematically, based on four main types of player: players specializing in the design and manufacture of physical equipment (connected devices, sensors, memory cards, embedded software, *etc*.), operators of the networks used to connect devices to the Internet, cloud operators storing and processing raw data on the Internet and finally suppliers of software interfaces enabling different devices to communicate and data processing to meet the specific needs of end users.

With the development of its myDevices platform, the Group's IoT segment falls into the software interface supplier category for BtoB markets. Massive investment in recent years upstream of the value chain by IoT equipment manufacturers and network suppliers, today offers an environment conducive to the development of the software layer. The value perceived by companies is also founded less and less on the connected devices themselves in favor of application platforms, which embody the added value provided by the Internet of Things.

Within this category of players, the IoT segment stands out for its open approach and the level of interoperability offered by its platform. These two strategic characteristics seek to make the myDevices platform the benchmark IoT software for companies, by removing barriers to the development and mass adoption of IoT solutions (control of proprietary solutions, migration costs, inability to satisfy the wide range of business requirements, *etc*.). The myDevices platform brings together the most extensive catalog of recognized and inter-operable connected devices on the market (>400 connected devices from 175 different manufacturers), irrespective of the communication network used (LoRa, Sigfox, 5G, *etc*.) and the largest community of IoT developers in the world. The strength of the IoT segment lies in its ability to bring together, on a single and unique platform, a simple and rapid development tool offering its customers an infinite range of business applications (cold chain management, water and electricity consumption monitoring, space utilization, leak detection, *etc*.).

The business model adopted by the IoT segment is founded on a service-based model which seeks to extract the value of services and products offered through use of the platform rather than the device itself. The service-based model adopted by the IoT segment comprises a "Paas" component (Platform as a service), where myDevices is not in direct contact with the end user and supplies the infrastructure under a white label to solution providers (IT service companies, Telecom operators, *etc*.), acting as intermediaries between the end user and the IoT segment. This service-based model involves monthly invoicing based on the number of connected devices installed by the end customer, providing significant visibility of revenue generation.

To meet its objective of establishing its technology as the benchmark IoT software for companies, myDevices has entered into several distinguished partnerships in the IoT ecosystem, notably in the United States and China, currently the two most dynamic IoT markets. These technology, commercial and strategic partnerships with international groups such as Sprint, Ingram Micro, Arm, Microsoft *etc*. validate the relevance of its technology and strengthen daily the position and visibility of the segment in the IoT industry. myDevices currently remains one of the few market players to have successfully partnered at global level with distinguished companies across the entire IoT value chain.

Bolstered by these partnerships and the expertise acquired over the past five years, Claranova is more than ever perfectly placed to address the potential of the connected devices market. After an initial test and proof-of-concept phase with its first customers, the commercial development of the IoT segment enjoyed an upturn in the second half of 2018-2019. This was reflected by the acceleration of new commercial signatures with major US and European companies in the healthcare, food service and hospitality sectors.

(1) Generic term encompassing all mobile broker apps linking printers and buyers of printed products.

(2) Outsourcing of production to third-party partners.

(3) An activity's ability to change scale.

(4) Under the "techno push" concept innovation drives demand, compared to the "demand pull" concept where innovation is driven by demand expressed by the market.

Research and development expenditure

The Claranova group has continued its research and development efforts over the past few years. In 2018-2019, R&D expenditure increased significantly to €15.1 million: +58.9% on 2017-2018, including €3.5 million incurred by the Adaware, SodaPDF and Upclick businesses. The Internet segment, excluding acquired businesses, spent €1.2 million on research and development, up slightly on the prior fiscal year (€1.1 million). The Mobile segment spent €7.9 million, up 24.9% on the prior fiscal year (€6.3 million), including €3.3 million by the Chinese subsidiary. The IoT segment incurred €2.4 million in research and development expenditure, a similar level to 2017-2018. The majority of expenditure was made on products already marketed.

No development expenditure was capitalized during the fiscal year.

1.3 Significant events impacting the Group's activities during the fiscal year

Acquisition of the Adaware, SodaPDF and Upclick businesses

See Note 1.1 of Chapter 2 of this document.

New myDevices partnerships

On September 11, 2018, myDevices announced the availability of turnkey IoT solutions, in partnership with the IoT division of Alibaba Cloud, the cloud computing arm of Alibaba Group. myDevices will market and sell "IoT in a Box™" solutions in China through Alibaba Cloud's existing reseller distribution network. These remote monitoring solutions protect important assets for small businesses and large enterprise customers across a wide variety of industries and particularly commercial refrigeration and facility management vertical markets.

On September 12, 2018, Sprint, Ingram Micro, and myDevices announced a collaboration to provide turnkey IoT solutions for a broad range of organizations. Ingram Micro's North American resellers can now offer their healthcare, hospitality, food service, retail, education and government customers remote monitoring solutions for temperature/humidity monitoring and facility management.

On October 15, 2018, myDevices partnered with Arm. This partnership allows myDevices' "IoT in a Box™" technology to be combined with the Arm® Pelion™ IoT platform and will accelerate the creation of turnkey IoT solutions by simplifying device onboarding and increasing the number of sensors, gateways, and solutions integrated with the Arm® Pelion™ platform.

On February 25, 2019, myDevices announced a powerful collaboration with Microsoft that empowers users to onboard hundreds of LoRaWAN devices to instantly send data directly to Microsoft Azurea. myDevices has amassed one of the most extensive known catalogs of pre-configured LoRaWAN sensors and gateways consisting of nearly 200 different devices from over 50 hardware manufacturers from around the world.

This partnership will enable myDevices users to take advantage of the services offered through Azure, such as large-scale advanced analytics and Business Intelligence and AI services proposed by Microsoft.

These new partnerships confirm the Group's desire to strengthen myDevices' position in the IoT ecosystem and to form a solid and growing base of solution distributors and specifiers.

Launch of FreePrints apps in India, the Netherlands and Belgium

In September 2018, Claranova announced the launch of its FreePrints app in India. The Group's Mobile segment is now operating in the world's second largest smartphone market ahead of the United States. The Mobile business is hosted in India by the subsidiary FreePrints India Private Ltd, created for this purpose in April 2018. The Indian market offers strong growth potential, backed by a booming economy and a population of over 1.3 billion, over one-quarter of whom are smartphone users according to eMarketer[1].

As it has in other countries, the Mobile segment will continue to roll-out its FreePrints offering by tailoring its business model to India and the Indian consumer, while preserving the keys to its success: ease of use and accessibility of the FreePrints app, enabling users to print photos straight from their smartphones and tablets.

This launch is still in the start-up phase and did not have a material impact on the financial statements for the year ended June 30, 2019.

(1) eMarketer, "Smartphone Users and Penetration in India", 2018.

The Mobile segment also pursued its roll-out in Europe, with the launch of its FreePrints and FreePrints Photobooks apps in the Netherlands (December 2018) and Belgium (February 2019). These solutions have already been highly successful in the United Kingdom, France, Germany, Italy, Spain and Ireland. Revenue realized by the FreePrints apps in Europe now accounts for 59% of total mobile printing revenue, up 66% in FY 2018-2019.

PlanetArt continues to successfully strengthen its targeted global network in accordance with its strategy, confirming the considerable potential of the FreePrints solutions and their worldwide universal appeal. Going forward, the Group will further expand into new countries to maintain its strong and profitable growth. These launches are achieved with the current structure and allow the customer base to be expanded without generating any significant additional costs.

Launch of FreePrints Photo Tiles and FreePrints Cards

The Mobile segment strengthened its product portfolio with the launch of two new apps: FreePrints Photo Tiles, which allows customers to easily order photo tiles that can be stuck, unstuck and moved on walls as often as they want and FreePrints Cards, the latest FreePrints app, which can be used to order personalized cards (greeting cards, thank you cards, birthday cards, *etc.*). These new launches reflect the Mobile segment's strategy, aimed at strengthening its profitability through the development of higher-margin products at low marketing cost. These new apps benefit from the extensive customer base amassed by the existing FreePrints apps.

Acquisition of FTD Companies Inc.'s personalized gifts business

See Note 31.2 of Chapter 2 of this document.

On August 2, 2019, the Group purchased the personalized gift activity of FTD Companies. Given the specific character of the operation (the Group which held the acquired activity filed a Chapter 11 in the United States) and the date of the acquisition (August 2, 2019) close to the date of publication of this document, the Group considers it impracticable to publish pro forma accounts.

1.4 Debt and cash

1.4.1 Cash flow sources and amounts

(in € million)	6/30/19	6/30/18	6/30/17
Net cash flow from operating activities	**14.8**	**(1.5)**	**(7.1)**
Cash flow from operations	**7.2**	**5.2**	**(0.4)**
Cash flow from investing activities	**(15.8)**	**14.0**	**3.5**
Cash flow from financing activities	**17.9**	**29.6**	**3.0**
Variation in Cash	*9.3*	*48.8*	*6.1*
Opening Cash Position	**65.7**	**16.6**	**11.1**
Effects of exchange rate fluctuations on cash and cash equivalents	0.3	0.3	(0.6)
Closing cash position	**75.4**	**65.7**	**16.6**

Cash flows confirm Claranova group's healthy financial position, with a marked +€16 million surge in Cash flow from operating activities in one year, directly tied to the +€12 million increase in EBITDA year-on-year. The IFRS accounting entries relating to the acquisition of the Adaware, SodaPDF and Upclick businesses had no impact on Cash flow from operating activities or net cash.

Cash flow from operations also increased, reaching €7.2 million. The change in operating working capital remained limited at -€4.1 million, despite the marked increase in total Group revenue, investment to transition software activities towards a repeat business model and the integration of the new Internet segment businesses. While SodaPDF and Upclick operate with negative working capital requirements, in the same way as the Group's traditional activities, the BtoB profile of Adaware's activities accounts for the majority of this increase. Despite this impact, the Group continues to operate with negative working capital requirements, enabling recourse to external financial sources to be limited and cash to be reinvested in the Group's future development.

Cash flow from investing activities is negative at -€15.8 million, and is mainly due to the acquisitions by the Internet segment in July 2018. Cash outflows relating to these investments were offset by positive Cash flow from financing activities of €18.1 million, mainly comprising the Euro PP bond issue performed in June 2019 in the amount of €19.7 million.

The Group therefore closed FY 2018-2019 with a further improvement in the cash position as of June 30, 2019 to €75.4 million, up €9.6 million (+15%).

1.4.2 Borrowing conditions and financing structure

(in € million)	6/30/19	6/30/18	6/30/17
Bank debt	2.7	0.1	1.1
Bonds	48.4	27.8	
Other financial liabilities	0.8	0.3	
Accrued interest	0.0	-	
TOTAL FINANCIAL LIABILITIES	**51.9**	**28.2**	**1.1**
Available unpledged cash	75.4	65.7	17.1
NET DEBT	**(23.5)**	**(37.5)**	**(16.0)**

As of June 30, 2019, Group debt is €51.9 million, following the June 2019 Euro PP bond issue of €19.0 million, net of issue costs, and the ORNANE bond issue of €27.7 million (June 2018).

1.4.3 Restrictions on the use of capital resources

No restrictions on the use of the Claranova group's capital resources had, have or could have a direct or indirect material impact on the Group's operations.

1.4.4 Expected sources of financing

The Group currently considers it is in a position to finance its investment in organic growth. However, the Group does not rule out the option of calling on external financing sources for one or more specific transactions in the future.

The acquisition of Personal Creations activities was financed through a revolving credit line of US$3 million and a loan US$12 million implemented on July 24, 2019 on four years, by Avanquest North America and Planetart LLC, which are co-borrowers (see 2.5 note 31.2).

1.5 Trends and objectives

Main trends affecting the Group's business since the end of the fiscal year

In the Internet segment, the Group continued its efforts to transition towards a subscription-based sales model, in a bid to provide greater revenue generation visibility, with a resulting improvement in the long-term margin.

In the Mobile segment, the Group announced the acquisition of Personal Creations'® assets, the personalized gifts business of the US group, FTD Companies, Inc. This acquisition will enable the Mobile segment to expand into the personalized gifts business, nearly twice as large as the photo printing market[1]. The highly complementary nature of the photo world, combined with the mobile experience of the PlanetArt teams, offer good prospects for synergies to be developed and future segment growth.

In the IoT segment, the Group announced it was stepping-up the roll-out of its offering, after myDevices exceeded the 250 IoT roll-out milestone in the last six months. Strengthened by the ramp-up of its customer portfolio and the development of new solutions, Claranova is more than ever perfectly positioned to accelerate its growth in the IoT sector and become a key player in this market.

Trends identified for the current fiscal year and outlook

Following Claranova's excellent performance during the fiscal year, management has raised its 4-year goals. While the Group had previously announced a revenue goal of 600 million by 2022-2023, it now believes it can generate revenue of at least 700 million by this date, factoring at this horizon in the integration of Personal Creations. The Group also confirms a target profitability rate in excess of 10% (for EBITDA).

(1) *F/22 Consulting, "Growing Photo Printing Opportunities in the USA", 2018. Futuresource, "Photo Prints Market analysis in Western Europe", 2017.Technavio, "Global Personalized Gifts Market 2017-2021", 2017.*

1.6 Economic information and Company financial performance

KEY FIGURES

(Parent company data in € million)	2018-2019	2017-2018	2016-2017[1]
Revenue	1.8	1.2	14.4
Net income from operations	(3.2)	(5.9)	(5.0)
Net income from ordinary activities before tax	(4.9)	(4.0)	52.6
Net exceptional items	-	(0.6)	0.4
Net income	**(5.3)**	**(4.6)**	**53.3**
Equity	**74.6**	**79.4**	**82.0**
Bank debt	-	-	
Other financial liabilities	48.7	29.1	0.3
Available cash	9.7	19.4	1.9

(1) Before the spin off of Avanquest segment.

Activities during FY 2018-2019

Revenue

Claranova SE reported revenue of €1.8 million for the fiscal year ended June 30, 2019, compared to €1.2 million the previous fiscal year.

Net income from ordinary activities before tax

Net income from ordinary activities before tax for FY 2018-2019 is a loss of €4.9 million, compared to a loss of €4.0 million for the previous fiscal year. The downturn in Net income from ordinary activities before tax is due to the impact of bond interest (€1.5 million), partially offset by improved Net income from operations.

Bank debt and other financial liabilities

Claranova has no bank loans as of June 30, 2019.

Other financial liabilities mainly comprise the debt corresponding to the ORNANE bond issue for €29.0 million and the debt corresponding to the Euro PP bond issue for €19.7 million.

Research and development expenditure

Claranova SE did not incur any research and development expenditure.

Activities of subsidiaries and equity interests

Claranova SE, France, is the parent company of the Group. It operates as a lead holding company for the entire Group (Executive Management, finance, communication, strategy, disposals and acquisitions, *etc*.).

Various Group entities are responsible for research & development. More generally, software is owned by the entity that develops it, with the other subsidiaries paying royalties according to sales volumes.

Subsidiary figures represent their contribution to consolidated data.

Claranova Development, Luxembourg, is a new structure created on January 22, 2019, dedicated to the international development of the Group. The main purpose of this company is to seek financing, acquire and manage investments in all types of company, create companies and acquire and manage a portfolio of patents and other intellectual property rights, *etc*. It closed the fiscal year with nil revenue and reported a net loss of €0.3 million.

Avanquest America Inc., United States, holds the shares in Avanquest America Holdings. It closed the fiscal year with nil revenue, unchanged on the previous year. It reported a net loss for the year of €0.4 million, compared to a net loss of €0.1 million the previous year.

Avanquest America Holdings LLC, United States, was created on July 1, 2017 as part of the legal restructuring in the United States. It holds the shares in PlanetArt LLC and myDevices Inc. It closed the fiscal year with revenue and net income of nil, as in the previous year.

Internet segment

Avanquest Software SAS, France, is the French entity created on June 1, 2017 to manage Avanquest operations in Europe. It holds the shares in the Internet segment subsidiaries. It closed the fiscal year with revenue of €17.4 million, compared to €11.6 million the previous year. It reported a net loss of €0.2 million, compared to a net loss of €1.3 million the previous year.

Avanquest North America Inc., United States, was formed by the merger of eight companies acquired or created in the United States since 2000. Avanquest North America Inc. is based in California and manages Internet operations in the United States. It closed the fiscal year with revenue of €15.2 million, compared to €16.0 million the previous year. It reported net income of €1.7 million, compared to net income of €0.6 million the previous year.

Avanquest Deutschland GmbH, Germany, groups together Retail operations in Germany. It closed the fiscal year with revenue of €5.2 million, compared to €5.1 million the previous year. It reported a net loss for the year of €0.3 million, similar to the previous year.

EMME Deutschland GmbH, Germany, was dormant during the fiscal year.

Avanquest UK Ltd, United Kingdom, manages the technical aspects of the e-commerce platform for Internet activities in Europe. It closed the fiscal year with revenue of €1.9 million, compared to €2.6 million the previous year. It reported a net loss for the year of €0.3 million, similar to the previous year.

PC Helpsoft Labs Inc., Canada, was acquired in 2011 and hosts part of the Internet operations in North America. It closed the fiscal year with revenue of €1.5 million, compared to €0.9 million the previous year. It mainly manages an online sales site for security software. It broke even during the fiscal year, compared to net income of €0.1 million the previous year.

Avanquest Iberica SL, Spain, was dormant during the fiscal year.

9026851 Canada Inc., Canada, is a cost center and rebills the majority of personnel costs to the Adaware, SodaPDF and Upclick operating entities. It closed the fiscal year with nil revenue and reported slightly positive net income.

Upclick (6785719 Canada Inc.), Canada, holds the shares in UC Distribution, LLC, Upclick Holdings Ltd and UC Distribution Canada (9213015 Canada Inc.). It closed the fiscal year with revenue of €2.9 million and reported slightly positive net income.

Upclick Malta, Malta, closed the fiscal year with revenue of €0.1 million and reported slightly positive net income.

C.S. Support Network Ltd, Canada, closed the fiscal year with revenue of €5.4 million and reported net income of €1.0 million.

UPC Distribution Malta Ltd, Malta, closed the fiscal year with nil revenue and reported net income of €0.1 million.

UC Distribution (9213015 Canada Inc.), Canada, closed the fiscal year with nil revenue and reported slightly positive net income.

Adaware Software Canada (7095058 Canada Inc.), Canada, hosts Adaware's Internet security and antivirus solutions activities. It closed the fiscal year with revenue of €22.0 million and reported net income of €3.9 million.

Lavasoft Software Ltd, Malta, closed the fiscal year with revenue of €0.1 million and reported a net loss of €0.5 million.

Lulu Software (7270356 Canada Inc.), Canada, hosts SodaPDF's documentary management and PDF apps activities. This company closed the fiscal year with revenue of €11.7 million and reported net income of €1.1 million.

Simple Link Network, Malta, closed the fiscal year with nil revenue and reported slightly positive net income.

Avanquest Canada Holding Inc., Canada, holds the shares in Avanquest Canada Inc. Revenue and net income for the fiscal year were nil.

Avanquest Canada Inc., Canada[(1)], holds the shares in 1169260 B.C. Ltd. It closed the fiscal year with nil revenue and reported a net loss of €49.1 million, following the recognition in net financial income of the fair value remeasurement of financial instruments issued to sellers on the acquisition of the Adaware, SodaPDF and Upclick businesses on July 1, 2018 (see Note 4 of Chapter 2 of this Universal Registration Document).

1169260 B.C. Ltd, Canada, holds the shares in 9026851 Canada Inc., 7104171 Canada Inc., Adaware Holdings (7095040 Canada Inc.), 6700845 Canada Inc. and Lulu Software Holdings (7104189 Canada Inc.). It closed the fiscal year with nil revenue and net income.

7104171 Canada Inc., Canada, holds the shares in Upclick 6785719 Canada Inc. It closed the fiscal year with nil revenue and net income.

Upclick Holdings Ltd, Malta, holds the shares in C.S. Support Network Ltd, Upclick Malta, UPC Distribution Malta Ltd and Simple Link Network. It closed the fiscal year with nil revenue and reported net income of €0.1 million.

Adaware Holdings (7095040 Canada Inc.), Canada, holds the shares in Adaware Software Canada (7095058 Canada Inc.) and Proreach Software Holdings. It closed the fiscal year with nil revenue and net income.

Proreach Software Holdings, Canada, holds the shares in Lavasoft Software Ltd. It closed the fiscal year with nil revenue and net income.

Lulu Software Holdings (7104189 Canada Inc.), Canada, holds the shares in Lulu Software (7270356 Canada Inc.). It closed the fiscal year with nil revenue and net income.

6700845 Canada Inc., Canada, holds the shares in Adaware Holdings (7095040 Canada Inc.) and Lulu Software Holdings (7104189 Canada Inc.). It closed the fiscal year with nil revenue and reported a net loss of €0.1 million.

(1) In order to simplify the legal structure of the Group, Avanquest Canada Inc. and 1169260 B.C. Ltd were merged on September 19, 2019. This merger did not affect the conduct of operations and had no financial impact.

Mobile segment

PlanetArt LLC, Unites States, hosts the PlanetArt business in the United States and holds the shares in PlanetArt Ltd, Avanquest China Ltd and FreePrints India Private Ltd. It is indirectly owned 92% by Claranova SE. It closed the fiscal year with revenue of €99.4 million, compared to €75.5 million the previous year. It reported net income of €3.8 million, compared to net income of €1.8 million the previous year.

PlanetArt Ltd, United Kingdom, hosts PlanetArt's commercial operations in Europe. As of June 30, 2019, this company was indirectly owned 92% by Claranova SE. It closed the fiscal year with revenue of €76.5 million, compared to €46.6 million the previous year. It reported net income of €8.8 million, compared to net income of €4.7 million the previous year.

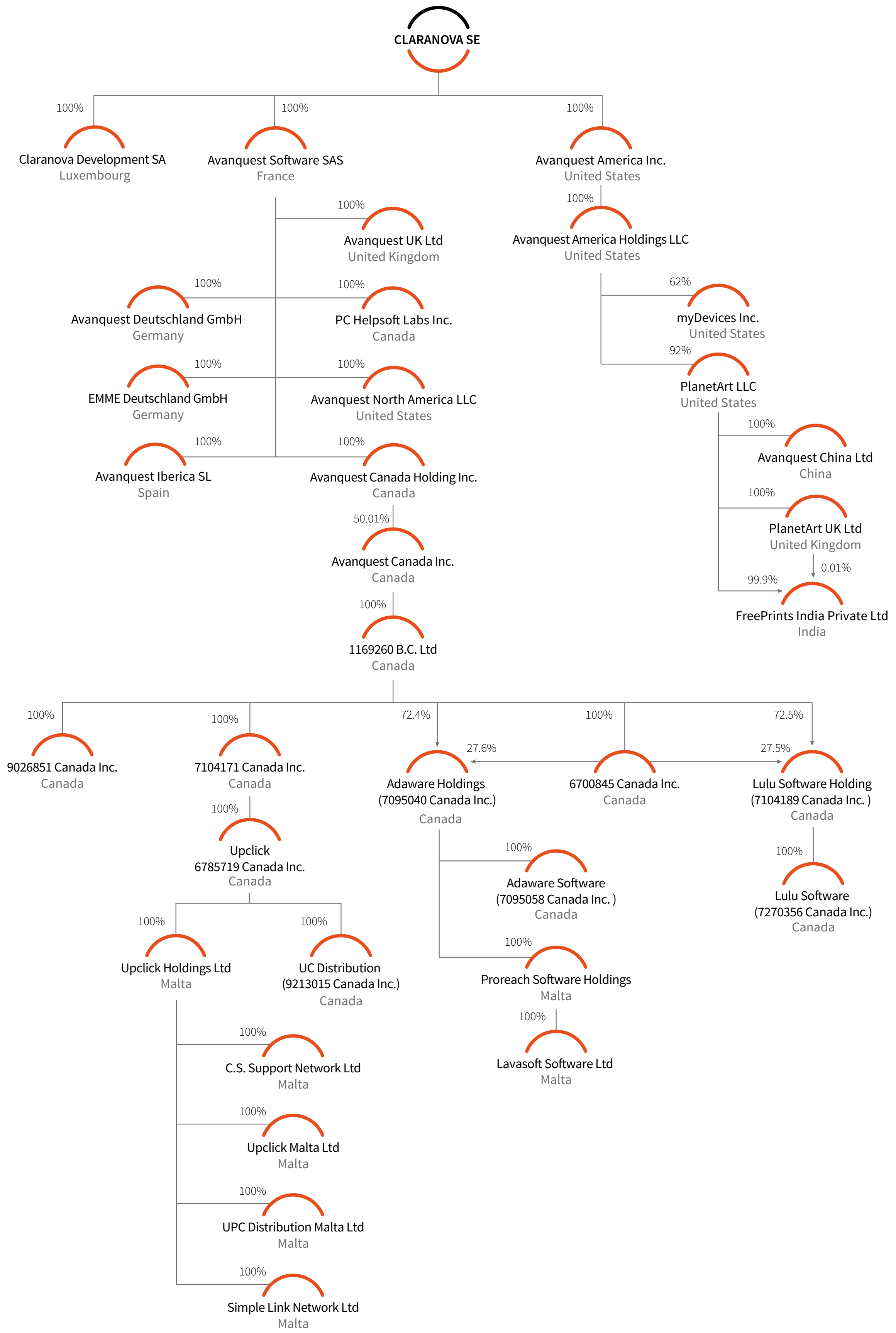
Avanquest China Ltd, China, located in Shanghai, is one of the Claranova group's R&D divisions for PlanetArt's business. It closed the year with nil revenue, unchanged on the previous year. Net income for the year is slightly positive, compared to a slightly negative net loss last year.

FreePrints India Private Ltd, India, was created in April 2018 to host FreePrints' operations in India. Activity was launched in September 2018. It closed the fiscal year with revenue of €0.1 million and reported a net loss of €0.9 million.

IoT segment

myDevices Inc., United States, hosts the Group's "Internet of Things" activity. As of June 30, 2019, this company was indirectly owned 62% by Claranova SE. It closed the fiscal year with revenue of €2.8 million, compared to €3.2 million the previous fiscal year. It reported a net loss of €2.6 million, compared to a net loss of €1.7 million the previous fiscal year.

GROUP STRUCTURE AS OF JUNE 30, 2019



2

Consolidated financial statements

Pursuant to Regulation (EU) no. 2017/1129, the following information is incorporated by reference in the Universal Registration Document:

- Claranova's consolidated financial statements for 2017-2018, prepared in accordance with IFRS, and the Statutory Auditors' report thereon, contained in Sections 2.1 to 2.6, of the Universal Registration Document filed with the AMF on October 2, 2018 (D. 18-0856);
- all these documents are available on the Company's website at www.claranova.com.

Information is expressed in millions of euros, unless otherwise stated.

The publication of the full Universal Registration Document is scheduled for October 21, 2019.

2.1 Statement of comprehensive income

Comprehensive income of €1.8 million may be reclassified subsequently to profit or loss.

(in € million)	Notes	2018-2019	2017-2018
NET REVENUE	Note 6	**262.3**	**161.5**
Raw materials and purchases of goods		(71.2)	(53.7)
Other purchases and external expenses		(122.0)	(69.6)
Taxes, fees and similar payments		(0.4)	(0.2)
Employee expenses	Note 7	(38.8)	(34.4)
Depreciation, amortization and provisions (net of reversals)		(2.0)	(0.5)
Other Recurring Operating Income and expenses	Note 8	(13.6)	(6.9)
RECURRING OPERATING INCOME		**14.3**	**(3.7)**
Other operating income and expenses	Note 9	(2.9)	(2.4)
OPERATING INCOME		**11.4**	**(6.1)**
Net borrowing costs		(1.1)	(0.0)
Fair value of the financial instruments		(47.2)	-
Other financial expenses		(0.8)	(2.5)
Other financial income		0.0	2.2
FINANCIAL INCOME	Note 11	**(49.2)**	**(0.3)**
Tax expense	Note 12	(3.7)	(1.8)
Share of profit or loss of associates		-	-
NET INCOME FROM CONTINUING OPERATIONS		**(41.4)**	**(8.2)**
NET INCOME FROM DISCONTINUED OPERATIONS		**-**	**-**
NET INCOME		**(41.4)**	**(8.2)**
Attributable to owners of the Company		(40.8)	(7.9)
Attributable to non-controlling interests		(0.6)	(0.2)
EARNINGS PER SHARE	Note 14	-	-
Earnings per share, Group share *(in €)*	Note 3.21	(0.1)	(0.02)
Earnings per share, Group share, after potential dilution *(in €)*		(0.1)	(0.02)
NET INCOME		**(41.4)**	**(8.2)**
Other items of comprehensive income		-	-
Translation adjustments on foreign operations		1.8	0.5
Translation adjustments on net investments in foreign operations		-	(0.0)
Actuarial gains and losses on post-employment obligations	Note 10	(0.1)	(0.0)
TOTAL OTHER COMPREHENSIVE INCOME		**1.8**	**0.5**
COMPREHENSIVE INCOME		**(39.6)**	**(7.7)**
Attributable to owners of the Company		(39.0)	(7.5)
Attributable to non-controlling interests		(0.6)	(0.2)

2.2 Statement of financial position

(in € million)	Notes	6/30/2019	6/30/2018
Goodwill	Note 15	63.0	-
Intangible assets	Note 16	6.9	0.5
Property, plant and equipment	Note 17	1.4	0.2
Financial assets		0.6	0.4
Equity interests in associates		-	-
Other non-current receivables		2.4	0.2
Deferred tax assets	Note 13	0.9	-
NON-CURRENT ASSETS		**75.1**	**1.3**
Work-in-progress		4.8	3.7
Trade receivables	Note 19	11.6	4.9
Current tax assets	Note 12	1.1	1.0
Other current receivables	Note 20	8.0	3.8
Cash and cash equivalents	Note 21	75.4	65.7
CURRENT ASSETS		**100.9**	**79.1**
TOTAL ASSETS		**176.1**	**80.5**

(in € million)	Notes	6/30/2019	6/30/2018
Share capital	Note 22	39.4	39.4
Share premium and consolidated reserves		54.0	(18.9)
Net income, Group share		(40.8)	(7.9)
EQUITY – SHARE OF EQUITY OWNERS OF THE PARENT COMPANY		**52.6**	**12.5**
Non-controlling interests		11.0	1.8
TOTAL EQUITY		**63.6**	**14.3**
Non-current financial liabilities	Note 24	49.1	28.1
Deferred tax liabilities	Note 13	1.2	-
Non-current provisions	Note 23	0.5	0.1
Other non-current liabilities	Note 25	1.2	0.8
TOTAL NON-CURRENT LIABILITIES		**52.0**	**29.0**
Current provisions	Note 23	0.1	0.1
Current financial liabilities	Note 24	2.7	0.1
Trade payables	Note 27	28.0	23.7
Current tax liabilities		3.0	1.7
Other current liabilities	Note 26	26.7	11.6
CURRENT LIABILITIES		**60.5**	**37.2**
TOTAL LIABILITIES		**176.1**	**80.5**

2.3 Consolidated statement of cash flows

(in € million)	Notes	2018-2019 12 months	2017-2018 12 months
OPERATING ACTIVITIES			
Consolidated net income		(41.4)	(8.2)
Share of profit or loss of associates		-	-
Elimination of items with no impact on the cash position or not related to operations:		-	-
• Net depreciation, amortization and provisions (excluding current provisions)		2.3	0.5
• Share-based payments (IFRS 2) and other restatements	Note 29.1	(0.1)	4.1
• Net borrowing costs recognized	Note 29.2	1.1	0.0
• Change in fair value of the financial instruments	Note 29.3	47.2	-
• Gains/(losses) on disposal		0.0	(0.0)
• Tax expense (including deferred taxes) recognized		3.7	1.8
• Other items with no cash impact[1]	Note 29.4	1.9	0.2
Net cash flow from operating activities		**14.8**	**(1.5)**
Changes in working capital requirements		(4.1)	7.9
Taxes paid		(3.8)	(1.2)
Net interest paid		0.3	0.0
Cash flow from operations		**7.2**	**5.2**
INVESTMENT ACTIVITIES		**-**	**-**
Acquisitions of intangible assets	Note 29.5	(2.0)	(0.0)
Acquisitions of property, plant and equipment		(0.5)	(0.1)
Disposals of property, plant and equipment and intangible assets		0.0	0.0
Acquisitions of financial assets		(0.0)	(0.0)
Disposals of financial assets		0.0	0.0
Impact of changes in scope[2]	Note 29.6	(13.3)	14.2
Net cash flow from (used in) investing activities		**(15.8)**	**14.0**
FINANCING ACTIVITIES		-	-
Capital increase	Note 29.7	0.5	2.0
Dividends received from companies accounted for using the equity method		-	-
Share buyback	Note 29.8	(1.9)	(0.0)
Proceeds from borrowings	Note 29.9	21.1	28.7
Principal payments on borrowings	Note 29.10	(1.7)	(0.5)
Other flows related to financing[3]		-	(0.6)
Net cash flow from (used in) financing activities		**17.9**	**29.6**
Net cash from discontinued operations		-	-
Net increase (decrease) in cash		***9.3***	***48.8***
Opening cash position[4]	Note 21	65.7	16.6
Effects of exchange rate fluctuations on cash and cash equivalents		0.3	0.3
Closing cash position[5]		75.4	65.7

(1) Other items with no impact on the cash position or not related to operations: Note 29.
(2) Detail of changes in scope: Note 29.
(3) 2017-2018: Other flows related to financing correspond to a guarantee on the loan secured for the acquisition of the Adaware, SodaPDF and Upclick businesses.
(4) Cash and cash equivalents = €65.7 million. Bank account overdrafts = €0.01 million.
(5) Cash and cash equivalents = €75.4 million. Bank account overdrafts = €0.01 million.

2.4 Statement of changes in consolidated equity

(in € million)	Share Capital	Share premium	Translation reserves	Consolidated reserves	Net income	Group share	Non controlling interests	Total
AS OF JUNE 30, 2017	**37.5**	**120.6**	**(3.1)**	**(142.9)**	**(11.0)**	**1.2**	**0.1**	**1.3**
Actuarial gains and losses on post-employment obligations	-	-	-	(0.0)	-	(0.0)	-	(0.0)
Translation adjustments	-	-	0.5	-	-	0.5	0.0	0.5
Other items of comprehensive income	**-**	**-**	**0.5**	**(0.0)**	**-**	**0.5**	**0.0**	**0.5**
Income for the period	-	-	-	-	(7.9)	(7.9)	(0.2)	(8.2)
Comprehensive income	**-**	**-**	**0.5**	**(0.0)**	**(7.9)**	**(7.5)**	**(0.2)**	**(7.7)**
Treasury shares	-	-	-	(0.0)	-	(0.0)	-	(0.0)
Share capital increase	1.8	0.2	-	-	-	2.0	-	2.0
Appropriation of retained earnings	-	-	-	(11.0)	11.0	-	-	-
Share-based payments	-	-	-	4.1	-	4.1	0.0	4.1
Changes in scope	-	-	-	-	-	-	-	-
Transaction between shareholders	-	-	(0.0)	12.7	-	12.7	1.9	14.6
Distribution of dividends	-	-	-	-	-	-	-	-
AS OF JUNE 30, 2018	**39.4**	**120.9**	**(2.7)**	**(137.1)**	**(7.9)**	**12.5**	**1.8**	**14.3**
Actuarial gains and losses on post-employment obligations	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Translation adjustments	-	-	1.8	(0.1)	-	1.7	0.0	1.7
Other items of comprehensive income	**-**	**-**	**1.8**	**(0.1)**	**-**	**1.6**	**0.0**	**1.7**
Income for the period	-	-	-	-	(40.8)	(40.8)	(0.6)	(41.4)
Comprehensive income	**-**	**-**	**1.8**	**0.0**	**(40.8)**	**(39.2)**	**(0.6)**	**(39.6)**
Treasury shares	-	-	-	(1.9)	-	(1.9)	-	(1.9)
Share capital increase	0.1	0.4	-	-	-	0.5	-	0.5
Appropriation of retained earnings	-	-	-	(7.9)	7.9	-	-	-
Share-based payments	-	-	-	2.7	-	2.7	0.0	2.8
Financial instruments linked to acquisition	-	-	-	85.2	-	85.2	-	85.2
Allocation between Group share and NCI	-	-	-	(7.7)	-	(7.7)	7.7	-
Changes in scope	-	-	-	-	-	-	-	-
Transaction between shareholders	-	-	-	0.5	-	0.5	2.0	2.5
Distribution of dividends	-	-	-	-	-	-	-	-
AS OF JUNE 30, 2019	**39.4**	**121.3**	**(0.9)**	**(66.4)**	**(40.8)**	**52.6**	**11.0**	**63.6**

2.5 Notes to the consolidated financial statements

Sommaire de notes

Claranova's securities are listed on Euronext Paris - Eurolist Compartment B.

The 2018-2019 consolidated financial statements were approved by the Board of Directors on September 30, 2019.

Note 1 Major events of the fiscal year

The major events of the fiscal year impacting the activities of the Group and its subsidiaries are presented in Chapter 1 of the Universal Registration Document, scheduled for publication on October 21, 2019.

Other major events include:

1.1 Acquisition of the Adaware, SodaPDF and Upclick businesses on July 1, 2018

On July 1, 2018, the Group finalized the acquisition of the companies hosting the Adaware, SodaPDF and Upclick businesses. The shares of these companies are held by Avanquest Canada Inc. and their businesses are included in the Avanquest division. The entities are fully consolidated.

These activities generated revenue of €41.4 million in fiscal year 2018-2019 and operating profit (EBITDA) of €9.1 million. The integration of Adaware, SodaPDF and Upclick enabled the division to double in size and significantly improved its profitability profile, through the increased revenue and profit of these activities and the synergies realized between the activities of the Internet segment (see Note 4).

1.2 Change in management and governance structure

In order to simplify its functioning, the Company's governance method was changed back to a Board of Directors governance structure, subject to the provisions of Articles L. 225-17 to L. 225-56 of the French Commercial Code, from a governance structure comprising a Management Board and a Supervisory Board. The Combined Shareholders' Meeting of December 13, 2018 approved this change.

1.3 myDevices share capital increase

The myDevices Board of Directors' meeting of December 20, 2018, authorized the creation of 1,256,256 shares. Semtech Corporation and Claranova each subscribed for 628,128 shares, at a price of US$4.7761 per share, two times, once on January 7, 2019 and then again on February 20, 2019. The resulting share capital increase was US$6 million. Following this share capital increase, Claranova held 62.01% of myDevices' share capital.

1.4 Creation of Claranova Development

On January 22, 2019, Claranova created a new structure, Claranova Development, incorporated in Luxembourg and dedicated to the Group's development. This subsidiary is wholly owned by Claranova SE and its main purpose is to acquire and manage investments in all types of company, create companies and acquire and manage a portfolio of patents and other intellectual property rights, as well as financing.

1.5 Share buyback

Confident in its growth prospects, on September 10, 2018, Claranova announced the continued implementation of its share buyback program, launched pursuant to the Management Board's decision of June 28, 2018. Under this program, Claranova signed an agreement with an investment services provider to buy back the Company's shares. Under the terms of this agreement, the service provider may purchase a maximum of 7 million shares at a maximum unit price of €1, at the dates it considers appropriate and in accordance with applicable regulations, throughout the term of the share buyback program. The program cannot exceed €5 million overall.

In accordance with the program's term, it ended on May 29, 2019. As of June 30, 2019, the Company had bought back 2,226,440 shares for €2 million.

1.6 Conversion to a european company

The Extraordinary General Shareholders' Meeting of June 11, 2019 approved the conversion of the Company's legal form to a European Company. This new legal form is recognized in all European Union countries and has already been adopted by numerous major groups. It better reflects Claranova group's true position and its strong European and international base where it generates the majority of its revenue and strengthens its international image and its attractiveness for all stakeholders.

1.7 Issue of a €20 million bond

On June 27, 2019, Claranova group announced the completion of its first Euro PP private bond placement with European institutional investors for a total amount of €19.7 million, comprising 19,655 bonds each with a nominal value of €1,000.

The proceeds from this issue will be used primarily to finance the acquisition balance of the Adaware, SodaPDF and Upclick businesses. The 5-year bonds bearing 6% annual interest will be redeemable on maturity on June 27, 2024. They have been admitted for trading, on the Euronext Access market under the ISIN code FR0013430725.

1.8 Cancellation of free shares

On November 13, 2017, pursuant to the delegation of authority granted by the General Shareholder's Meeting of June 7, 2017, Claranova SE announced the grant of free shares to certain employees and corporate officers of the Company and its subsidiaries.

The free share plan resulted in the recording of an IFRS 2 expense of €4.1 million and social security contributions of €3.0 million in the consolidated financial statements for the year ended June 30, 2018, both without cash impact as of June 30, 2018.

To accompany the Group's future, Pierre Cesarini, Chairman of the Management Board and Sébastien Martin, member of the Management Board, at the time of the grant, decided, with the agreement of the Supervisory Board meeting of October 18, 2018, to waive the grant of the 18,185,000 free shares reserved for them.

This decision sought to reduce the financial impact of these grants on Claranova's financial performance. These grants would have led to the recognition of employer social security contributions estimated at €4.9 million, automatically reducing Claranova's operating profitability, without any link to the development of its activities. Management considered this amount could be better used to push forward the Group's growth.

This free share plan and the waiver of 18,185,000 shares by their beneficiaries is reflected in the consolidated financial statements for the year ended June 30, 2019 by an expense of €2.6 million (pursuant to IFRS 2, the cancellation of free shares leads to the immediate recognition of the IFRS 2 expense that would have been spread over future periods in accordance with the plan terms) and the reversal of social security contributions of €2.9 million, representing net income of €0.3 million. As previously, the IFRS 2 expense has no cash impact.

In return, the Supervisory Board approved the payment of an exceptional bonus of €1,7 million to Pierre Cesarini and €0.4 million to Sébastien Martin, as partial compensation for the loss resulting from this waiver. Payment of these exceptional bonuses was approved by the Combined Shareholders' Meeting of December 13, 2018. The exceptional bonuses are recognized as a buyback of equity instruments under IFRS and are therefore recorded in Equity in the amount of €2.7 million after social security contributions.

Note 2 Scope of consolidation as of June 30, 2019

Company	Country	% control	% interest	Consolidation method
Claranova SE 89/91, boulevard National 92257 La Garenne-Colombes Cedex SIRET 329 764 625 00078	France			Parent company
Adaware Holdings (7095040 Canada Inc.) 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
Adaware Software (7095058 Canada Inc.) 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
Avanquest America Inc. 7031 Koll Center Parkway 150 Pleasanton, CA 94566	United States	100.00%	100.00%	Full consolidation
Avanquest America Holdings LLC 23801 Calabasas Road, Suite 2005 Calabasas CA 91302-1547	United States	100.00%	100.00%	Full consolidation
Avanquest Canada Holding Inc. 1750-1055 West Georgia Street Vancouver, BC V6E 3P3	Canada	100.00%	100.00%*	Full consolidation
Avanquest Canada Inc. 1750-1055 West Georgia Street Vancouver, BC V6E 3P3	Canada	100.00%	50.01%*	Full consolidation
Avanquest China Ltd Room 1201-HuiTong Building 569# East Jin Ling Road Shanghai 200021	China	100.00%	92.27%	Full consolidation
Avanquest Deutschland GmbH Lochhamer Str. 9 82152 Planegg b. München	Germany	100.00%	100.00%*	Full consolidation
Avanquest Iberica SL Calle Peru 6, Edificios Twin Golf 28290 Las Matas, Madrid	Spain	100.00%	100.00%*	Full consolidation
Avanquest North America LLC 23801 Calabasas Road, Suite 2005 Calabasas CA 91302-1547	United States	100.00%	100.00%*	Full consolidation
Avanquest Software SAS 89/91, boulevard National 92257 La Garenne-Colombes Cedex	France	100.00%	100.00%*	Full consolidation
Avanquest UK Ltd International House, George Curl Way Southampton – Hampshire SO18 2RZ	United Kingdom	100.00%	100.00%*	Full consolidation

Company	Country	% control	% interest	Consolidation method
Claranova Development SA 47 Côte d'Eich L-1450 Luxembourg	Luxembourg	100.00%	100.00%	Full consolidation
EMME Deutschland GmbH Lochhamer Str. 9 82152 Planegg b. München	Germany	100.00%	100.00%*	Full consolidation
FreePrints India Private Ltd H-23A, Office No.204 S/F, Kamal Tower Near Sai Baba Mandir Laxmi Nagar, DELHI Esta Delhi DL 110092	India	100.00%	92.27%	Full consolidation
Lavasoft Software Ltd (C 45996) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
Lulu Software (7270356 Canada Inc.) 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
Lulu Software Holding (7104189 Canada Inc.) 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
myDevices Inc. 3900 W Alameda Ave Suite 1200 Burbank, CA 91505	United States	62.01%	62.01%	Full consolidation
PC Helpsoft Labs Inc. 300 – 848 Courtney Street Victoria BC V8W 1C4	Canada	100.00%	100.00%*	Full consolidation
Upclick 6785719 Canada Inc. 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
Upclick Holding Ltd (C 46064) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
Upclick Malta Ltd (C 42231) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
UC Distribution (9213015 Canada Inc.) 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
UPC Distribution Malta Ltd (C 69518) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
C.S. Support Network Ltd (C 42815) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
PlanetArt LLC 23801 Calabasas Road, Suite 2005 Calabasas CA 91302-1547	United States	92.27%	92.27%	Full consolidation
PlanetArt Ltd Gateway House, Tollgate, Chandler's Ford, Eastleigh Southampton – Hampshire SO53 3GT	United Kingdom	100.00%	92.27%	Full consolidation
Proreach Software Holdings (C 45983) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation

Company	Country	% control	% interest	Consolidation method
Simple Link Network Ltd (C 81177) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
1169260 B.C. Ltd #2300 - 925 West Georgia Street Vancouver BC V6C 3L2	Canada	100.00%	50.01%*	Full consolidation
6700845 Canada Inc. 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
7104171 Canada Inc. 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation
9026851 Canada Inc. 7075 Place Robert-Joncas, Suite 142 Saint-Laurent, QC H4M 2Z2	Canada	100.00%	50.01%*	Full consolidation

** Before conversion of the preferred shares (see Note 4).*

Note 3 Accounting principles, rules and methods

The Claranova group condensed consolidated financial statements for the year ended June 30, 2019 include Claranova SE and its subsidiaries (referred to collectively as "the Group") and the Group's share of associates and jointly-controlled companies.

Claranova is a French company listed on Euronext Paris. Its registered office is located at 89/91, boulevard National – 92250 La Garenne-Colombes.

The accounting principles used for the preparation of the consolidated financial statements are consistent with IFRS and their interpretations as adopted by the European Union on June 30, 2019 and available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02008R1126-20160101. These accounting policies are consistent with those used to prepare the annual consolidated financial statements for the year ended June 30, 2018, excluding the application of new standards and interpretations that are mandatory for periods beginning on or after July 1, 2018.

- IFRS 9, "Financial Instruments", and related amendments, "Prepayment Features with Negative Compensation".

  On July 24, 2014, the IASB published a new standard on financial instruments to replace the majority of the existing IFRS provisions and particularly IAS 39. The new standard, adopted by the European Union, is applicable to fiscal years beginning on or after January 1, 2018;

- IFRS 15, "Revenue from Contracts with Customers", and related amendments, "Clarifications to IFRS 15".

  On May 28, 2014, the IASB published a new revenue recognition standard to replace the majority of existing IFRS provisions and particularly IAS 11 and IAS 18. The new standard, adopted by the European Union, is applicable to fiscal years beginning on or after January 1, 2018.

  IFRS 15, "Revenue from Contracts with Customers", is applicable to the Claranova group starting from July 1, 2018 (see Note 3.15);

- IFRIC 22, "Foreign Currency Transactions and Advance Consideration";
- IFRS annual improvements, 2014-2016 cycle;
- amendments resulting from the 2014-2016 AIP cycle:
  - amendments to IAS 28, "Exemption from applying the equity method",
  - amendment to IFRS 1, "Suspension of short-term exemptions for first-time adopters";
- amendments to IFRS 2, "Clarification and Measurement of Share-Based Payment Transactions".

These new standards did not have a material impact on the annual financial statements, with the exception of IFRS 9, IFRS 2 (Note 4) and IFRS 15 (see Note 3.15).

The following new standards and interpretations are not of mandatory application as of July 1, 2018 and were not adopted in advance as of June 30, 2019:

- IFRS 16, "Leases".

  On January 13, 2016, the IASB published a new standard on the recognition of leases. This standard replaces IAS 17 and its interpretations. It will result in most leases being recognized on the lessee's balance sheet in accordance with a single lessee accounting model, comprising a "right-of-use asset" and a "lease liability" (the distinction between operating and finance leases is eliminated for lessees). This new standard is applicable to fiscal years beginning on or after January 1, 2019. Work to analyze and measure the impact of this standard is currently being finalized.

  As a lessee, the Group primarily leases real estate, vehicles and computer hardware.

  The Group will transition to IFRS 16 using the simplified retrospective method. As of July 1, 2019, the lease liability will be calculated by discounting future lease payments at rates reflecting the estimated residual lease terms.

The corresponding right-of-use asset will be recognized in the same amount as the lease liability. The first-time application of IFRS 16 will not therefore impact Group equity as of July 1, 2019.

In accordance with the options offered by IFRS 16, the Group will apply the following exemptions and practical expedients:

- short-term leases and leases of low-value assets will not be restated,
- analyses performed pursuant to IAS 17 and IFRIC 4 to determine whether a contract is a lease will be maintained,
- leases with a residual term of less than 12 months will be considered equivalent to short-term leases and will not be restated,
- the onerous nature of a lease will be assessed in accordance with IAS 37.

Pursuant to the provisions of IFRS 16 on the modified retrospective approach, comparative information for fiscal year 2018 will not be restated.

Based on our initial estimations, IFRS 16 will have an impact of between €4.5 million and €5.5 million on opening debt;

- IFRIC 23, “Uncertainty over Income Tax Treatments”, applicable to fiscal years beginning on or after January 1, 2019;
- amendment to IAS 19, “Plan amendment, curtailment or settlement”, applicable to fiscal years beginning on or after January 1, 2019.

The Group is currently analyzing the impact and practical consequences of applying these standards.

The Group’s consolidated financial statements for the year ended June 30, 2019, were drawn up under the responsibility of the Board of Directors on September 30, 2019.

The consolidated financial statements are presented on a historical cost basis, with the exception of items measured at fair value.

3.1 Scope of consolidation

All subsidiaries included in the scope of consolidation close their statutory accounts on June 30 of each year. Subsidiaries are consolidated from the time the Group takes control, until the date on which such control is transferred outside the Group.

The consolidated financial statements reflect the financial position of the Company and its subsidiaries as well as the Group’s interests in any associates and joint ventures.

Companies in which the Group directly or indirectly holds the majority of voting rights (subsidiaries) are fully consolidated. Companies in which the Group has a stake of less than 50% but over which it exercises significant influence (associates) are consolidated by the equity method.

The full list of companies included in the scope of consolidation as of June 30, 2019 and the related consolidation methods is presented in Note 2 to the consolidated financial statements.

3.2 Internal transactions within the Group

Inter-company transactions between consolidated companies are eliminated, as are any gains resulting from those transactions.

3.3 Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. The Group does not use cryptocurrencies.

Exchange gains and losses, realized or unrealized, arising on these transactions, are recognized in financial income.

Non-monetary assets and liabilities denominated in foreign currencies are recognized and maintained at the historical exchange rate prevailing at the transaction date.

3.4 Translation of the financial statements of foreign companies

The consolidated financial statements are prepared in euros.

The assets and liabilities of consolidated companies whose functional currency is not the euro are translated into euros at the year-end exchange rate.

The income, expenses and cash flows of these companies are translated into euros at the average exchange rate for the period.

All resulting translation differences are recognized as a separate component of equity (see Statement of changes in consolidated equity). When a foreign entity leaves the Group, the accumulated translation differences are recognized in the income statement as a component of the gain or loss on disposal.

Any goodwill and fair value adjustment resulting from the acquisition of a foreign entity are recognized as an asset or liability of the acquiree. They are therefore denominated in the currency of the foreign operation and translated at the year-end exchange rate.

3.5 Net investment in a foreign operation

Receivables due from or payables due to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation; the related translation differences are recorded initially in a separate component of equity and taken to profit or loss on disposal of the net investment.

3.6 Intangible assets and goodwill

3.6.1 Goodwill

Business combinations since July 1, 2011 are accounted for using the acquisition method. The acquisition cost is determined as the fair value of the consideration transferred at the acquisition date, plus non-controlling interests in the acquiree. For each acquisition, the Group measures non-controlling interests either at fair value or as a share of net identifiable assets. Acquisition-related costs are expensed.

Contingent consideration is recognized at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration, classified as assets or liabilities, are recognized in income.

At the acquisition date, the excess of the consideration transferred plus non-controlling interests over the fair value of the net assets acquired is recognized in goodwill.

Goodwill is subsequently measured at cost less any accumulated impairment losses. It is allocated to cash-generating units and is not amortized, but is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired.

If the goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed of is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.6.2 Research and development costs

Expenses related to research activities aimed at developing scientific knowledge and new techniques are expensed in the period they are incurred. Product development costs are capitalized when the following conditions are simultaneously met:

- the technical feasibility necessary for completing the intangible asset with a view to its commissioning or sale is established;
- the Group intends to complete the intangible asset and has the intent and the ability to use or sell it;
- it is probable that the intangible asset will generate future economic benefits. In the case of an asset to be used internally, its utility must be recognized;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset is guaranteed;
- the expenses attributable to the intangible asset during its development are measured reliably and separately.

Development costs that do not meet all of the above criteria are expensed in the period they are incurred.

Development costs are amortized over a period based on their useful life, or a maximum of five years from their effective commercialization.

Claranova and its subsidiaries periodically assess the commercial prospects and useful life of each development. Should these estimates be questioned, the residual value of capitalized development costs is subjected to an impairment charge.

As of June 30, 2019, no research and development costs were capitalized.

3.6.3 Other intangible assets

Purchased software packages and technologies are measured at acquisition cost and amortized on a straight-line basis over their useful lives, not exceeding five years.

3.7 Property, plant and equipment

Measurement

Property, plant and equipment are measured at acquisition cost (purchase price plus related costs).

Depreciation

Economically justified depreciation is determined based on the estimated useful life. Depreciation starts when the asset is brought into service. When property, plant and equipment have significant components with different useful lives, these are recognized separately.

Maintenance and repair costs are expensed in the period they are incurred.

Depreciation periods are as follows:

	Depreciation	
Asset	**Method**	**Period**
Fixtures and fittings	Straight-line	10 years
Office furniture	Straight-line	10 years
Computer hardware	Straight-line	3, 4 and 5 years
Vehicles	Straight-line	4 years

Additional impairment is booked in the event of a loss in value or a change in the useful life. In the event of a change in the estimated useful life, the depreciation period is also adjusted and the annual depreciation changed as a result.

3.8 Financial assets

Financial assets are initially recognized at cost, which corresponds to the fair value of the consideration paid, including acquisition costs.

3.9 Impairment of assets

The carrying amounts of assets (finite life or indefinite life), other than inventories, deferred tax assets, assets arising from employee benefits and financial assets within the scope of IAS 32, are tested for impairment at each closing date. When there is evidence of impairment, and at least once a year for goodwill and non-amortized assets, the recoverable amount of the asset is estimated.

In accordance with IAS 36, impairment is recognized when the carrying amount of the asset or the cash-generating unit to which it belongs exceeds its recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value (usually the market price), less costs of disposal, and its value in use.

This process requires key assumptions and judgments to be used to identify trends in the markets where the Group operates.

Impairment losses reduce the net income of the period in which they are recorded. Except for goodwill, impairment losses recorded in previous years are reversed when there is a change in the estimates used.

The carrying amount of an asset increased by a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation, amortization or impairment) if no impairment loss have been recognized for this asset in prior periods.

3.10 Inventory and work-in-progress

Inventories of raw materials and supplies are measured at their purchase price, plus procurement costs. Raw materials and supplies are measured at the lower of purchase cost (according to the weighted average price method) and net realizable value.

Goods in inventory are measured at their weighted average price. A provision for impairment is booked when this cost price is higher than the estimated net realizable value.

Finished products and work-in-progress are measured at the lower of their production cost and net realizable value. Production costs include the direct costs of raw materials, labor, and a proportion of direct overheads, excluding general administrative expenses.

The net realizable value of raw materials and other inventories takes into account depreciation for the obsolescence of inventory with a low rate of turnover.

3.11 Trade and other operating receivables

Trade and other operating receivables are current assets recognized at nominal value. Where relevant, a provision for impairment is recognized to take account of collection difficulties that may arise.

3.12 Prepaid royalties

Where an advance on royalties is paid under a publishing or co-publishing contract, the amount is recorded in assets in the statement of financial position. The amount corresponding to royalties due on completed sales is then deducted from the prepaid royalties account and expensed in the year.

If sales forecasts suggest that prepaid royalties will not be fully utilized, a risk provision is recorded in liabilities.

3.13 Cash and cash equivalents

Cash comprises cash at bank and in hand.

Cash equivalents include money market securities and bonds and mutual fund units invested with a short-term investment horizon. They are recognized at fair value, with changes in fair value recognized in profit or loss.

For quoted instruments, the Company uses the closing price and the net asset value for cash assets invested in mutual funds.

3.14 Treasury shares

When treasury shares are purchased, irrespective of the reasons, the amount paid and the directly attributable transaction costs are recorded as a change in equity.

The shares acquired are deducted from total equity until their subsequent sale or cancellation.

The impact of any disposals is not taken into account in consolidated profit or loss but in changes in equity.

3.15 Revenue

Impacts of the first-time application of IFRS 15 on the Claranova group consolidated financial statements

IFRS 15, “Revenue from Contracts with Customers”, is applicable to the Claranova group starting from July 1, 2018.

IFRS 15 constitutes the frame of reference used to determine whether revenue must be recognized, for what amount and at what date.

This new standard replaces the existing provisions on accounting for revenue, in particular IAS 18, “Revenue from Contracts”, IAS 11, “Construction Contracts” and IFRIC 13, “Customer Loyalty Programs”.

In the 2017-2018 fiscal year, the Claranova group launched a transition program in order to apply IFRS 15 starting July 1, 2018. This project mainly consisted of the following:

- an initial phase of diagnosis and identification of potential differences arising from the application of new rules and their quantification;
- followed by a second phase of implementation of potential changes.

The phase of diagnosis and identification of differences led to a mapping of revenue by type. Each revenue type was then analyzed using the methodology proposed by IFRS 15 in order to identify the expected impacts in the Group’s consolidated financial statements.

The main issues identified and analyzed concerned the following topics:

Free products or services

In some of its activities, the Group can offer products or services free of charge to its customers. The analyses carried out did not identify any significant differences with the previous way in which the Group recognizes revenue from contracts including free services and the provisions of IFRS 15.

Sales with right of return

Under certain contracts, the Group transfers control of a product to its customers, while giving them a right to return the product and receive a partial or total repayment of the amount paid. IFRS 15 specifies that to account for products transferred with a right of return, the entity must recognize:

- revenue for the transferred products in the amount of consideration to which the entity expects to be entitled;
- a refund liability;
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

The analyses conducted did not identify any material impacts related to the recognition of sales with a right of return.

Agreements containing multiple performance obligations

The agreements managed within the myDevices business may include multiple performance obligations whose specific price cannot be directly observed. For these agreements, the application of IFRS 15 may involve the recognition of a revenue amount different to that under IAS 18. However, given the still small proportion of revenue generated by the myDevices activity and analyses conducted on current agreements at the transition date, the impact of the first-time application of IFRS 15 on these complex agreements is not material.

Principal or Agent

The Group has analyzed the nature of its relations with customers in order to determine whether it is acting as principal or as agent. In application of IFRS 15, the Group will act as principal if it controls the goods or services before transferring them to the customer.

When another party is involved in providing goods or services, the Group determines whether the nature of its obligation is to provide the specified goods or services itself (*i.e.* it is acting as a principle) or to arrange for the other party to provide those goods or services (*i.e.* it is acting as an agent). The Group is acting as a principle if it controls the promised goods or services before they are provided to the customer. The revenue is therefore recognized in full by the Group, with the services provided by the other party recorded in operating expenses.

The analysis led to the reclassification of certain traffic monetization transactions in the Advanquest segment. These changes did not impact operating income as revenue and operating expenses are increased by the same amount (€3.1 million as of June 30, 2019).

This impact, in accordance with IFRS 15, is linked to the activities acquired on July 1, 2018.

Grant of equity instruments

The Group and its subsidiaries can grant equity instruments to commercial partners. Under IFRS 15, these instruments will be identified in the accounts as sales discounts and deducted from revenue for the period.

The Group has chosen to apply the partial retrospective method for the first-time application of IFRS 15.

Revenue recognition methods are as follows:

- **Sales of software licenses**

  Software license fee revenue is recognized in revenue when control is transferred to the customer. Control is transferred on the date the product is shipped or downloaded from the Internet.

  When the software license includes a warranty period, the portion of revenue allocated to the warranty is recognized *pro rata* over the warranty period;

  On the Adaware activities, when the contract is invoiced in the form of a subscription, revenue is:

  - spread over the subscription period if the software is supplied in the cloud(1),
  - spread over the subscription period if the software is supplied simultaneously (and with the same features) in the cloud and on-premises(2),
  - spread over the subscription period if the software is supplied on-premises and material(3) and regular(4) updates are provided,
  - recognized on the sale of the software if the software is supplied on-premises and material and regular updates are not provided.

  Commission paid to business providers for certain customer support activities is recognized based on monthly activity statements presented by the partner.

- **Monetizing traffic**

  Traffic monetization services are recognized on a right-to-invoice basis, in accordance with IFRS 15, paragraph B16, *i.e.* revenue is recognized on each click or installation.

- **Digital printing activities**

  Revenue from digital printing activities is recognized on product delivery.

- **Connected devices management activities**

  The agreements managed within the myDevices business may include multiple performance obligations whose specific price cannot be directly observed.

  To estimate the specific sales price, the Group takes into account all reasonably available information, including market conditions, specific factors and information on the customer or customer category. The agreement amount is then generally split between each of the performance obligations identified in the contract pro rata to the specific sales prices.

3.16 Other financial income and expenses

Other financial income and expenses mainly include exchange gains and losses and investment income, as the variation in fair value of financial instrument.

(1) Software hosted and available for use by the user online.
(2) Software hosted on the user's servers and available for use locally.
(3) Features providing a significant improvement to the value perceived by the customer.
(4) The frequency of updates to software supplied on-premises, is considered with regard to the longest subscription period that a customer can subscribe.

3.17 Income tax

The Group computes its income taxes in accordance with tax legislation in force in the countries where the income is taxable.

3.18 Deferred taxes

In accordance with IAS 12, deferred tax is recognized for each reporting entity on temporary differences between the carrying amount of the assets and liabilities recorded and their corresponding tax base, depending on prevailing tax legislation in each of the countries concerned.

Deferred tax assets are only recognized when it seems probable that future taxable profit will be available to the Group against which tax loss carry-forwards can be utilized. Tax assets are not generally recognized for companies that have made tax losses in previous fiscal years.

3.19 Research tax credit (CIR)

The research tax credit is considered to be within the scope of IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance". The portion of the research tax credit that can be allocated to development costs recognized as intangible assets is deducted from the asset and the amortization schedule. Income from the research tax credit relating to research costs and any development costs that do not meet the capitalization criteria is recognized as a deduction from employee expenses as and when the expenses are incurred.

3.20 Regional economic contribution

Corporate property tax (*cotisation fonciere des entreprises* – CFE) is recorded in operating expenses.

The value-added contribution for businesses (*cotisation sur la valeur ajoutee des entreprises* – CVAE) is recognized in income tax.

3.21 Earnings per share

Basic earnings per share is equal to the Group share of net income divided by the average number of ordinary shares outstanding during the period, excluding the number of ordinary treasury shares held.

To calculate diluted earnings per share, the number of shares outstanding is adjusted to take into account the dilutive effect of equity instruments issued by the Company, such as stock options, subscription warrants or free shares.

This calculation do not take into account the reverse stock split, after the closing period.

3.22 Provisions

Provisions are recognized when the Group has a present obligation, as a result of a past event, which will probably require an outflow of resources, the amount of which can be reliably estimated. The amount recognized as a provision should be the best estimate of the outflow necessary to settle the present obligation at the reporting date. It is discounted when the effect is material and the maturity is more than one year. Provisions for restructuring costs are recognized when the Group has a detailed formal plan and the interested parties have been informed.

Current provisions are provisions that are directly related to the operating cycle of each business line, irrespective of their estimated term.

Non-current provisions are provisions not directly related to the operating cycle and whose term is greater than one year. They include provisions for litigation.

3.23 Off-balance sheet commitments

Claranova has reviewed all of its subsidiaries with regard to warranty commitments given and received.

3.24 Stock options, free shares and subscription warrants

The fair value of options and free shares granted to employees, to corporate officers of the Company or its affiliates is recognized in employee expenses over the vesting period, in accordance with IFRS 2. The fair value of options and free shares granted to third parties is recognized in operating income.

The Black & Scholes options pricing model is used to estimate the fair value of the options and free shares granted. The instruments are valued by outside experts. The estimates and profit/loss evaluated by this third party are reviewed by the Group Finance Department. When these equity instruments have a mandatory holding period, their fair value takes into account the cost of the holding period. Where appropriate, the inability to collect dividends is also taken into account in the fair value calculation.

3.25 Borrowings

Borrowings are initially recorded at cost, which corresponds to the fair value of the amount received net of issuance costs. For convertible bonds, in accordance with IAS 32, the Company measures the “liability” component and the “equity” component of these borrowings.

After initial recognition, borrowings are measured at amortized cost using the effective interest rate method. This takes into account all issuance costs and any haircut or redemption premium.

3.26 Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE)

In accordance with the IFRS, the ORNANE bonds are viewed as a bond debt comprising two components:

- a bond component accounted for at amortized cost;
- an equity component (derivative) accounted for as “mark-to-market” debt.

The financial costs related to the issuance of the bonds were deducted from the debt in Liabilities. The split between the bond and derivative components was calculated by an external expert. The valuation of the debt component was achieved through a multi-criteria analysis enabling the calculation of the credit spread (average “Banque de France” rate and credit analysis specific to Claranova).

The bond component is calculated by discounting future cash flows using the effective interest rate (risk-free rate plus credit spread). The changes in bond component are accounted in financial income.

Changes in the fair value of the derivative are accounted for in a separate line in financial income “Fair value adjustment of financial instruments”. This accounting method has no cash impact. The fair value of the derivative is calculated by the external expert according to the Cox, Ross and Rubinstein method.

Moreover, the ORNANE bonds allow the Company to limit the number of shares to be issued on the conversion date.

3.27 Hedging instruments

The Group may use financial derivatives such as currency hedges. These financial derivatives are measured at fair value.

As of June 30, 2019, no hedging instruments had been set up by the Group.

Note 4 Main judgments and estimates used in preparing the annual financial statements

The consolidated financial statements were prepared on a going concern basis. The conditions underlying this principle are detailed in Note 24 to the consolidated financial statements, mainly concerning liquidity risk.

The preparation of the Group’s financial statements requires management to use judgments, estimates, and assumptions which have an impact on the amounts recognized in the financial statements as assets, liabilities, income and expenses, as well as disclosures concerning contingent liabilities.

The Group’s Management regularly reviews its estimates and assessments based on past experience, as well as other factors it considers reasonable, which form the basis for its assessments of the carrying amount of assets and liabilities. These estimates are prepared using information available at the time of preparation. The estimates can be revised if new information becomes available. Actual results may differ from these estimates if actual experience or conditions are different from the assumptions made.

The main assumptions and estimates that had an impact on the financial statements for the 2018-2019 fiscal year are the following:

- the employee expense resulting from the application of IFRS 2, mainly with respect to free share grants (see Note 1);
- the application of US tax reforms and deferred tax in the United States. A review is currently being finalized by the US teams and their advisors. The Group adopted a prudent position as of June 30, 2019 and has not recognized any deferred tax assets;
- the measurement and accounting treatment of myDevices share subscription warrants granted under an agreement with a commercial partner;
- the measurement of rebates to be obtained from certain suppliers of the PlanetArt segment. Rebate rates are negotiated annually in February for the previous calendar year.

Acquisition of the Adaware, SodaPDF and Upclick businesses

On July 1, 2018, Claranova completed the acquisition of the Adaware, SodaPDF and Upclick businesses. The shares of these companies are held by Avanquest Canada Inc., a company created specifically for the transaction and owned by Avanquest Software SAS (parent company of the Avanquest segment). The entities are fully consolidated.

The accounting for this acquisition, the payment of which is partly in cash with a deferred payment and partly in preferred shares, is presented below.

Initial accounting recognition of the acquisition

Payment of the purchase consideration is being spread over time and partly includes financial instruments. The accounting recognition of the acquisition therefore involves the following judgments and estimates.

The acquisition is based on:

- a cash payment of €28.5 million. An initial payment of €9.9 million was made on July 1, 2018 and €18.6 million which €14.7 million remains payable as of June 30, 2019 (this deferred payment was settled in full on July 3, 2019),
- the issue of Preferred Shares to the sellers by Avanquest Canada Inc. Based on the initial agreement, these Preferred Shares may be converted into Avanquest Software SAS shares. The Preferred Shares were valued at €41.0 million at the acquisition date.

The total consideration is therefore €68.5 million.

An issue of Preferred Shares to the financial intermediary that facilitated the transaction was issued. These Preferred Shares may be converted into Avanquest Software SAS shares. This preferred share issue was analysed as a remuneration of the intermediary measured at fair value at the date of acquisition in accordance with IFRS 2 and led to the recognition of an expense of €2.9 million recorded in other operating income and expenses.

Claranova group financed this acquisition through two bond issues partly used for this financing: an ORNANE bond issue for €29 million at nominal value in June 2018 (see Note 24.1), followed by a Euro PP bond issue on June 24, 2019 (see Note 1 § 2.5).

At the date of the acquisition, the Preferred Shares were initially considered to be debt instruments within the meaning of IAS 32 and were recognized in other non-current liabilities in the amount of €41 million as of July 1, 2018 (valuation performed by an independent firm using the discounted cash flow method).

The Group carried out a fair value assessment of the identifiable net assets of these entities at the date of acquisition and valued the technologies of SodaPDF and Adaware at €5.2 million, and a deferred tax liability was recorded for €1.4 million. As a result of this assessment, the fair value of the net identifiable assets of the acquired entities amounts to €7.4 million.

After adjustment for these items, goodwill is €63 million. A breakdown of identified net assets is presented in Note 15.

Events of the period

The liability linked to the Preferred shares was estimated at the fair value as of June 28, 2019. This liabilitiy was estimated at €85.3 million (given the excellent results of the businesses acquired and the growth potential of the entire Internet segment), resulting in the recognition of an expense of €44.5 million in net financial income.

As of June 30, 2019, the conversion ratio of the preferred shares Avanquest Software SAS shares being fixed, the accounting classification of preference shares has been revised, as they now become Avanquest Software equity instruments.

For the period, no result related to these activities was allocated to minority interests.

Following the excellent performance of the Internet segment, the valuation of this segment has almost doubled compared to the acquisition date, to reach USD 162 million (valuation carried out by the discounted cash flow method), which led to a significant increase in the fair value of the preferred shares to the balance sheet.

Provisions of IFRIC 19 have been applied: the debt revalued at fair value up to June 30, 2019, corresponding to fair value of the equity instruments issued, €85.3 million, has been reclassified to equity. The equity instruments thus issued are participations not giving control at the level of Claranova, and giving access to the profits of Avanquest Software SAS, the provisions of IFRS 10 on transactions with non-controlling interests have been applied. The transaction thus generated an amount of shareholdings that did not give control of €7 million.

As of June 30, 2019, the deferred payment is recorded in current liabilities. This debt resulted in the recognition of a undiscounting charge of €1.1 million, recorded in financial income at June 30, 2019.

Summary of the impacts of the accounting of the acquisition on 2018-2019

In addition to the contribution in the total income of the acquired entities, the income statement impact is an expense of €48.5 million, with no cash impact:

- an expense of €44.5 million resulting from the fair value remeasurement of the Preferred Shares, recognized in net financial income,
- an expense of €1.1 million resulting from the accretion of the deferred payment liability, recognized in net financial income,
- an expense of €2.9 million in respect of remuneration paid to the financial intermediary recognized in accordance with IFRS 2 and measured at fair value at the acquisition date, recognized in other operating income and expenses.

Note 5 Operating segments

Pursuant to IFRS 8, "Operating Segments", the information presented is based on internal reporting used by Group Management to assess the performance of the various segments. The benchmark segment aggregate is EBITDA[1]. This aggregate is calculated by allocating corporate expenses to the various operating segments.

The Group's three operating segments as of June 30, 2019 were:

- Internet segment Avanquest: a specialist in monetizing Internet traffic, Avanquest boosts its customer impact through cross-selling offerings that maximize Internet traffic while ensuring the most efficient monetization possible;
- Mobile segment PlanetArt: a world leader in mobile printing, specifically via the FreePrints offer – the cheapest and simplest solutions in the world for printing photos from a smartphone – FreePrints is already a must-have for several million customers, a figure that has grown every year since its launch;
- IoT segment myDevices: a global platform for IoT (Internet of Things) management, myDevices allows its partners to commercialize turnkey offerings ("IoT in a Box™") to their customers. Ready-to-use solutions are available for roll-out in the medical, hotel, food and beverage, retail and education sectors thanks to these offerings.

	Internet		Mobile		IoT	
	Year ended		Year ended		Year ended	
(in € million)	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenue	83.0	35.8	176.1	122.0	3.2	3.7
EBITDA*	**10.3**	**0.7**	**10.9**	**6.4**	**(5.2)**	**(3.1)**
% of revenue	*12%*	*2%*	*6%*	*5%*	*-162%*	*-85%*
Goodwill	63	0.0	0.0	0.0	0.0	0.0
Intangible assets	5.0	0.2	1.9	0.3	0.0	0.0
TOTAL INTANGIBLE ASSETS	**68.0**	**0.2**	**1.9**	**0.3**	**0.0**	**0.0**

* *EBITDA: earnings before the deduction of interests, taxes and duties, depreciation (but after provisions related to inventories and trade receivables), amortization and share-based payments, including related social security expenses.*

	claranova	
	Year ended	
(in € million)	6/30/2019	6/30/2018
Revenue	262.3	161.5
EBITDA	**16.0**	**3.9**
Depreciation and amortization	*(2.0)*	*(0.5)*
Share-based payments, including social security contributions	*0.3*	*(7.1)*
RECURRING OPERATING INCOME	**14.3**	**(3.7)**

The excellent performances reported across all segments during the fiscal year, have enabled Claranova to increase consolidated revenue by €100 million in only one year (including €41.4 million contributed by activities acquired during the period), to over €262 million. This represents a surge of +62% on 2017-2018.

The strong growth is driven by the Mobile business (PlanetArt), up +44% year-on-year, as well as by the Internet segment (Avanquest), which increased its revenue by +132% to €83.0 million (+16% at constant consolidation scope). This substantial development has enabled the Group to achieve a better activity balance, by increasing the weight of the Internet segment. This now represents 32% of consolidated revenue (compared to 22% last year).

The Group reports a marked improvement in operating profitability, with a fourfold increase in EBITDA on the last fiscal year to €16.0 million. The integration of the new SodaPDF, Adaware and Upclick businesses into the Internet segment (Avanquest) and the launch of higher margin products in the FreePrints range (Mobile segment) enabled the Group to significantly improve its profitability profile. Operating income, which is after depreciation, amortization and share-based payment expenses (including the related social security contributions) is €14.3 million, compared to an operating loss of €3.7 million in fiscal year 2017-2018.

(1) *EBITDA: earnings before the deduction of interests, taxes and duties, depreciation (but after provisions related to inventories and trade receivables), amortization and share-based payments, including related social security expenses.*

Notes to the income statement

Note 6 Revenue

Since July 1, 2018, the Group recognizes consolidated revenue in accordance with IFRS 15, "Revenue from contracts with customers".

Revenue measurement and recognition methods depend on the nature of the services sold to customers and the way in which control is transferred.

Group consolidated revenue manly comprises revenue generated by the operating segments:

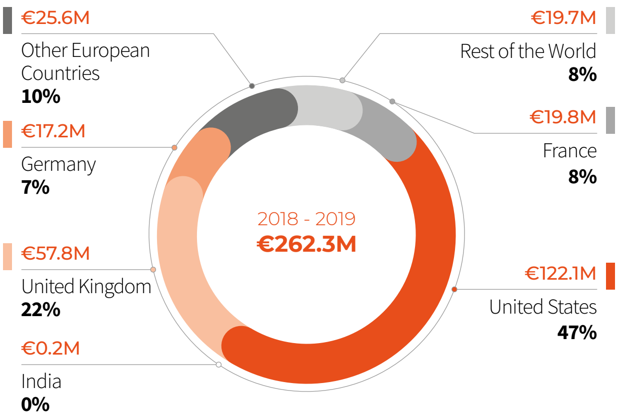
- Internet segment Avanquest (software publishing and distribution, monetization of traffic);
- Mobile segment PlanetArt (personalized printing, *via* its FreePrints applications, and websites);
- IoT segment myDevices (management of connected devices).

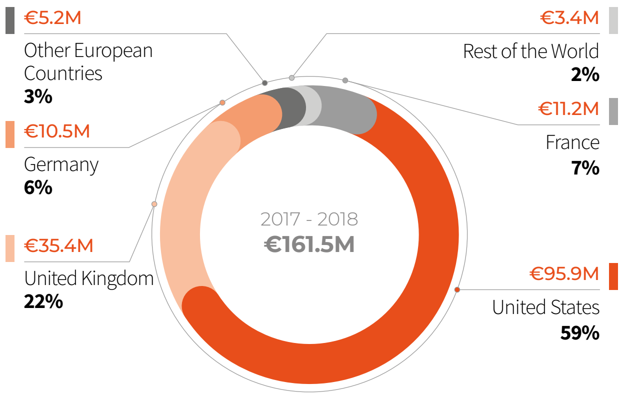
BREAKDOWN OF REVENUE BY SEGMENT

(in € million)	2018-2019	2017-2018	Δ
Internet segment (Avanquest)	83.0	35.8	+132%
Mobile segment (PlanetArt)	176.1	122.0	+44%
IoT segment (myDevices)	3.2	3.7	-13%
REVENUE	**262.3**	**161.5**	**+62%**

BREAKDOWN OF REVENUE BY GEOGRAPHICAL REGION

(in € million)





Contract assets and liabilities

Contract assets represent the right to receive consideration in exchange for goods or services transferred to a customer. They mainly comprise sales invoice accruals. The €0.4 million increase in contract assets concerns the restatement of deferred subscriptions for Upclick activities in Avanquest segment the amount of €0.3 million.

Contract liabilities represent the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. They mainly include deferred income in respect of maintenance and hosting services, where revenue is recognized on a time-apportioned basis over the contract term.

The change in Deferred income (contract liabilities) during the period is not material.

Order backlog

The Group applies the two optional exceptions provided in IFRS 15 in determining its order backlog. It excludes from the backlog, contracts with an initial term of less than one year and contracts where revenue is recognized on a "right-to-invoice" basis.

As of June 30, 2019, taking account of these exceptions, the Group's order backlog is not material.

Note 7 Employee expenses

The €4.4 million increase in employee expenses on last year is mainly due to the inclusion of the Adaware, SodaPDF and Upclick businesses, which account for €8.0 million. At constant scope, employee expenses fell, due to the recognition in 2017-2018 of an IFRS 2 expense of €4.1 million in respect of Claranova free share plans and myDevices stock options, including social security contributions of €0.3 million, *i.e.* a total of €7.1 million. In 2018-2019 these transactions generated a gain of €0.3 million (see Note 1).

Restated for these items related to free share plans and at constant scope, the increase in employee expenses is €3.7 million, fully on PlanetArt segment.

Note 8 Other current operating income and expenses

This item mainly comprises:

- royalties paid under printing contracts of -€4.6 million in the software segment (Avanquest) and royalties of -€2.0 million in the Mobile segment;
- additional expenses following the acquisition of the Adaware, SodaPDF and Upclick businesses of -€2.6 million (network costs,
- impact of IFRS 15 restatements for Adaware activities, when it is considered to act as a principle under certain contracts, of -€3.1 million; nil impact on EBITDA as revenue and operating expenses are increased in the same amount);
- the impact of deferred recognition of subscription of -€0.5 million.

Note 9 Other operating income and expenses

Other operating income and expenses represent a net expense of €2.9 million and primarily comprise:

- provisions for unoccupied premises in the La Garenne-Colombes building of €0.2 million. The Group has adopted a prudent position, providing all rent payable for the premises up to the first lease renewal date;
- expenses and fees of €3.7 million relating to the acquisition of the Adaware, SodaPDF and Upclick businesses. This amount mainly comprises the expense recognized in accordance with IFRS 2 in respect of Preferred Shares due to the financial intermediary for €2.9 million. This expenses did not involve a cash outflow (see Note 4);
- expenses and fees of €0.4 million relating to the acquisition of the Personal Creations business by the US entity, PlanetArt;
- a profit of €2.0 million relating to discounts obtained on the PlanetArt division for the previous year, following an economic change in the taking into account of this profit.

Note 10 Retirement termination benefits

Post-employment obligations, calculated using the retrospective method (projected unit credit method), amounted to €0.6 million for French employees (€0.03 million for Claranova and €0.6 million for Avanquest Software SAS) as of June 30, 2019. They are fully provided in the accounts. The impact on the period is an expense of €0.1 million, consisting of a current service cost of €0.04 million and an expense of €0.061 million relating to a change in assumptions. The actuarial assumptions used are:

- discount rate: 0.85%;
- retirement age: 65 years;
- rate of salary increase: 2%-5%, depending on age.

There is no specific pension plan for employees of non-French subsidiaries.

A discount rate of 1.55% was applied as of June 30, 2018. The other assumptions are unchanged.

Note 11 Analysis of net financial income (expense)

The net financial expense is €49.2 million and is mainly due to the fair value remeasurement of financial instruments pursuant to IFRS 9 of -€46.1 million: financial instruments presented to sellers on the acquisition of the Adaware, SodaPDF and Upclick business for -€44.5 million and the ORNANE bonds for -€1.6 million. These expenses had no cash impact.

The following table provides a breakdown of the net financial expense:

Financial income (in € million)	6/30/2019	6/30/2018
Forex gain (loss)	(0.4)	(0.1)
Interest incomes and expenses	0.3	0.0
Amortisation of borrowing fees for Convertible bonds (Ornane)	(1.5)	0.0
Amortisation of borrowing fees for bonds (EuroPP)	0.0	0.0
Amortisation for the debt guarantee	0.0	0.0
Amortisation Gurantee on Loan	(0.4)	(0.2)
Fair value of convertible bonds (Ornane)(1)	(1.6)	0.0
Fair value of financial instruments for acquisition(2)	(44.5)	0.0
Discounting impact of acquisition debt(2)	(1.1)	0.0
Other financial incomes (expenses)	0.0	0.0
TOTAL	**(49.2)**	**(0.3)**

(1) On June 15, 2018, Claranova issued ORNANE bonds in the nominal amount of €28,999,999.60, considered variable parity instruments. The fair value remeasurement of the debt component and the derivative component is recognized in net financial income in the amount of (€1.6) million.

(2) On the acquisition of the Adaware, SodaPDF and Upclick businesses, Preferred Shares were issued to the sellers by Avanquest Canada Inc. The fair value remeasurement of these preferred shares during the period led to the recognition of an expense of -€44.5 million in net financial income in the income statement in addition, a undiscounting charge on the outstanding debt was recorded as a financial charge for 1.1 million euros (see Note 4).

Note 12 Income tax

The net income tax expense for the period amounted to €3.7 million, compared to €1.8 million for the previous year.

(in € million)	2019-2018 12 months	2017-2018 12 months
Taxable profit	**(37.8)**	**(6.3)**
Theoretical tax (33.33%)	12.6	2.1
Actual income tax expense	**(3.7)**	**(1.8)**
Effective tax rate	-9.7%	-28.9%
Difference	(16.2)	(3.9)
Of which		
• Goodwill amortization(1)		0.2
• Non-recognition of deferred tax assets	2.7	(3.6)
• Losses generated in the current period which are not activated	(3.0)	
• Activation of losses from previous periods	(1.0)	
• Fair value adjustment on preferred shares(2)	(12.5)	
• Fair value adjustment on preferred shares(2)	(0.8)	
• Incidence of US Tax reform (Tax Cuts and Jobs Act)	(1.6)	
• Other permanent differences	0.1	(1.4)
• Differences between local rates and parent company rate	(0.6)	0.9
• Other differences	0.4	(0.1)

(1) 2017-2018: corresponds to the amortization of goodwill in the individual financial statements of the US subsidiaries.

(2) Note 4.

In the balance sheet, the current tax assets of €1.1 million correspond mainly to a research tax credit (CIR) of €0.7 million and a Competitiveness and employment tax credit (CICE) of €0.2 million, pending repayment to the French entities.

The tax liability of €3.0 million mainly comprises the income tax provision for PlanetArt Ltd (€1.2 million), the income tax provision for the Adaware, SodaPDF and Upclick businesses (€2.0 million) and a tax credit for Avanquest North America Inc. in respect of the UK subsidiary and relating to the 2017/2018 restructuring (€0.4 million).

Note 13 Deferred tax

Given the tax losses incurred by the Group entities in their operating countries, and following tax reforms in the United States, Claranova investigated the precise amount of tax losses that could be used in the future to offset tax payments. This study primarily focused on the US entities.

The Group is working on the integration of the Personal Creations activities acquired in August 2019 by the PlanetArt segment in the United States and any impacts of this acquisition on short-term profitability. These activities were part of a group in liquidation and in crisis, and as such profit visibility was poor. This study is still ongoing at the date of publication of this document.

In France, after the partial transfer of assets in 2017-2018, Claranova filed an application to transfer €56.1 million in tax losses carried forward to its then new subsidiary, Avanquest Software SAS. The French tax authorities has not yet ruled on this request. Residual tax losses in Claranova total €11.4 million and correspond to losses realized by the Company alone since fiscal year 2016-2017. Only Claranova, whose activities as a holding company are not intended to generate taxable profit, will be able to use these tax losses.

Deferred tax liabilities as of June 30, 2019 concerns the acquired Adaware, SodaPDF and Upclick businesses.

For all these reasons, and in the interests of prudence, the Group did not capitalize any deferred tax assets as of June 30, 2019.

Note 14 Earnings per share

	2019-2018 12 months	2017-2018 12 months
Numerator *(in € million)*		
Net Group Income (a)	(41.4)	(7.90)
Denominator		
Average number of shares outstanding during the period (b)	392,007,537	393,418,997
Dilutive effect of stock options, bonus shares and stock warrants	7,050,694	22,952,918
Theoretical number of shares as of June 30, 2019 (c)	399,058,231	416,371,915
Basic earnings per share *(in €)* (a/b)	(0.11)	(0.02)
Diluted earnings per share *(in €)* (a/c)	(0.10)	(0.02)

It should be noted that the dilutive effect does not take into account the ORNANE bond issue in June 2018 (see Note 24 to the consolidated financial statements) since, at the date of this Document, the Company had not decided the bond redemption method. Moreover, as of June 30, 2019, in view of the share price, if the early conversion of the ORNANE bonds had been requested by the subscribers, Claranova would have been required to redeem them in cash.

Notes to balance sheet assets

Note 15 Goodwill

Goodwill for the Adaware, SodaPDF and Upclick businesses totals €63.0 million.

On July 1, 2018, the Group acquired the Adaware, SodaPDF and Upclick businesses. The net carrying amount of the acquired entities as of July 1, 2018 was €3.6 million. In accordance with IFRS 3R, the Group measured the fair value of these entities at the acquisition date and valued the SodaPDF and Adaware technologies at €5.2 million. A deferred tax liability of €1.4 million was recognized. The fair value of the identified assets and liabilities is €7.4 million. Identified net assets included in this amount are as follows:

NET ASSETS ACQUIRED

(in € million)	Initial value	Fair value adjustment	Fair value recognized
Intangible assets	0.6	5.2	5.8
Intangible assets	0.7		0.7
Financial assets	0.5		0.5
Other non-current receivables	0.6		0.6
Deferred tax assets	0.9		0.9
Trade receivables	4.6		4.6
Other current receivables	18.3		18.3
Cash and cash equivalents	1.2		1.2
TOTAL ASSETS	**27.5**	**5.2**	**32.7**
Deferred tax liabilities	0.1	1.4	1.5
Other non-current liabilities	0.0		0.0
Non-current financial liabilities	0.1		0.1
Current financial liabilities	0.4		0.4
Trade payables	3.5		3.5
Current tax liabilities	1.1		1.1
Other current liabilities	18.8		18.8
TOTAL LIABILITIES	**24.0**	**1.4**	**25.3**
NET ASSETS ACQUIRED	**3.6**	**3.8**	**7.4**
GW ON ACQUISITION DATE			**61.1**
Translation difference between acquisition date and June 30, 2019			1.9
GW AS OF JUNE 30, 2019			**63.0**

The consideration comprises €9.9 million paid on July 1, 2018, an earn-out financed by a 5-year external loan of €17.5 million plus accrued interest of €1.1 million, preferred shares presented to the sellers and valued pursuant to IAS 32 and IFRS 9 at €41.0 million using the Discontinued Cash Flow method as of July 1, 2018.

CONSIDERATION

(in € million)	
Cash	9.9
Deferred payment	17.5
Preferred shares	41.0
TOTAL CONSIDERATION	**68.5**

As of June 30, 2019, goodwill totals €63.0 million, including translation differences of €1.9 million.

Note 16 Intangible assets

PlanetArt LLC acquired the main assets of a US company in August 2018 for US$2.3 million. This price reflects the intangible rights acquired.

On the acquisition of the Adaware, Soda PDF and Upclick businesses and the analysis of the purchase price allocation, assets were recognized in respect of the Adaware (PC and Internet navigation security) and SodaPDF (PDF solutions) technologies, developed in-house, based on their replacement cost. These assets were valued at a total amount of €5.2 million, amortized over 5 years in the amount of €1 million (Note 18).

The periodic appraisal of projects in development or already completed can lead Claranova to question the commercial prospects of various projects.

No development costs were capitalized in the 2018-2019 fiscal year.

Changes in intangible assets were as follows:

(in € million)	Gross 6/30/2018	Acquisitions	Disposals/ Transfer between items	Scope changes/ Changes in foreign exchange rates	Brut 6/30/2019	Amort., depr. and provisions 6/30/2019	Net 6/30/2019
Development and software costs	9.9	0.0	(0.8)	0.8	9.9	(9.6)	0.3
Customer portfolios	0.5	-	0.0	0.0	0.5	(0.2)	0.3
Deposits	0.0	-	-	-	0.0	-	-
Other	1.1	2.0	-	5.8	8.9	(2.6)	6.3
TOTAL	**11.5**	**2.0**	**(0.8)**	**6.6**	**19.4**	**(12.4)**	**6.9**

Note 17 Property, plant and equipment

Changes in property, plant and equipment were as follows:

(in € million)	Gross 6/30/2018	Acquisitions	Disposals/ Transfer between items	Scope changes/ Changes in foreign exchange rates	Brut 6/30/2019	Amort., depr. and provisions 6/30/2019	Net 6/30/2019
Fixtures, improvements to land and facilities	0.6	0.1	(0.1)	1.3	2.0	(1.1)	0.9
Transportation equipment	-	-	-	0.1	0.1	(0.0)	0.1
Office and IT furniture and equipement	1.2	0.3	(0.0)	1.0	2.5	(2.0)	0.5
TOTAL	**1.9**	**0.5**	**(0.1)**	**2.4**	**4.6**	**(3.2)**	**1.4**

The Adaware, SodaPDF and Upclick businesses impact property, plant and equipment in the amount of €2.4 million.

Note 18 Depreciation and amortization

Changes in depreciation and amortization were as follows:

(in € million)	Cum. amort. at 6/30/2018	Depreciation and amortization for the fiscal period	Disposals/ Transfer between items	Scope changes/ Changes in foreign exchange rates	Cumul. amort. at 6/30/2019
Development and software costs	9.7	0.0	(0.8)	0.7	9.6
Customer portfolios	0.2	-	-	-	0.2
Deposits	-	-	-	-	-
Other	1.0	1.5	-	0.0	2.6
Total Intangible assets	10.9	1.6	(0.8)	0.7	12.4
Total Property, plant and equipment	1.6	0.4	(0.1)	1.2	3.2
TOTAL	**12.6**	**2.0**	**(0.9)**	**1.9**	**15.6**

Note 19 Trade receivables maturity schedule

All trade receivables are recognized as current assets.

in € million	Trade receivables (gross values)	Not past due	Less than 90 days past due	More than 90 days past due	Impairment of past-due receivables	Net value
6/30/2019	11.8	3.9	6.6	1.2	0.2	11.6
6/30/2018	5.1	2.7	1.5	0.9	0.3	4.9

The US subsidiary, Avanquest North America, has trade receivables past due more than 90 days totaling €1.2 million. They do not however present any risks not covered by a provision. Avanquest North America has an excellent commercial relationship with the customers in question and grants them longer payment periods.

Note 20 Other current receivables

The main amounts recorded in current receivables are:

(in € million)	6/30/2019	6/30/2018
Prepaid royalties	2.1	0.2
Tax receivables	1.8	0.8
Rent	0.1	0.1
Contract assets	0.5	-
Other	3.4	2.7
TOTAL	**8.0**	**3.8**

The increase in other current receivables, from €3.8 million at the end of June 2018 to €8.0 million at the end of June 2019, was mainly due to:

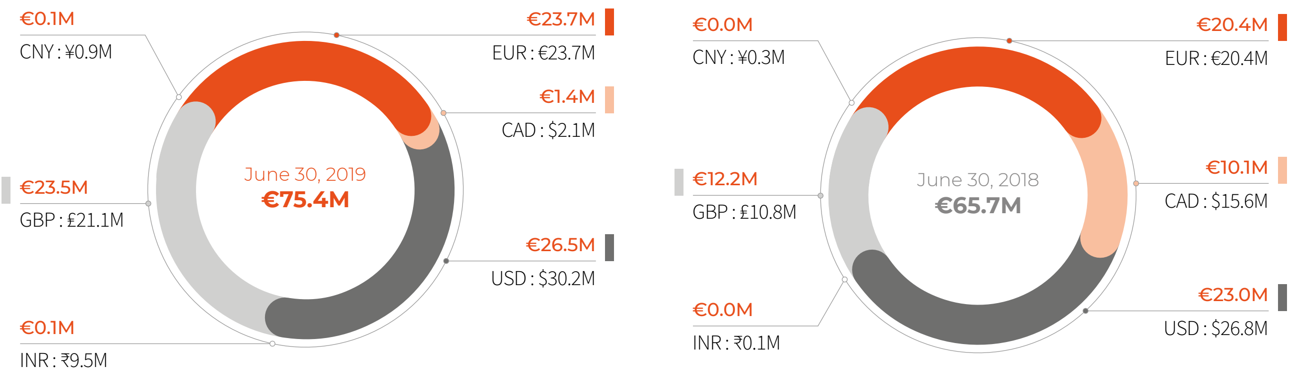
- prepaid royalties on revenue generated by externally purchased traffic for Adaware's activities of €1.8 million;
- a €1.0 million increase in tax receivables tied to an increase in VAT credit accounts in the French subsidiaries of €1.0 million;
- contract assets relating to the restatement of deferred subscriptions for Upclick activities in the amount of €0.3 million;
- the payment of US$1.8 million to the relevant Commercial Court for the acquisition of Personal Creations activities (Note 31).

Note 21 Cash and cash equivalents

Cash (€75.4 million as of June 30, 2019 compared to €65.7 million as of June 30, 2018) is made up of bank accounts and cash investments, the liquidation value of which is identical to the book value.

CASH AND CASH EQUIVALENTS

(in million)



The change in cash in CAD over the year corresponds to the initial payment of the acquisition of Adaware, SodaPDF and Upclick activities.

Notes to balance sheet liabilities

Note 22 Equity

22.1 Share capital

As of June 30, 2019, the share capital of Claranova SA was made up of 394,428,788 shares with a par value of €0.1 each, all of the same class. The Extraordinary General Shareholders' Meeting of June 7, 2017 decided, in accordance with Article L. 225-123 of the French Commercial Code, to grant double voting rights (i) to fully paid-up Company shares which can be proved to have been registered in the name of the same shareholder for at least two years, (ii) as well as to registered shares allocated as bonus shares to a shareholder, in the event of a capital increase by capitalizing reserves, profits or issue premiums. The Group's main capital management objective is to ensure the maintenance of sound capital ratios, in such a way as to facilitate its activity and development.

22.2 Changes in the number of shares and share capital

During the period, the number of shares changed as follows:

	Number of shares	Amount *(in €)*
As of June 30, 2018	**393,613,788**	**39,361,378.80**
Share subscription warrants exercised	240,000	24,000.00
Free shares	575,000	57,500.00
As of June 30, 2019	**394,428,788**	**39,442,878.80**

As of June 30, 2019, the Company held 2,421,251 treasury shares, compared to 194,791 shares as of June 30, 2018.

As of June 30, 2018	**194,791**
Change	2,226,460
As of June 30, 2019	**2,421,251**

22.3 Other securities granting access to the share capital

The following information is valid as of June 30, 2019, before the reverse stock split on August 1, 2019 (see Note 31.1).

Claranova free share grant plant

The following table, prepared as of June 30, 2019, summarizes the main features of Claranova's free share plans.

Beneficiaries	Claranova group employees
Date of the Shareholder's Meeting	6/7/2017
Number of authorized securities	18,760,000
Date of Management Board meeting	11/13/2017
Number of securitie attributed as of 6/30/2019	18,760,000
Number of beneficiaries	6
Vesting Period	1 year
Vesting conditions	Market price or annual growth level of Revenue + continued employment
Rights lost or cancelled	18,185,000
Rights acquired as of 6/30/2019	575,000
Shares issued as of 6/30/2019	575,000
Maximum potential number of securities	0

18,760,000 shares were granted under the Claranova Free Share Grant plan on November 13, 2017.

To accompany the Group's future, Pierre Cesarini, Chairman of the Management Board and Sébastien Martin, member of the Management Board, at the time of the grant, decided, with the agreement of the Supervisory Board meeting of October 18, 2018, to waive the grant of the 18,185,000 free shares reserved for them (see Note 1).

The Board of Directors' meeting of February 20, 2019 definitely granted 575,000 shares under the plan at a share price of €0.659 per share. This transaction generated a share capital increase of 575,000 shares for €57,500.

Exercise of Claranova stock options

The following tables summarize the features of current Claranova stock option plans.

Beneficiaries	Claranova group employees
Date of the Shareholder's Meeting	11/30/2015
Number of authorized securities	18,765,927
Date of Management Board meeting(1)	11/25/2016 & 5/3/2017
Number of securities granted as of 6/30/2019	18,765,927
Number of beneficiaries	52
Subscription price	€0.112
Exercise period	109 months
Exercise conditions	already achieved
Securities lost or canceled	30,000
Rights vested as of 6/30/2019	18,735,927
Securities subscribed as of 6/30/2019	18,295,233
Maximum potential number of securities(2)	440,694

(1) At the Management Board meeting of May 3, 2017, it was decided to amend the conditions relating to the objectives to be achieved as well as the duration of the vesting period.
(2) Taking into account lost or canceled shares.

Following the authorization conferred on the Management Board to grant stock options under the above plan, the Supervisory Board decided that executive beneficiaries of the plan must hold 5% of the number of shares issued on the exercise of stock options in registered form, until termination of their duties.

Claranova share subscription warrants plan of June 7, 2017

The following table, prepared as of June 30, 2019, summarizes the main features of Claranova's current share subscription warrants.

Beneficiaries	Claranova Group Management Board and Supervisory Board
Date of the Shareholders' Meeting	6/7/2017
Number of authorized securities	3,752,224
Date of Management Board meeting	11/13/2017
Number of securities attributed as of 6/30/2019	3,752,224
Number of beneficiaries	6
Subscription price	€0.36
Exercise price	€0.61
Subscription period	until 11/13/2027
Exercise period	until 11/13/2027
Securities lost or cancelled	0
Rights vested as of 6/30/2019(1)	3,752,224
Securities subscribed as of 6/30/2019	0
Securities converted to ordinary shares	0
Maximum potential securities(1)	3,752,224

(1) Taking into account lost or canceled shares.

Claranova share subscription warrants plan of December 24, 2018

The following table, prepared as of June 30, 2019, summarizes the main features of Claranova's current share subscription warrants.

Beneficiaries	Management board, other advisory bodies, other directors
Date of the Shareholders' Meeting	12/13/2018
Number of authorized securities	3,936,138
Date of Management Board meeting	12/24/2018
Number of securities attributed as of 06/30/2019	3,936,138
Number of beneficiaries	6
Subscription price	0.114 €
Exercise price	0.530 €
Subscription period	until 02/11/2019
Exercise period	until 12/24/2020
Securities lost or cancelled	838,362
Rights vested as of 06/30/2019(1)	3,097,776
Securities subscribed as of 06/30/2019	3,097,776
Securities converted to ordinary shares	240,000
Maximum potential securities(1)	2,857,776

(1) Taking into account lost or canceled shares.

Claranova Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE)

On June 19, 2018, Claranova issued 26,363,636 Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE), maturing on July 1, 2023 (see Note 24 to the consolidated financial statements for more information on these bonds). As of June 30, 2019, no ORNANE bonds had been converted early. As of the date of the publication of this document, the Company has not decided the bond redemption method.

Assuming all the rights attached to stock options and share subscription warrants become exercisable and are exercised, Claranova's share capital would increase by €705,069.40.

This number does not take into account the June 2018 ORNANE bond issue, as the Company had not yet decided the method of redeeming these bonds at the date of this document. These ORNANE bonds mature on July 1, 2023. Moreover, as of June 30, 2019, in view of the share price, if the early conversion of the ORNANE bonds had been requested by the subscribers, Claranova would have been required to redeem them in cash.

The share capital would therefore increase from €39,442,879.80 to €40,147,948.20, an increase of 1.8%, spread over time as follows:

- stock options: may be exercised by beneficiaries until November 2026;
- June 7, 2017 share subscription warrants: must be subscribed and may be exercised by beneficiaries until November 2027;
- December 24, 2018 share subscription warrants: must be subscribed before February 11, 2019 and may be exercised until December 2020.

	6/30/2019
Number of shares existing as of 6/30/2019	394,428,788
Treasury shares	2,421,251
Average number of shares outsanding	**392,007,537**
Dilutive effect of stock options	440,694
Dilutive effect of warrants	6,610,000
Dilutive effect of free shares	0
Theorical weighted average number of shares	**399,058,231**

Other securities granting access to the share capital of subsidiaries are presented below:

Exercise of myDevices stock options

The following tables summarize the features of the current myDevices stock option plans.

Beneficiaries	**myDevices Inc. employees**
Number of authorized securities	1,900,000
Date of Board of Directors meeting	2/5/2017
Number of securities attributed as of 6/30/2019	1,236,000
Number of beneficiaries	23
• of which Directors and officers	1
Subscription price	US$0,07
Vesting Period	spread over 4 years
Vesting Conditions	Vesting is subject to the employees' continued employment during the vesting period
Rights lost or cancelled as of 6/30/2019	47,000
Rights vested as of 6/30/2019[1]	640,000
Securities subscribed as of 6/30/2019	518,750
Maximum potential securities[1]	670,250

(1) Taking into account lost or canceled shares.

myDevices share subscription warrants plan

The following table, prepared as of June 30, 2019, summarizes the main features of the current myDevices share subscription warrant plans.

Beneficiaries	Commercial partners
Number of authorized securities	1,010,000
Number of securities attributed as of 6/30/2019	0
Number of beneficiaries	1
Conditions for Obtaining	Revenue levels
Subscription price	US$3,125
Date of end of fiscal year	3/31/2021
Exercise conditions	None
Securities lost or cancelled	0
Rights vested as of 6/30/2019(1)	0
Securities subscribed as of 6/30/2019	0
Maximum potential securities[1]	1,010,000

(1) Taking into account lost or cancelled shares.

myDevices signed a capital agreement with a commercial partner specifying the grant of share subscription warrants depending on revenue payments made. Each subscription warrant confers entitlement to buy one share at US$3.125.

It should be noted that if the value of the myDevices share rises above US$3.125, the partner could also choose to exercise its subscription warrants by converting them, and the ratio would then be based on the fair value of the share.

Note 23 Provisions

Provisions changed as follows during fiscal year 2018-2019:

(in € million)	Provisions 6/30/2018	Change in scope	Additions	Decrease (Disp., Repay.)	Reversals	Other additions	Other reversals	Provisions 6/30/2019
Other prov. for contingent liabilities - share at > 1 year	0.1	-	0.0	-	(0.0)	-	-	0.1
Other prov. for contingent liabilities - share at < 1 year	0.1	-	-	-	-	-	-	0.1
Other prov. for expenses - share at > 1 year	0.1	-	0.4	-	(0.0)	-	-	0.4
Other prov. for expenses - share at - part < 1 an	-	-	-	-	-	-	-	-
Provisions	0.2	-	0.4	-	(0.0)	-	-	0.5

As of June 30, 2019, the main provisions for contingent liabilities were a provision of €0.4 million for unoccupied offices in France, including non-current provisions of €0.3 million.

Note 24 Financial liabilities

During the period, financial liabilities changed as follows:

(in € million)	6/30/2018	Increases	Repayments	Scope changes/ Changes in foreign exchange rates	Other changes	6/30/2019
Bonds	26.4	19.7	-	-	1.3	47.3
Derivative component of Convertible bonds	1.4	-	-	-	(0.3)	1.1
Borrowings	0.3	-	-	0.0	-	0.4
Credit facilities	-	-	-	-	-	-
Other financial liabilities	0.0	2.6	(0.0)	0.1	0.3	3.1
Bank account overdrafts	0.0	-	(0.4)	0.4	-	0.0
Financial instruments – Liabilities	-	-	-	-	-	-
Accrued interest not yet due	0.1	(0.0)	-	-	-	0.0
TOTAL	**28.2**	**22.2**	**(0.4)**	**0.5**	**1.3**	**51.9**

As of June 30, 2019, total Group debt amounts to €51.9 million, compared to €28.2 million as of June 30, 2018. It mainly consists of the ORNANE and Euro PP bond issues for a total of €48.4 million and a short-term loan of €2.6 million, secured by the subsidiary, PlanetArt LLC, to finance the acquisition of the Personal Creations business.

These three loans are presented below.

Financial liability maturity dates are as follows:

(in € million)	Total	Less than one year	From one to five years	More than five years
Bonds	47.3	-	47.3	-
Derivative component of Convertible bonds	1.1	-	1.1	-
Borrowings	0.4	-	0.4	-
Credit facilities	-	-	-	-
Other financial liabilities	3.1	2.7	0.4	-
Bank account overdrafts	0.0	-	-	-
Financial instruments – Liabilities	-	-	-	-
Accrued interest not yet due	0.0	0.0	-	-
TOTAL	**51.9**	**2.7**	**49.1**	**-**

24.1 ORNANE bond issue

On June 14, 2018, Claranova launched an issue of Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE) maturing on July 1, 2023, to qualified investors in a maximum nominal amount of €29 million. The order book was closed on June 15, 2018 for an issue of 26,363,636 ORNANE and a nominal amount of €28,999,999.60 (see the 2017-2018 Registration Document, Note 1.5 and note 23.1).

The bonds have a nominal value of €1.10 and bear interest at a nominal annual rate of 5.0%.

As of June 30, 2019, no ORNANE bonds had been converted or redeemed. The total amount corresponding to these bonds in the consolidated financial statements is €29.3 million, comprising debt at amortized cost of €28.2 million and a derivative of €1.1 million, in accordance with IAS 39. The derivate value is based on Pricing models (method Cox Ross Rubinstein).

24.2 Euro PP bond issue

On June 27, 2019, Claranova group announced the completion of its first Euro PP private bond placement with European institutional investors for a total amount of €19.7 million, comprising 19,655 bonds each with a nominal value of €1,000.

The 5-year bonds bearing 6% annual interest will be redeemed on maturity on June 27, 2024. They have been admitted for trading, as of today, on the Euronext Access market under the ISIN code FR0013430725.

Interest is payable annually on maturity on July 1, of each year.

The loan is accompanied by the following financial commitments:

- annual consolidated net financial debt/EBITDA ratio strictly below 3.5;
- strictly positive annual EBIDTA.

The proceeds from this issue will be used primarily to finance the acquisition balance for the Adaware, SodaPDF and Upclick businesses (€17 million). As planned, this financing was set up within 12 months of the transaction completion in July 2018.

The bonds are not guaranteed by any collateral.

24.3 Other financial liabilities

The €2.6 million increase in Other financial liabilities reflects the credit facility subscribed by the subsidiary, PlanetArt LLC, to finance the costs incurred upstream of the acquisition of the Personal Creations business, including €1.6 million placed in an escrow account with the Trade Court having jurisdiction. The short-term credit facility was repaid on July 4, 2019 and replaced with specific financing secured to finance the acquisition, completed in August 2019 (see Note 31).

Other changes totaling €0.3 million concern the reclassification of a loan in leases in the Adaware, SodaPDF and Upclick businesses acquired on July 1, 2018.

24.4 Financial risks and market risks

Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through appropriate credit facilities.

The Group's cash position as of June 30, 2019 was €75.4 million. Borrowings and other financial liabilities amounted to €51.9 million, and therefore the cash excess was €23.5 million.

Amounts available immediately or almost immediately are largely sufficient to cover borrowing repayments and operating requirements during the next 12 months. Operating flows are generally sufficient to internally finance operating activities and organic growth.

The Joint General Meeting of November 29, 2018 gave the Board of Directors the opportunity to issue securities.

The Group therefore considers its liquidity risk to be very low.

Foreign exchange risk on main currencies

The Group mainly carries on its business outside the euro zone. However, since revenues and costs are denominated in the same currency, the exposure to currency risk is limited to earnings, and no systematic policy of hedging currency risk has been implemented within the Group.

An estimate of the impact of currency movements on earnings for the year ended June 30, 2019 is given below:

Fiscal year ended on June 30, 2019	Impact on revenue			Impact on Recurring Operating Income			Impact on equity		
(in € million)	real rate	- 10%	+10%	real rate	-10%	+10%	real rate	-10%	+10%
USD	262.3	(12.3)	12.3	14.3	(0.1)	0.1	63.6	5.9	(5.9)
GBP	262.3	(7.8)	7.8	14.3	(1.0)	1.0	63.6	(1.0)	1.0
CAD	262.3	(7.8)	7.8	14.3	(0.7)	0.7	63.6	(4.3)	4.3

Interest rate risk

As of June 30, 2019, the Group's companies had not secured any floating-rate long term loans; this risk is therefore limited.

Equity risk

The Company's cash is mainly invested in risk-free money market investments and in ORNANE.

The Group only holds 2,421,251 treasury shares as of June 30, 2019, and therefore has only low exposure to equity risk.

Note 25 Other non-current liabilities

Other non-current liabilities total €1.2 million and mainly comprise:

- retirement termination benefits provided €0.7 million in the balance sheet, (see Note 10 to the consolidated financial statements);
- a debt of €0.4 million representing the fair value of subscription warrants granted to a commercial partner of myDevices (see Note 22.3).

Note 26 Other current liabilities

Other current liabilities total €26.7 million and mainly comprise:

- a debt of €14.5 million representing the second payment to be made to the sellers of the Adaware, SodaPDF and Upclick businesses acquired on July 1, 2018. This earn-out was paid at the beginning of July 2019;
- employee-related liabilities of €7.6 million, compared to €9.5 million as of June 30, 2018. This decrease is mainly due to the reversal of the provision for social security contributions on Claranova free shares of €3.0 million (see Note 1). The bonus provision for US entities is up €0.3 million, in line with growth in the PlanetArt segment. Employee liabilities of the Adaware, SodaPDF and Upclick business acquired on July 1, 2018 total €0.7 million;
- tax liabilities of €1.0 million, compared to €0.2 million as of June 30, 2019; the increase is due to the entry into the consolidation scope of the Adaware, Soda PDF and Upclick businesses;
- deferred income of €1.6 million compared to €1.4 million as of June 30, 2018. The €0.2 million increase is linked to the growth in PlanetArt activity in the fiscal year;
- current liabilities of €1.6 million compared to €0.4 million as of June 30, 2018. This increase is attributable to the Adaware, Soda PDF and Upclick businesses in the amount of €1.6 million.

Note 27 Trade payables

Trade payables have increased from €23.7 million to €29.8 million. This increase is mainly due to growth in the PlanetArt segment for €4.0 million. The Adaware, SodaPDF and Upclick businesses had an impact of €2.3 million.

Note 28 Summary of financial and operating assets and liabilities

	6/30/2018		Breakdown by category of instrument			
(in € million)	Carrying amount	Fair value	Fair value through profit or loss	Loans, receivables and other debts	Debt at amortized cost	Derivative instruments
Available-for-sale assets						
Other financial assets	0.4	0.4	-	0.4	-	-
Other non-current assets	0.2	0.2	-	0.2	-	-
Trade receivables	4.9	4.9	-	4.9	-	-
Other current assets	4.9	4.9	-	4.9	-	-
Cash and cash equivalents	65.7	65.7	65.7	-	-	-
TOTAL ASSETS	**76.0**	**76.0**	**65.7**	**10.3**	**-**	**-**
Borrowings and financial liabilities (>1 year)	28.1	28.1	1.4	-	26.7	-
Other non-current liabilities	0.8	0.8	0.8	-	-	-
Borrowings and financial liabilities (<1 year)	0.1	0.1	-	-	0.1	-
Trade payables	23.7	23.7	-	23.7	-	-
Other current liabilities	11.6	11.6	-	11.6	-	-
TOTAL LIABILITIES	**64.3**	**64.3**	**2.1**	**35.3**	**26.8**	**-**

	6/30/2019		Breakdown by category of instrument			
(in € million)	Carrying amount	Fair value	Fair value through profit or loss	Loans, receivables and other debts	Debt at amortized cost	Derivative instruments
Available-for-sale assets	-	-				
Other financial assets	0.6	0.6	-	0.6		
Other non-current assets	2.4	2.4	-	2.4		
Trade receivables	11.6	11.6	-	11.6		
Other current assets	9.1	9.1	-	9.1		
Cash and cash equivalents	75.4	75.4	75.4	-		
TOTAL ASSETS	**99.0**	**99.0**	**75.4**	**23.7**	**-**	**-**
Borrowings and financial liabilities (>1 year)	49.1	49.1	1.1	-	48.1	
Other non-current liabilities	1.2	1.2	1.2	-	-	
Borrowings and financial liabilities (<1 year)	2.7	2.7	-	-	2.7	-
Trade payables	28.0	28.0	-	28.0	-	
Other current liabilities	26.7	26.7	-	26.7	-	
TOTAL LIABILITIES	**107.7**	**107.7**	**2.2**	**54.7**	**50.8**	**-**

Notes to statement of cash flows

Note 29 Notes to the statement of cash flows

29.1 Share-based payments and other restatements

Share-based payments and other restatements totaled -€0.1 million. This amount comprises the IFRS 2 expense generated by the Claranova free share grant in November 2017 of €2.6 million, the reversal of social security contributions recognized in fiscal year 2017-2018 following the waiver of a portion of the plan for -€2.6 million (see Note 1) and the waiver premium for -€2.7 million and the IFRS 2 expense relating to the acquisition of the Adaware, SodaPDF and Upclick businesses of €2.9 million (see Note 4). None of these items had a cash impact.

The impacts of the acquisition of the Adaware, SodaPDF and Upclick businesses are described in Note 4 to the consolidated financial statements

29.2 Net borrowings cost

The net borrowing cost comprises ORNANE expenses of €1.5 million reclassified in financial flows, and income from financial investments of €0.3 million relating to operations.

29.3 Fair value of financial instruments

The fair value remeasurement of financial instruments concerns ORNANE bonds in the amount of €1.6 million and financial instruments remunerating the acquisition of the Adaware, SodaPDF and Upclick businesses in the amount of €45.6 million (see Note 4).

29.4 Other items with no impact on the cash position or not related to operations:

Other items with no impact on the cash position or not related to operations can be analyzed as follows:

(in € million)	**2018-2019 12 months**	**2017-2018 12 months**
Convertible bonds (amortisation of borrowing fees, variation of fair value of the debt and derivative component)	0.3	0.0
Amortisation of borrowing fees for the debts obtained for the acquisition of Adaware, SodaPDF et Upclick	0.4	0.2
Items not related to operating activities :		
• Acquisition fees of Personal Creations	0.3	
• Acquisition fees of Adaware, SodaPDF et Upclick	0.9	
IMPACT OF CHANGES IN SCOPE, NET OF DIVIDENDS PAID TO MINORITY SHAREHOLDERS	**1.9**	**0.2**

29.5 Acquisition of intangible assets

PlanetArt LLC acquired the main assets of a US company in August 2018 for US$2.3 million. This price reflects the intangible rights acquired.

29.6 Impact of changes in scope

The impact of changes in scope breaks down as follows:

(in € million)	2018-2019 12 months	2017-2018 12 months
Net cash flow from the sale of Avanquest Publishing Ltd[1]	0.2	0.1
Net cash flow from the entry of external investors in the capital of PlanetArt	0.4	10.7
Net cash flow from the entry of external investors in the capital of myDevices	2.6	3.3
Net cash flow from the creation of FreePrints India (expense)	0.0	0.0
Net cash flow from the acquisition of Personal Creations by PlanetArt LLC[2]	(1.7)	
Net cash flow from the acquisition of Adaware, SodaPDF et Upclick[3]	(14.7)	0.0
IMPACT OF CHANGES IN SCOPE, NET OF DIVIDENDS PAID TO MINORITY SHAREHOLDERS	**(13.3)**	**14.2**

(1) Avanquest Software Publishing UK disposal balance (€0.2 million) (see Note 28.3 on off-balance sheet commitments in the 2017-2018 Registration Document).
(2) Payment of a guarantee to the US trade court pursuant to negotiations to acquire the Personal Creations business by PlanetArt, net of acquisition costs.
(3) Acquisition costs paid in fiscal year 2018-2019: (€1.5) million; net acquisition price: €28.5 million; cash transferred in on acquisition: (€15.5) million.

29.7 Share capital increase

The share capital increase resulted from the Claranova free share grant under the June 2017 plan and the conversion of December 2018 subscription warrants (see Note 22.3).

29.8 Share buyback

The buyback by the Group of its own shares generated a cash outflow of €1.9 million during the fiscal year.

29.9 Proceeds from borrowings

Proceeds from borrowings in the consolidated statement of cash flows totaled €21.1 million and reflect the following:

- the Euro PP bond issue, net of issue costs, of €19 million (Note 1);
- a cash outflow in respect of ORNANE bond issue costs (June 2018 transaction) of €0.7 million;
- a €2.6 million credit facility secured for the acquisition of the Personal Creations business by PlanetArt LLC.

29.10 Cash outflows relating to borrowings

Cash outflows consist of interest paid on ORNANE bonds.

Other information

Note 30 Off-balance sheet commitments

30.1 Off-balance sheet on acquisitions and equity interests and loans

GUARANTEES AND COMMITMENTS GIVEN

Subsidiary	Date	Type	Amount	Limits	Period
Arvixe LLC	10/31/2014	Asset transfer agreement	Indemnity guarantee related to the amount and type of damages: • maximum: €22,000,000; • minimum: €3,300,000.	• Breach of representations or warranties (other than "fundamental representations"): 15% of the transfer price; • breach of seller's obligations: 50% of the transfer price; • breach of "fundamental representations" pertaining to exclusion of liability and assets and tax receivables: the transfer price; • in the event the buyer is entitled to equitable compensation or in the event of fraud: no ceiling. Transfer price = €22,000,000.	Guarantee in respect of "fundamental representations": five years from the closing date, *i.e.* until October 31, 2019.
ProcessFlows (UK) Ltd	5/29/2015	Share transfer agreement	• Minimum: €4,000,000. • Maximum: €5,350,000 + interest on a maximum of €350,000.	Price paid to the seller, except in the event of a claim relating to tax or employee-related receivables or insolvency (in the absence of compulsory administration or liquidation proceedings or an application to appoint a liquidator). In the latter case, the maximum amount is £2,500,000. Floor: £50,000 (except in the event of fraud).	Tax receivable: seven years from the transaction completion date, *i.e.* until May 29, 2022.
Avanquest Software Publishing Ltd	4/30/2016	Share transfer agreement	Guarantee granted for the amount of losses, guarantees, costs and expenses provided for in some cases by the transfer agreement.	£750,000, plus the amount of the earn-out clause. Floor: • £2,500 if called for a single claim; • £25,000 if called for several clams.	Tax receivable: seven years from the transaction completion date, *i.e.* until April 30, 2023.
PlanetArt LLC	11/8/2012	Share purchase options	10% of shares for each beneficiary.	Since November 8, 2012, the Directors of the US subsidiary, Roger Bloxberg and Todd Helfstein, have each held an option to acquire 10% of PlanetArt in the event of a spin-off of this business. This agreement was reviewed on September 4, 2017 in order to lay down the implementation conditions and transfer the rights to their respective trusts.	

Subsidiary	Date	Type	Amount	Limits	Period
Holders of EuroPP bonds	6/25/2019	Claranova commitments to maintain the annual consolidated net financial debt/EBITDA ratio strictly below 3.5 and annual EBITDA above zero(1).	In the event of non-compliance with its financial commitments, bond holders could demand early repayment.	Bond issue of €19,655,000.	For as long as the Bonds are outstanding.

(1) Covenants respected as of June 30, 2019.

Earn-out clauses

There are no applicable earn-out clauses payable by the Group as of June 30, 2019.

30.2 Pledges granted

Avanquest North America Inc. and PlanetArt LLC pledged its assets in favor of the American bank Cathay to secure a credit facility (US$3 million). This facility was drawn as of June 30, 2019 and repaid on July 4, 2019. This pledge granyed is finished at the date of publishing of the document.

30.3 Commitments and guarantees received

The shareholders of Micro Application Europe provided Claranova with a guarantee covering the assets and liabilities in the financial statements of the Company and its subsidiaries as of February 11, 2011. This guarantee is still valid for tax claims where the statutory limitation period is more than five years.

The earn-out for the sale of Avanquest Software Publishing Ltd, based on future profits, has not been included in the calculation of the capital loss, and will be recorded in income in the event the profit is realized. This earn-out is calculated on each anniversary date for three years until April 30, 2019, and on July 1, 2019 for the last time. Profits were insufficient to generate an earn-out.

As part of the disposal of Mediaclip securities in March 2017, the buyer agreed to pay an earn-out to Claranova if all Mediaclip shares are sold within three years. This earn-out cannot, in any event, exceed CAN$98,536.

30.4 Lease commitments

On January 13, 2016, the IASB published a new standard on the recognition of leases. This new standard replaces IAS 17 and its interpretations and is applicable to fiscal years beginning on or after January 1, 2019. The consolidated financial statements for the year ended June 30, 2019 are still prepared in accordance with IAS 17.

As a lessee, the Group primarily leases real estate, vehicles and computer hardware.

Off-balance sheet lease commitments as of June 30, 2019 are as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Real estate leases	1.7	4.2	0.5	6.3
Equipment leases	0.1	0.1		0.1
TOTAL COMMITMENTS GIVEN	**1.8**	**4.2**	**0.5**	**6.5**

Note 31 Events after the reporting period

31.1 Claranova reverse stock split

On June 20, 2019, the Claranova group announced the implementation conditions of a reverse stock split of 1 new share for 10 existing shares. This transaction was unanimously approved by Company shareholders at the Extraordinary General Shareholders' Meeting of June 11, 2019. The par value of the Claranova share was increased in proportion to the exchange parity from €0.10 to €1.

The reverse stock split commenced on July 1, 2019 in accordance with the terms of the reverse stock split notice published in the French Legal Gazette (BALO) on June 14, 2019.

The former Claranova shares (ISIN code: FR0004026714) were delisted from the Euronext market on July 31, 2019 and replaced by the new Claranova shares (ISIN code: FR0013426004) on August 1, 2019. The ticker symbol (CLA) is unchanged.

Following the reverse stock split, the Company's share capital now comprises 39,442,878 ordinary shares, including 242,125 treasury shares.

31.2 Acquisition by PlanetArt of FTD Companies Inc.'s personalized gifts business

On August 2, 2019, the Group's PlanetArt division announced it had completed the acquisition of the assets of Personal Creations®, the personalized gifts business of the US group, FTD Companies, Inc.

PlanetArt will pay a cash consideration for the acquisition of Personal Creations'® assets of US$18.1 million, plus certain additional costs relating to the Chapter 11 bankruptcy proceedings filed by FTD Companies, Inc.

Personal Creations® is a leader in the online retail of personalized products.

After several profitable years, Personal Creations® reported negative EBITDA in 2018. Nonetheless, the Group expects Personal Creations® to return to balance with PlanetArt, potentially with lower revenue figures.

The acquisition of the Personal Creations business was financed by a €3 million revolving credit facility and a US$12 million 4-year loan secured on July 24, 2019, by Avanquest North America and PlanetArt LLC as joint borrowers.

The loan will be repaid on a straight-line basis over its term. The interest rate is the higher of 5.25% and the Prime Rate -0.25%. The Prime Rate is defined as the higher of 0% and the annual rate as reported by the Wall Street Journal.

The loan is accompanied by a guarantee covering 65% of PlanetArt Ltd shares and financial covenants.

Additionally, PlanetArt LLC obtained a US$3 million short-term credit facility to finance the costs incurred upstream of the acquisition and paid US$1.8 million into an escrow account with the Trade Court having jurisdiction. The credit facility was repaid on July 4, 2019.

31.3 Amalgamation of two entities : Avanquest Canada Inc. et 1169260 B.C. Ltd

In an effort to simplify the organization chart, on September 19, 2019, the two Group companies, Avanquest Canada Inc. and 1169260 B.C.Ltd merged. This merger has no impact on the conduct of operations, and no financial impact.

Note 32 Other information

32.1 Group headcount

As of June 30, 2019, Claranova had 452 employees (versus 294 as of June 30, 2018). The growth in employee numbers is mainly due to the acquisition of the Adaware, SodaPDF and Upclick businesses, which employ 127 people.

HEADCOUNT BY COUNTRY

Headcount by country	France	United States	Germany	China	Canada	Other European countries	Total
6/2019	50	207	6	56	130	3	452
6/2018	48	185	7	50	4		294

32.2 Significant change in the issuer's financial or trading position

Since the approval of the consolidated financial statements for the year ended June 30, 2019, apart from the events disclosed in Note 31 to the consolidated financial statements, there have been no significant changes in the financial or trading position.

32.3 Investments and Research and Development

Main investments

The main investments made over the past three fiscal years relate to research and development, marketing expenditure and external acquisitions.

The Claranova group has continued its development efforts over the last few years. In 2018-2019, research and development expenditure increased significantly to €15.1 million: +58.9% on 2017-2018, including €3.5 million incurred by the Adaware, SodaPDF and Upclick businesses. The Avanquest segment, excluding acquired businesses, spent €1.2 million on research and development, up slightly on the prior fiscal year (€1.1 million). The PlanetArt segment spent €7.9 million, up 24.9% on the prior fiscal year (€6.3 million), including €3.3 million by the Chinese subsidiary. The IoT segment incurred €2.4 million in research and development expenditure, similar to 2017-2018. None of these expenses were capitalized.

These investments were financed by the Group's available cash, and by the financing contributed to myDevices on the entry of various external investors during the period (Note 1).

Main current investments

The above investments will continue in the 2019-2020 fiscal year. The PlanetArt segment continues to develop through the acquisition of new customers, expansion into new geographical regions, and the buyout of existing businesses, such as Personal Creations (see Note 30). Claranova continues to invest in myDevices, both to roll-out its turnkey solutions to its network of partners and their customers, but also to develop tailored platforms for its major current and prospective customers. Finally, Claranova continues to invest in research and development in the Avanquest division, mainly for the in-house development of new software and innovative solutions (*e.g.* PayAware).

Main planned investments

The main planned investments are in line with the development of the Group's activities in recent years. The Group will continue to invest significantly in marketing and research across all its businesses. Note that planned investments do not constitute firm commitments and that they are assessed on a daily basis in light of acquisition costs observed in the market and their estimated future profitability based on internal indicators.

The Company continues to study opportunities for external growth.

32.4 Real estate

Property, plant and equipment

The only property, plant and equipment owned by the Group are various fittings, facilities, office equipment and hardware.

The Company and its subsidiaries rent all their premises. The only significant expenses incurred are rent and service charges. Rental commitments are presented in off-balance sheet commitments (see Note 30.4).

Environmental issues

Claranova's business operations are by their nature not subject to environmental constraints. Environmental constraints therefore do not affect the use of the Company's property, plant and equipment, which are not significant enough to warrant environmental concerns.

2.6 Statutory Auditors' Report on the Consolidated Financial Statements

Year ended June 30, 2019

To the Claranova SE General Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Claranova SE for the year ended June 30, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of June 30, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from July 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Justification of assessments – key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Purchase price determination and allocation for the Adaware, SodaPDF and Upclick businesses

Risk identified

On July 1, 2018, the Group acquired the Adaware, SodaPDF and Upclick businesses. This acquisition is reflected in the consolidated financial statements by the recognition of goodwill of €63 million as of June 30, 2019.

As mentionned in the Note 4 "Main judgments and estimates used in preparing the annuel financial statements" of the disclosures in consolidated financial statements, the accounting for this acquisition has been realized partly in cash and partly in preferred shares, giving an acquisition price of €68.4 million.

Besides, the Group has done the fair value of the identified net assets of these entities at the acquisition date and valued the SodaPDF and Adaware technologies at €5.2 million.

We considered the purchase price allocation for the Adaware, SodaPDF and Upclick businesses as a key audit matter for the following reasons:

- the level of judgment required to identify the assets acquired and the liabilities transferred;
- the estimates used to measure fair value of the debt linked to preferred shares and debt linked to the assets and liabilities identified;
- the materiality of the assets measured.

Our response

Our procedures consisted in:

- reviewing the valuation and supporting documents for the key assumptions used by management to determine the fair value of the assets identified and the liabilities transferred;
- analyzing, with the assistance of our experts, the report prepared by an independent firm;
- analyzing the measurement methods used and verifying the arithmetical accuracy of the calculations;
- finally, assessing the appropriateness of the disclosures provided in Note 15 to the consolidated financial statements.

Valuation of the debt relating to the acquisition of the Adaware, SodaPDF and Upclick businesses

Risk identified

On the acquisition of the companies forming the Adaware, SodaPDF and Upclick businesses, the Class B preferred shares were analyzed as non-derivative instruments conferring entitlement to a variable number of shares in the subsidiary, Avanquest Software SAS. A such, they were recognized in debt until June 28, 2019, the date from which the conversion ratio was fixed.

As disclosed in Note 4 to the consolidated financial statements, "Main judgments and estimates used in preparing the annual financial statements", the Group remeasured the debt to fair value until June 28, 2019.

As of June 30, 2019, the debt was estimated at €85.3million, resulting in the recognition of an expense of €44.5 million in net financial income, reflecting the revaluation of the debt.

Furthermore, following changes to the debt conversion terms as of June 28, 2019, the debt was reclassified in equity.

We considered the valuation of the debt relating to the acquisition of the Adaware, SodaPDF and Upclick businesses as a key audit issue given its materiality and the management judgments underlying the valuation.

Our response

Our procedures consisted in:

- examining the terms and conditions of the Class B preferred shares as of July 1, 2018 and June 28, 2019;
- assessing the measurement of the debt represented by the Class B preferred shares with the assistance of our experts, notably by performing the following procedures:
  - analyzing the measurement methods used and verifying the arithmetical accuracy of the calculations,
  - analyzing the report prepared by an independent firm;
- assessing the appropriateness of the disclosures provided in Note 4 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations on the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Claranova by the Annual General Meeting held on February 12, 1998 for APLITEC and on November 29, 2018 for ERNST & YOUNG et Autres.

As of June 30, 2019, APLITEC was in the 21st year and ERNST &YOUNG Audit in the first year of total uninterrupted engagement.

Previously, ERNST & YOUNG Audit was statutory auditors from 2006 to 2012 and ERNST & YOUNG et Autres from 2013 to 2018.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, October 2, 2019

The Statutory Auditors

APLITEC, represented by	ERNST & YOUNG Audit, represented by
Stéphane Lambert	Jean-Christophe Pernet

3 Corporate Governance

In order to simplify its functioning, the Company's governance method was changed back to a Board of Directors' governance structure, subject to the provisions of Articles L. 225-17 to L. 225-56 of the French Commercial Code, from a governance structure comprising a Management Board and a Supervisory Board. The Combined Shareholders' Meeting of December 13, 2018 approved this change.

Claranova SE was initially incorporated as a public limited company (*société anonyme*). It was converted to a European Company (*Societas Europaea*) by decision of the Extraordinary General Shareholders' Meeting of June 11, 2019.

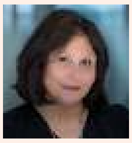
This new legal form is recognized in all European Union countries and has already been adopted by numerous major groups. It better reflects Claranova group's true position and its strong European and international anchoring where it generates the majority of its revenue, and strengthens its international image and its attractiveness for all stakeholders.

In compliance with Article L. 225-37 of the French Commercial Code, this Corporate Governance chapter includes the Board of Directors' report on corporate governance, the composition of the Board of Directors and the conditions of preparation and organization of its work.

3.1 Governance bodies

3.1.1 Board of Directors

Composition and organization of the Board of Directors

				Governance Body			Number	Directorship	
	Name	Nationality	Age	Board	AC	ACC	of shares[1]	Start	End
	**Pierre CESARINI**		57	✓			2,495,687	6/23/2015[2] 12/13/2018[2]	6/30/2024
	**Caroline BOURAINE LE BIGOT**		58	✓	✓	✓	0	4/1/2016	6/30/2024
	**TECH-IA IMPACTINVEST, Luisa MUNARETTO**		52	✓	✓	✓	0	7/22/2015[3] 12/13/2018[3]	6/30/2024
	**Jean-Loup ROUSSEAU**		62	✓			0	6/3/2016	6/30/2024

(1) Number of Company shares held directly or indirectly (after Claranova reverse stock split on August 1, 2019).
(2) CEO: 6/23/2015, Chairman of the Board of Directors: 12/13/2018.
(3) Luisa Munaretto: 7/22/2018. Representative of Tech-IA Impactinvest: 12/13/2018.
Contact address for Directors: c/o Claranova SE, 89/91 boulevard National, 92257 La Garenne-Colombes Cedex.

Qualifications

- Leadership
- Management
- Investment
- International experience
- Technology
- Marketing
- Risk Management
- Governance of public companies
- M&A

Governance Body

Board	Board of Directors
AC	Audit Committee
ACC	Appointments and Compensation Committee

✓ Independent member as defined by AFEP-MEDEF
✓ Non-independent member

Conflicts of interest at governance body level

To the Company's knowledge, there are no potential conflicts of interest between the duties of the individuals indicated in Section 3.1.2 with regard to Claranova and their private interests.

Disclosures concerning members of the Board of Directors

During the past five years, no member of the Company's Board of Directors has:

- been convicted of fraud, officially charged with an offense or sanctioned by a legal or regulatory authority;
- been involved in any bankruptcy, receivership or liquidation proceedings as an executive or corporate officer, other than the liquidation proceedings referred to in Section 3.1.2 of the report of the Chairman of the Board of Directors;
- been barred from acting as a member of an administrative or management body, or from participating in the management of an issuer;
- been officially charged with an offense and/or sanctioned by a statutory or regulatory authority (including designated professional bodies).

Disclosures concerning the nature of family ties between members of the management bodies

None.

Service contracts granting benefits on expiry

To the Company's knowledge, the agreements described in Section 3.4 are the only agreements currently in existence.

3.1.2 Terms of office of members of the Board of Directors and the Observer

Board of Directors

Pierre Cesarini

Chairman of the Board of Directors, Chief Executive Officer

Experience and expertise

On joining Claranova in May 2013, Pierre Cesarini's background as a serial entrepreneur and his solid experience in Internet and Digital businesses proved perfectly suited to the Company's entrepreneurial spirit and ambition. He began his career at Apple's Cupertino headquarters in California, where he worked for 10 years and played a key role in the development of the PowerMac. In 1998, he founded TempoSoft, a supplier of Intranet applications for human resources management and planning - the company was purchased by Oracle in 2005. In 2007, Pierre Cesarini became CEO of Atego, a world leader in embedded software. He has also been a professor of management at the École des Mines ParisTech engineering school.

Other offices and positions held in French companies

Chairman:

- Avanquest Software SAS[1]
- LCT Technologies SAS[2]

Manager:

- Elendil SARL
- Fangorn SCI

Offices and positions held in foreign companies

Chairman:

- Avanquest America Inc.[1]
- PC Helpsoft Labs Inc.[1]

Director:

- Avanquest North America LLC[1]
- Avanquest UK Ltd[1]
- Avanquest Canada Inc.[1]
- Avanquest Canada Holding Inc.[1]
- Claranova Development SA[1]
- myDevices Inc.[1]
- PlanetArt Ltd[1]
- PlanetArt LLC[1]

Other offices and positions held in other companies in the past five years but not held at the date of this document

Manager:

- Anarion

(1) Group companies.
(2) Companies in the process of being wound up.

Caroline Bouraine Le Bigot

Vice-Chairwoman of the Board of Directors, Chairwoman of the Audit Committee and Member of the Appointments and Compensation Committee

Experience and expertise

A graduate of Sciences Po Paris, with an Executive MBA from Stanford, Caroline Bouraine Le Bigot has decades of international experience in high tech. She is currently assisting large French, US and Israeli companies in their development. Her passion for high tech and user interface design, her knowledge of software and hardware environments, and her expertise in international and complex business projects have benefited Claranova's accelerated development.

Other offices and positions held in French companies

None.

Offices and positions held in foreign companies

None.

Other offices and positions held in other companies in the past five years but not held at the date of this document

None.

Luisa Munaretto

Vice-Chairwoman of the Board of Directors, Chairwoman of the Appointments and Compensation Committee, and Member of the Audit Committee

Experience and expertise

With decades of experience in private equity, Luisa Munaretto is a co-founder of IndEU Capital, an investment fund that specializes in luxury brands with a strong focus on digital branding and innovation. Her experience in private equity also includes numerous investments in France and Italy through her position as Director of Strategy at 21 Partners, an investment company owned by of the Benetton family.

Other offices and positions held in French companies

Chairwoman:
- Tech-IA ImpactInvest SAS

Offices and positions held in foreign companies

Director:
- IndEU India Luxury Holding Pte (Singapore)
- The LabelLife.com (India)
- StalkBuyLove (India)

Other offices and positions held in other companies in the past five years but not held at the date of this document

Chairwoman:
- IndEU Capital SAS

Director:
- IndEU India Luxury Holding Pte (Singapore)
- RockNShop.com (India)
- The LabelLife.com (India)
- MyBataz (India)

Jean-Loup Rousseau

Member of the Board of Directors

Experience and expertise

In 2002, Jean-Loup Rousseau founded the independent consulting company, Proveho Advisory, dedicated to industrial and technology companies. He previously worked at the KTH consulting firm (Marsh & McLennan group), Amkor Technology and Schlumberger Technologies. He has more than 30 years' experience in the technology industry, assisting a large number of companies in their development.

Other offices and positions held in French companies

Chairman:
- Proveho SAS

Director:
- Porcher
- Industries SAS
- Presto Engineering

Offices and positions held in foreign companies

None.

Other offices and positions held in other companies in the past five years but not held at the date of this document

Chief Executive Officer:
- Ascometal SAS

Observer

Marc Goldberg

Observer

Exerience and expertise

Marc Goldberg is a founding partner of Maslow Capital Partners, and has over 20 years' experience in the media and communications technology sector in Europe and the United States as an advisor or investor. He is a graduate of the University of Paris VI and has attended the IHEDN (French Institute of Advanced Studies in National Defense).

Other offices and positions held in French companies

Director:

- Youmiam

Manager:

- Maslow Capital Partners

Offices and positions held in foreign companies

Director:

- PlanetArt LLC[1]

Other offices and positions held in other companies in the past five years but not held at the date of this document

Director:

- Spicee media

Chairman of the Board:

- Wondermento

(1) Group companies.

3.1.3 Functioning of the governance bodies and internal control

3.1.3.1 Executive Management

The Company's executive management is assumed, under its responsibility, by either the Chair of the Board of Directors or another natural person appointed by the Board of Directors, with the title of Chief Executive Officer.

The Board of Directors decides which of these two approaches is appropriate and informs shareholders and third parties in accordance with prevailing regulatory provisions.

On December 13, 2018, the Board of Directors unanimously decided that the Chairman of the Board of Directors would also assume the executive management of the Company.

The Chief Executive Officer represents the Company in its dealings with third parties. The Company is committed by the actions of the Chief Executive Officer even if they are not relevant to the corporate purpose, unless it can prove that the third party in question knew that the action exceeded this purpose or could not be unaware of this fact given the circumstances. The publication of the Articles of Association alone does not constitute sufficient proof.

Provisions of the Articles of Association and Board of Directors' decisions restricting the powers of the Chief Executive Officer are not binding on third parties.

3.1.3.2 Board of Directors

8
meetings
in 2018-2019

100%
attendance

50%
women

75%
independent
Directors

3.5 years
average seniority

57
average age
of directors

The Board of Directors satisfies the provisions of Law no. 2011-103 of January 27, 2011, concerning the balanced representation of women and men on corporate governance bodies.

Claranova follows corporate governance principles and notably applies those best suited to its size. It refers to the MiddleNext Corporate Governance Code for small and mid-cap stocks, dated September 2016. This Code can be consulted on the MiddleNext website (www.middlenext.com).

Claranova has chosen to follow several recommendations of the Code, in particular by forming an Audit Committee and an Appointments and Compensation Committee within the Board of Directors, re-appointed at the meeting of December 13, 2018, establishing internal regulations and internal rules for each of the two Committees, and, since its stock market listing, ensuring the permanent presence of independent Board members as defined by recommendation no. 3 of the MiddleNext Code.

The Board of Directors has also noted the MiddleNext Code watch-points and considers that it adheres to all the recommendations specified therein, with the exception of recommendation no. 14, "Executive succession planning". This issue was included on the agenda of the Appointments and Compensation Committee meeting of September 26, 2019.

Members of the Board of Directors are appointed, reappointed or dismissed by the Ordinary General Shareholders' Meeting and are always eligible for re-appointment. Members of the Board of Directors are appointed for a term of six years, ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the previous fiscal year and held in the year their term ends.

Members of the Board of Directors are appointed and replaced in accordance with prevailing legislation, with which the Company's Articles of Association and the Board's internal regulations are aligned.

All correspondence for members of the Board of Directors may be addressed to the Company's head office at: Immeuble Vision Defense – 89/91, boulevard National - 92250 La Garenne-Colombes, France.

Claranova's internal regulations seek to define, as part of good governance, the role and duties of members of the Board of Directors, including the obligation of confidentiality, duties of independence and loyalty, the obligation of diligence, the duty of transparency and disclosure of information concerning the Company, and the obligation to comply with stock market regulations, specifically that of abstaining from participating in the market when in possession of inside information.

Pierre Cesarini has chaired the Board of Directors since December 13, 2018.

The Board of Directors determines the Company's business direction and ensures its implementation. Subject to the powers expressly reserved for Shareholders' Meetings and within the limits of the corporate purpose, the Board deals with all matters affecting the proper running of the Company and settles by its decisions all matters concerning it.

In its relations with third parties, the Company is committed by the actions of the Board of Directors even if they are not relevant to the corporate purpose, unless it can prove that the third party in question knew that the action exceeded this purpose or could not be unaware of this fact given the circumstances. The publication of the Articles of Association alone does not constitute sufficient proof.

Members of the Board of Directors, even after leaving office, must not disclose information they hold concerning the Company, where disclosure of this information may be prejudicial to the Company' interests, unless this disclosure is required or permitted by Law or is in the public interest.

The Chairman of the Board of Directors represents the Board of Directors. He organizes and manages its activities and reports thereon to the Shareholders' Meeting. He ensures the proper functioning of the Company's bodies and, in particular, that Directors are able to carry out their duties.

Restrictions imposed by the Board of Directors on Executive Management powers

In general, the Board of Directors takes all decisions and exercises all rights that, pursuant to legal provisions, delegations granted by Shareholders' Meetings or the Articles of Association, fall under its authority.

The prior approval of the Board of Directors is notably required, without limit, for:

- related-party agreements, under the conditions set out in Article 20 of the Articles of Association;
- collateral, sureties and guarantees given by the Company, under the conditions determined by Article L. 225-35, paragraph 4, of the French Commercial Code; and
- any major strategic decisions or decisions likely to impact the financial position of the Company or its subsidiaries.

The Board of Directors conducts the checks and verifications it deems necessary. Each Director receives all the information necessary to performing their duties and may request any documents they deem necessary.

Summary of the Board of Directors' activities during the fiscal year

From July 1, 2018 to December 12, 2018 (Supervisory Board and Management Board)

The Supervisory Board dealt with various matters such as approving related-party agreements, reviewing the Management Board's quarterly reports, assessing its activities, distributing Directors' fees, approving the draft text of the resolutions presented to the Combined Shareholders' Meeting, the Group's development and strategy, acquisition projects and the Group's financial activity.

The Supervisory Board also discussed the proper running of the Company at every meeting.

Two Supervisory Board meetings were held during the period from July 1, 2018 to December 12, 2018.

From December 13, 2018 to June 30, 2019

The Board of Directors dealt with various matters such as the means of exercising executive management, approving related-party agreements, approving the Board of Directors' internal regulations, appointing the Audit Committee and approving its internal regulations, appointing the Appointments and Compensation Committee and approving its internal regulations, approving the draft text of the resolutions presented to the Extraordinary General Shareholders' Meeting, distributing Directors' fees, the Group's development and strategy, acquisition projects and the Group's financial activity.

The Board of Directors also discussed the proper running of the Company at every meeting.

Since the end of the fiscal year, the Board of Directors has met once on September 30, 2019. In particular, it approved the corporate governance report included in this document.

Eight Board of Directors' meetings were held during the period from December 13, 2018 to June 30, 2019.

Application of the Middlenext "comply or explain" rule

In a desire to increase transparency and information provided to the public and in order to comply with the requirements of Article L. 225-37-4 of the French Commercial Code, the Company refers to the Middlenext Code of Corporate Governance as updated in September 2016 (the Middlenext Code) and approved as a reference code by the AMF.

The Company regularly reviews its governance with regard to the recommendations set out in this code. The following table summarizes the Company's position on each of the recommendations set out in the Middlenext Code at the date of this report.

The Middlenext Corporate Governance Code to which the Company refers may be consulted on the Middlenext website (http://www.middlenext.com).

Recommendation of the Middlenext Corporate Governance Code	Adopted	Will be adopted/ Under consideration	Not adopted
Oversight authority			
R 1: Ethics of Directors	✓		
R 2: Conflict of interest	✓		
R 3: Composition of the Board of Directors - Presence of independent directors	✓		
R 4: Information provided to Directors	✓		
R 5: Meetings of the Board of Directors and its committees	✓		
R 6: Implementation of special committees	✓		
R 7: Introduction of internal rules for the Board of Directors	✓		
R 8: Choice of Directors	✓		
R 9: Term of office of Directors	✓		
R 10: Compensation of Directors	✓		
R 11: Implementation of an assessment of Directors' work	✓		
R 12: Relationship with shareholders	✓		

Recommendation of the Middlenext Corporate Governance Code	Adopted	Will be adopted/ Under consideration	Not adopted
Executive powers			
R 13: Definition and transparency of executive corporate office compensation	✓		
R 14: Executive succession planning		✓ (1)	
R 15: Combination of employment contract and term of office as Director	✓		
R 16: Severance package	✓		
R 17: Complementary retirement scheme	✓		
R 18: Stock options and free share grants		✓ (2)	
R 19: Review of vigilance points	✓		

(1) *The Company began discussions on executive succession in 2019 and will review this point on a regular basis.*
(2) *The last two stock option and free share grants were performed in a very particular situation, with the vast majority of grants reserved for executives to remunerate both personal risks taken on the financial restructuring in June 2015 and the results of the new Group strategy which exceeded all expectations. The Company will be particularly attentive not to overly concentrate stock option and free share grants on executives in the future.*

3.1.3.3 Appointments and Compensation Committee

1 meeting in 2018-2019

100% attendance

100% women

100% independent Directors

3.5 years average seniority

55 average age of directors

As of the date of this report, the Appointments and Compensation Committee consists of the company Tech-IA Impactinvest, represented by Luisa Munaretto (Chairwoman) and Caroline Bouraine Le Bigot. They will fulfill these duties for the entire duration of their terms of office on the Board of Directors or until the Board decides otherwise.

Concerning appointments, the Committee is responsible for:

- presenting recommendations to the Board of Directors on the separation or combination of the duties of Chairman of the Board and Chief Executive Officer;
- presenting recommendations to the Board of Directors on the composition of the Board of Directors and its Committees;
- presenting recommendations to the Board of Directors on the appointment (and termination) of the Chairman of the Board of Directors and the Chief Executive Officer;
- discussing the “independent member” status of each member of the Board of Directors upon their appointment;
- presenting to the Board of Directors, each year, the list of members who may qualify as “independent members” with regard to the rules and recommendations applicable in France and on the regulated markets where the Company's shares are admitted to trading and, in particular, with regard to the criteria established by the Corporate Governance Code for small and mid-cap stocks, as published by MiddleNext;
- establishing a succession plan for executive corporate officers to deal with unforeseen vacancies and to assist the Board in its selection and assessment of the Chairman of the Board of Directors, the Chief Executive Officer and the members of the Board of Directors;
- organizing a procedure for the selection of future independent members of the Board of Directors (particularly, carrying out research on potential candidates before approaching them in any way);
- preparing a list of people who may be considered suitable for membership of the Board;
- preparing a list of members of the Board of Directors who may be considered suitable for membership of one of the Board's Committees;
- discussing the industrial and financial skills and/or expertise of members of the Board of Directors nominated for the Audit Committee, and submitting their opinions to the Board of Directors.

Concerning compensation, the Committee is responsible for:

- examining the main targets proposed by the Chief Executive Officer in relation to the compensation of executives who are not corporate officers of the Company and the Group;
- examining the compensation of executives who are not corporate officers;

- submitting recommendations and proposals to the Board, concerning:
  - the compensation, pension and insurance protection plan, retirement supplements, benefits in kind and the various pecuniary rights of executive corporate officers,
  - the amount and structure of executive corporate officer compensation and, in particular, the rules for setting the variable portion, taking into account the strategy, targets and performance of the Company and of the Group, as well as market practice. It then monitors the application of those rules;
- examining the total amount of directors' fees and the system for distributing them among members of the Board of Directors, as well as the conditions for reimbursing expenses incurred by members of the Board of Directors;
- preparing the corporate governance rules applicable to the Company, and monitoring their implementation;
- proposing the procedures for assessing the work of the Board of Directors and of its Committees, and ensuring their implementation;
- preparing and presenting the reports required according to the Board of Directors' internal regulations;
- delivering all other recommendations that may be required from it, at any time, by the Board of Directors or the Chief Executive Officer, with regard to compensation.

The Appointments and Compensation Committee is a purely consultative body; it reports regularly to the Board of Directors on its activities and informs it immediately of any issues that may arise with regard to its duties.

In general, the Committee will provide any advice and make any appropriate recommendations in the above-mentioned areas.

The role and activities of the Committee are governed by internal regulations.

The Appointments and Compensation Committee held its most recent meeting on September 26, 2019.

3.1.3.4 Audit Committee

2 meetings in 2018-2019

100% attendance

100% women

100% independent Directors

3.5 years average seniority

55 average age of directors

As of the date of this report, the Audit Committee consists of Caroline Bouraine Le Bigot, Committee Chairwoman and of the company Tech-IA Impactinvest, represented by Luisa Munaretto, who will fulfill these duties for the entire duration of their terms of office on the Board of Directors or until the Board decides otherwise.

Under the exclusive and collective responsibility of the members of the Board of Directors, the Audit Committee ensures full monitoring of all matters related to the preparation and control of accounting and financial information. In particular, the Audit Committee is responsible for:

- overseeing the procedures for the preparation of the financial information;
- overseeing the effectiveness of the internal control and risk management systems;
- overseeing the statutory audit of the annual financial statements and, as necessary, the consolidated financial statements by the Statutory Auditors;
- issuing a recommendation on the Statutory Auditors put forward for appointment by the General Shareholders' Meeting and reviewing their payment terms and conditions.
- monitoring the independence of the Statutory Auditors;
- in general, providing any advice and making any appropriate recommendation in the above-mentioned areas.

The Audit Committee is a purely consultative body; it reports regularly to the Board of Directors on its activities and informs it immediately of any issues that may arise with regard to its duties.

At present, the Audit Committee has verified the independence of the Statutory Auditors. It should be noted that the Statutory Auditors did not provide any services to the Company during the fiscal year that are not directly related to their statutory auditor duties.

The Audit Committee held two meetings during the fiscal year on September 26, 2018 and March 22, 2019.

3.1.3.5 Observer

As of the date of this document, Claranova's Observer is Marc Goldberg. He has held this position since November 30, 2016 and his current term of office will expire at the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ending June 30, 2022.

The mission of the Observer is to provide advice to the Board of Directors, in particular on the business environment and strategy and growth of the activity, corporate governance and risk management.

The Observer has access to the same information as the members of the Board of Directors, and is subject to the same confidentiality obligations. The Observer is invited to the meetings of the Board of Directors, and takes part in such meetings in an advisory capacity. The absence of the Observer at such meetings is not, however, considered to adversely affect the validity of the deliberations.

3.2 Internal control measures

There is no legal definition of internal control, but many professional bodies and auditing firms have issued their own definitions. As in the previous year, Claranova drew on the internal control reference framework for small and mid-cap stocks defined by the AMF in its recommendation of January 22, 2007 while adapting it to its structure and situation, as well as the revised AFED-MEDEF Code of June 2018.

The internal control put in place by Claranova is a process aimed at providing reasonable assurance - not certainty - of fulfilling the Company's basic objectives, namely: to apply the instructions and directions set by the Board of Directors, carry out and optimize these instructions and directions, and ensure that the Company's internal processes function properly, in particular those contributing to the safeguarding of its assets, the reliability of financial information, compliance with prevailing laws and regulations to which the firm is subject, and managing or preventing the risk of fraud or errors. Nonetheless, the internal control measures cannot be viewed as an absolute guarantee of fulfilling the Company's objectives.

In view of its size and structure, Claranova has no dedicated internal control department. Internal control is carried out by the Group's Administration and Finance Department in conjunction with the managers of each subsidiary.

3.2.1 Performance and optimization of operations

Procedures at Group level

Claranova is organized in a decentralized manner into businesses covering several regions with one or more subsidiaries in each region. This decentralized structure enables it to be responsive and close to its customers, thereby enhancing its effectiveness and their satisfaction.

The Group has implemented a certain number of procedures that apply uniformly to all subsidiaries and segments.

The Group Finance Department secures all the legal aspects of the Group, be they contractual, corporate, intellectual property or dispute related. It works mainly at head office level but also at local level. Transactions considered non-material in financial and/or regional terms are handled locally because the Finance Department does not have sufficient resources to deal with them directly. However, the Finance Department sets up legal “liaisons” with the local subsidiaries as well as partnerships with law firms.

All internal control measures related to transactions are first implemented by the relevant segment manager. The Group Finance Department then monitors the implementation and proper working of these measures. Each month, segment managers send the Finance Department a report on the monthly performance of their operations which includes financial analyses, significant aspects of the marketing and sales policy, product development and human resources. This monthly report is followed by discussions between Management and the segment in question.

For an in-depth analysis of the risk factors impacting Claranova, please refer to the “Risk Factors” section of Chapter 4 of this document.

Prior to the start of each fiscal year, Group Management consults with the segment managers on the strategy of the Group, the segments and each of the entities, as well as on the budgets.

Procedures at local level

Locally, internal control is within the remit of each subsidiary or segment manager. They are responsible not only for implementing the procedures specified by the parent company and ensuring they work properly, but also for implementing appropriate procedures covering locally identified risks. Therefore, all managers must follow the procedures specified by the Group as well as define and put in place their own procedures for signing off on bank transactions, validating and signing contracts, validating purchases, authorizing new hires, managing human resources, and so on, in their region and under their responsibility and oversight.

3.2.2 Reliability of financial and accounting information

As with operations, Claranova has a decentralized structure for financial information.

The financial statements of each subsidiary are drawn up under the responsibility of their managers by local accounting and financial teams. Local auditors carry out due diligence on local financial statements if necessary, and in the case of material subsidiaries, in conjunction with the auditors of the parent company.

The Audit Committee assists the Board of Directors in following up on matters relating to compiling and auditing accounting and financial information. It also monitors the processes used to prepare the financial statements.

As with operations, subsidiary managers draw up a monthly financial report. This report is sent to the Board of Directors as well as to the Finance Department. The latter analyzes both the financial reports and the accounting positions of the subsidiaries every month. The Group Finance Department also conducts specific analyses and audits at the request of the Board of Directors, to which it submits its findings.

The consolidated financial statements are drawn up by the Group Finance Department on the basis of data gathered by its information systems and the financial statements drawn up by the subsidiaries.

Claranova’s consolidated financial statements and the parent company financial statements are approved by the Board of Directors.

In general, all Group financial information is compiled by the Group Finance Department under the oversight of the Board of Directors.

The Group Finance Department also monitors off-balance sheet commitments and assets under the oversight of the Board of Directors.

3.2.3 Compliance with prevailing laws and regulations

The Company was initially incorporated as a public limited company (*société anonyme*). It was converted to a European Company (*Societas Europaea*) by a decision of the Extraordinary General Shareholders' Meeting of June 11, 2019. Claranova is listed on the Eurolist of the Euronext Paris stock exchange and must comply with the inherent regulations.

Management of problems of compliance with prevailing laws and regulations falls within the competence of the Group's Administration and Finance Department and Executive Management. These work closely with subsidiary and segment managers and coordinates corporate actions outside France with the help of the Company's external consultants.

The Group's main businesses, mobile (PlanetArt), Internet (Avanquest) and the Internet of Things (myDevices), are, for the most part, governed by intellectual property rights as well as industrial property rights.

3.2.4 Risk management and prevention

Apart from market risks (foreign currency risk, interest rate risk, equity risk and liquidity risk) chapter 2 Note 24.4 and inherent to any international listed company, Claranova and its subsidiaries' main risk factors are described in chapter 4 of this document.

Risk prevention is the duty and personal responsibility of every Claranova employee. Nevertheless, the subsidiary and segment managers are first and foremost responsible for managing and preventing risk within their units.

Because risks to the firm's finances are the most prominent, they are mitigated by procedures for signing off on banking transactions, verifying and validating financial information, and securing electronic data.

Moreover, Claranova has put appropriate insurance policies in place that are regularly reviewed by the Group Finance Department and the Board of Directors.

Claranova's development has endowed it with a very flexible structure. The procedures described above are therefore designed to constantly adapt to changes in the Group's structure. The Board of Directors seeks to establish an adequate level and structure of internal control within the Group, while enabling it to retain the flexibility and responsiveness that are key to Claranova's success in a fast-changing economic and technological environment.

3.3 Compensation and benefits

The governance method has changed: Management Board and Supervisory Board prior to December 13, 2018, followed by a Board of Directors from December 13, 2018. Information in this Compensation and Benefits section is therefore presented for both governance methods.

3.3.1 Executive corporate officer compensation principles and criteria for fiscal year 2018-2019

Prior to the change in governance method and the adoption of a new governance structure comprising a Board of Directors, the compensation policy for executive corporate officers (the Chairman and members of the Management Board) was set by the Supervisory Board after an annual review of recommendations by the Appointments and Compensation Committee. Following the change in governance method, voted by the Combined Shareholders' Meeting of November 29, 2018 and effective from December 13, 2018, the compensation policy for executive corporate officers (the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, Deputy Chief Executive Officers) is set by the Board of Directors and is also subject to an annual review of recommendations by the Appointments and Compensation Committee.

This policy is based on the following principles:

Compliance

The compensation policy was established based on the recommendations of the MiddleNext Code.

Comprehensiveness

All compensation and benefits are reviewed both globally and by component, in order to maintain proper balance between fixed and variable components. This is done for each member.

Transparency

The compensation policy is a management tool used to attract and retain talent in the Company, and also meets the expectations of shareholders and other stakeholders in terms of transparency and correlation with the overall performance of the Group.

Structure of executive corporate officer compensation

Executive corporate officer compensation is made up of annual fixed compensation and annual variable compensation, both paid in cash, and potentially multi-annual variable compensation in the form of share-based payments (such as stock options), if voted by the General Shareholders' Meeting.

Fixed compensation

Executive corporate officer fixed compensation is determined based on the level of complexity of their responsibilities and their experience.

Pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code, this component is the subject of a resolution seeking approval of fixed compensation levels for executive corporate officers (*ex ante* "say on pay"). The vote will be submitted for approval to the General Shareholders' Meeting of November 28, 2019.

A breakdown of fixed compensation due to or received by executive corporate officers for fiscal year 2018-2019 is presented in Section 3.3.4.

Variable compensation

Variable compensation seeks to motivate executive corporate officers of the Group and encourage them to reach the annual objectives set for them by the Board of Directors since the change to the Group's legal structure effective December 13, 2018 and previously by the Supervisory Board. Variable compensation is paid based on the attainment of the Company's revenue, operating result indicator, cash flow indicator and capital-intensive growth targets. These are confidential but agreed by the Board of Directors (previously by the Supervisory Board).

Variable compensation is paid to executives during the half-year following the fiscal year in which it is earned and is defined as follows:

- 25% based on a revenue criterion (achieving budgeted revenue for the fiscal year);
- 25% based on an EBITDA criterion;
- 25% based on the level of cash assets;
- 25% based on the Group's investor relations management and capital-intensive growth.

A breakdown of variable compensation due to or received by executive corporate officers for fiscal year 2018-2019 is presented in Section 3.3.4.

Exceptional compensation

Executive corporate officers do not receive exceptional compensation. If the Board of Directors agreed on principle the payment of such compensation to executive corporate officers, it would be under specific circumstances which would have to be disclosed, and proper justification would have to be provided. The payment of such compensation could only be carried out with the approval of shareholders, as per the provisions of Article L. 225-82-2 of the French Commercial Code.

A breakdown of exceptional compensation due to or received by executive corporate officers for fiscal year 2018-2019 is presented in Section 3.3.4.

Directors' fees

Prior to the change in governance method and the adoption of a new governance structure comprising a Board of Directors, the executive corporate officers (the Chairman and members of the Management Board) did not receive any Directors' fees in respect of their duties and offices in Group companies. Following the change in governance method, voted by the Combined Shareholders' Meeting of November 29, 2018 and effective from December 13, 2018, the Chairman of the Board receives Directors' fees as a member of the Board of Directors.

A breakdown of directors' fees due to or received by executive corporate officers for fiscal year 2018-2019 is presented in Sections 3.3.4 and 3.3.5.

Procedures related to termination of duties

Executive corporate officers who entered into an employment contract with the Company benefit from a severance pay component. They are also bound by a non-compete clause of a period of one year from the conclusion of their terms of office.

Supplementary pension plan

The executive corporate officers do not benefit from a supplementary pension plan beyond the basic, mandatory supplementary pension plans applicable to their positions.

Benefits in kind

Executive corporate officers may receive the usual benefits in kind related to their positions in the Company (company vehicle, *etc.*).

A breakdown of the benefits in kind received by executive corporate officers for fiscal year 2018-2019 is presented in Section 3.3.4.

3.3.2 Compensation principles and criteria for members of the Supervisory Board and the Board of Directors for fiscal year 2018-2019

In the same way as members of the Supervisory Board (prior to the change in governance method), members of the Board of Directors solely receive Directors' fees. The overall amount of directors' fees allocated to Directors of the Group is set by the General Shareholders' Meeting. The Board of Directors allocates this compensation freely between its members, by explicit decisions. Directors' fees are distributed between the different members of the Board depending on their actual presence at its meetings, as well as at the meetings of the Committees on which they sit.

The Board of Directors may also allocate exceptional compensation for assignments or duties entrusted to Directors; in such cases, this compensation is recorded in operating expenses and is subject to the special procedure applicable to related-party agreements set out in Articles L. 225-38 *et seq*. of the French Commercial Code.

Additionally, Directors are entitled to the reimbursement of expenses incurred in fulfilling their duties, on the presentation of supporting documents.

A breakdown of compensation due to or received by members of the Supervisory Board and Directors for fiscal year 2018-2019 is presented in Section 3.3.5.

3.3.3 Other profit-sharing and employee share ownership agreements

Profit-sharing and incentive agreements

Claranova employees benefit from statutory provisions with regard to profit-sharing. No provisions nor payments were made in respect of incentive or profit-sharing plans in the 2018-2019 fiscal year.

Employee share ownership agreements

Other than the stock option plans and the bonus share plans, there are no employee share ownership plans currently in operation.

3.3.4 Executive corporate officer compensation and benefits in kind

Following the change in governance method, compensation and benefits are presented for both governance methods: Management Board and Supervisory Board up to December 13, 2018 and Board of Directors from December 13, 2018.

Compensation and benefits in kind of executive members of the Management Board (up to December 13, 2018)

Fixed and variable components of total compensation and benefits in kind

Pursuant to the exercise of their duties of Chairman and member of the Management Board, Pierre Cesarini and Sébastien Martin received fixed compensation of €134,156 and €126,850, respectively.

Sébastien Martin also received variable compensation of €33,500, corresponding to an expatriation bonus, and a company car as benefit in kind.

Pierre Cesarini and Sebastien Martin had employment contracts with a provision for severance pay. This severance pay amounted to 12 months' gross, fixed and variable compensation, and was subject to performance criteria. Pierre Cesarini and Sebastien Martin are also bound by a non-compete clause of a period of one year from termination of their terms of office.

Pierre Cesarini and Sébastien Martin did not receive variable compensation for their duties on the Management Board.

Exceptional compensation

On October 18, 2018, the Supervisory Board approved in principle the payment of an exceptional bonus to Pierre Cesarini and Sébastien Martin, Chairman and member of the Management Board, respectively, in connection with the waiver by them of the 14,548,000 and 3,637,000 free shares in the Company they had received, in so far as the cost savings resulting from this waiver had an immediate positive impact for the Company. These exceptional bonuses amounted to €1,700,000 for Pierre Cesarini and €430,000 for Sébastien Martin.

In a bid to align their interests with those of other shareholders, the Management Board members, Pierre Cesarini and Sébastien Martin, were granted access to the share capital of one or more Company subsidiaries, and notably Avanquest Software and Avanquest America Holdings LLC, under the control of the Supervisory Board (followed by the Board of Directors after the change in governance method) and after approval by the Ordinary General Shareholders' Meeting called to approve the financial statements for fiscal year 2018-2019, under the conditions set out in Article L. 225-100 of the French Commercial Code and provided:

- the Management Board members' investments in the share capital of the subsidiaries does not exceed, immediately or in the future, more than 10% of the share capital;

- the securities issued to Management Board members, that may be options or preferred shares (or equivalent securities in the case of foreign subsidiaries), are subscribed by Management Board members at market conditions and at market values;
- the securities issued and subscribed by the Chairman and the Chief Executive Officer are subject to strict administration and provision rules, to ensure the absence of any conflicts of interest between the Company and the beneficiaries and that the Company may continue to freely manage and make use of its investments.

This investment opportunity is also open to the Chairman of the Board of Directors and the Chief Executive Officer in respect of the fiscal year beginning July 1, 2018, following the change in the governance method and the adoption of a new governance structure comprising a Board of Directors with effect from December 13, 2018.

Compensation and benefits in kind of executive members of the Board of Directors (from December 13, 2018)

Fixed and variable components of total compensation and benefits in kind

In respect of fiscal year 2018-2019, which commenced on July 1, 2018 and ended on June 30, 2019 and as approved by shareholders at the Ordinary and Extraordinary Annual General Shareholders' Meeting of November 29, 2018, the Chairman of the Board of Directors and Chief Executive Officer, Pierre Cesarini, did not receive and will not receive any fixed, variable or exceptional compensation, or any compensation for the potential termination of his duties. Furthermore, the Chairman of the Board of Directors and Chief Executive Officer did not receive any benefits in kind or supplementary pension benefits beyond the mandatory supplementary social security regimes applicable to his duties.

The Chairman of the Board of Directors and Chief Executive Officer received Directors' fees of €20,000 in respect of his duties as Director and as Chairman of the Company's Board, in the same way as the other members of the Board of Directors.

Transfer to another Group company

As part of its international expansion, the Company created a new structure, "Claranova Development", on January 22, 2019, dedicated to the Group's international growth. The Company entered into a service agreement with this dedicated structure. Given his involvement in the international development of the Group, the Chairman of the Board of Directors and Chief Executive Officer, Pierre Cesarini, manages the structure and receives compensation.

Pierre Cesarini received total fixed compensation of €143,040 and variable compensation of €350,000 under this service agreement in respect of fiscal year 2018-2019.

3

PERFORMANCE-BASED VARIABLE COMPENSATION: PIERRE CESARINI

Percentage of variable compensation	Criteria	Achieved
25%	Revenue	✓
25%	EBITDA	✓
25%	Cash assets	✓
25%	Capital-intensive growth	✓

SUMMARY TABLE OF COMPENSATION AND STOCK OPTIONS/SHARES ALLOCATED TO EACH OF THE EXECUTIVE CORPORATE OFFICERS

The tables recommended in AMF position-recommendation no. 2014-14 on the preparation of Registration Documents, are presented either below, or in Note 22 to the consolidated financial statements in Chapter 2 of this document, where applicable at the date of this document.

Information on the total gross compensation and benefits of all kind paid or due to each executive corporate officer for the 2017-2018 and 2018-2019 fiscal years, by Claranova SE and companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code, is presented below.

	2018-2019		2017-2018	
(in €)	Amount due	Amount paid	Amount due	Amount paid
Pierre Cesarini(1)				
Fixed compensation	277,196	277,196	255,366	255,366
Other bonuses and payments(2)	125,012	125,012	160,000	160,000
Variable compensation	350,000		200,000	
Fees(3)	260,000	260,000	302,000	302,000
Exceptional compensation(4)	1,700,000	1,700,000		
Directors' fees(5)	20,000	20,000		
Benefits in kind				
TOTAL COMPENSATION	**2,732,208**	**2,382,208**	**917,366**	**717,366**
Sébastien Martin(6)				
Fixed compensation	126,850	126,850	226,175	211,175
Other bonuses(7)	33,500	33,500	55,500	55,500
Variable compensation		230,000	230,000(8)	100,000
Fees				
Exceptional compensation(4)	430,000	430,000		
Directors' fees				
Benefits in kind(9)	1,551	1,551	3,434	3,434
TOTAL COMPENSATION	**591,901**	**821,901**	**515,109**	**370,109**

(1) Compensation due and paid in respect of his duties as Chairman of the Management Board (until December 31, 2018) and Chairman of the Board of Directors and Chief Executive Officer.
(2) Including compensation related to activities outside of France and a car allowance.
(3) Fiscal year 2017-2018: fees include the services invoiced by Elendil to Claranova SE of €302,000.
Fiscal year 2018-2019: fees include the services invoiced by Elendil to Claranova SE of €260,000.
(4) Exceptional compensation following the waiver of free shares in the Company, see Section 3.3.4. for further details.
(5) Directors' fees received and paid as Chairman of the Board of Directors, with effect from January 1, 2019.
(6) Compensation due and paid up to the end of his duties as executive corporate officer on December 13, 2018, the effective date of the change in governance method and the adoption of a new governance structure comprising a Board of Directors.
(7) Including compensation related to activities outside of France.
(8) The variable compensation related to the fiscal year 2017-2018 has been paid during fiscal year 2018-2019
(9) Including a car allowance.

COMPARISON OF COMPENSATION LEVELS OF EXECUTIVE CORPORATE OFFICERS AND COMPANY EMPLOYEES

Pursuant to Article L. 225-37-3 of the French Commercial Code, this document presents the ratio of the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and each executive corporate officer to the full-time equivalent average and median compensation of Company employees and trends in this ratio over the past five years.

	FY 2018-2019		FY 2017-2018		FY 2016-2017		FY 2015-2016		FY 2014-2015	
Ratio to	Average Salary	Median Salary	Average Salary	Median Salary	Average Salary	Median Salary	Average Salary	Median Salary	Average Salary	Median Salary
Bruno Vanryb									1	1
Pierre Cesarini	10(1)	11(1)	7	8	7	8	4	4	4	5
Sébastien Martin	5(1) (2)	5(1) (2)	6	7	7	8	5(3)	5(3)		

(1) Calculation excluding fees and exceptional compensation, see Section 3.3.4. for further details.
(2) Member of the Management Board from July 1 to December 13, 2018.
(3) Member of the Management Board from January 1 to June 30, 2016.

3

DETAILS OF THE CONDITIONS GOVERNING COMPENSATION AND OTHER BENEFITS GRANTED TO EXECUTIVE CORPORATE OFFICERS

	Employment contract		Supplementary pension plan		Indemnities or benefits due, or likely to fall due, as a result of termination or change of duties		Indemnities related to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre Cesarini	X			X	X		X	
Sébastien Martin*	X			X	X		X	

* *Information valid up to the end of his duties as executive corporate officer on December 13, 2018, the effective date of the change in governance method and the adoption of a new governance structure comprising a Board of Directors.*

Resolutions General Shareholder's Meeting approving the consolidated accounts for the fiscal year ending June 30, 2019

TENTH RESOLUTION

Approval of the principles and criteria for determining, allocating and allocating fixed and variable components and exceptional component of total compensation and benefits of any nature attributable to the Chairman of the Board of Directors for the fiscal year beginning July 1, 2019.

ELEVENTH RESOLUTION

Approval of the principles and criteria for determining, allocating and allocating fixed and variable components and exceptional components of the total remuneration and benefits of any kind attributable to the CEO for the year beginning on 1 July 2019.

3.3.5 Compensation and benefits in kind of members of the Supervisory Board and the Board of Directors

The General Shareholders' Meeting of November 29, 2018 set the overall amount of directors' fees allocated to Directors at two hundred thousand (200,000) euros for the fiscal year commencing July 1, 2018 and for each of the subsequent fiscal years until a new decision by the General Shareholders' Meeting.

After deliberating, the Board of Directors unanimously decided to allocate Directors' fees to each Director as follows:

- forty thousand (40,000) euros annually to each member of the Board of Directors, irrespective of the number of Board meetings and the effective presence of directors at such meetings, subject to a minimum attendance rate of 80%;
- one thousand (1,000) euros per quarter and per member, subject to their effective presence at the meeting of the Appointments and Compensation Committee and/or the meeting of the Audit Committee for the relevant quarter. Directors that are members of both Committees may receive a separate amount for each Committee;

from January 1, 2019 and for subsequent years until a new decision by the Board of Directors.

No other compensation, permanent or otherwise, may be paid to Directors, with the exception of directors with executive management duties or holding an employment contract with the Company under conditions authorized by the Law.

GROSS COMPENSATION RECEIVED

(in €)	2018-2019 Directors' fees	2018-2019 Other compensation	2017-2018 Directors' fees	2017-2018 Other compensation
Pierre Cesarini	20,000	0	0	0
Caroline Bouraine Le Bigot	44,000	0	40,000	0
Luisa Munaretto	20,000	0	40,000	0
Tech IA Impactinvest SASU*	24,000	0	0	0
Jean-Loup Rousseau	36,000	0	32,000	0
TOTAL	**144,000**	**0**	**112,000**	**0**

* *Company represented by its permanent representative, Luisa Munaretto.*

Directors' fees awarded for attending Board meetings are paid quarterly in advance.

3.3.6 Amounts set aside as provisions or otherwise recognized by the issuer or its subsidiaries for the payment of pensions, retirement annuities or other benefits

No amounts have been set aside or otherwise recognized by the Company for the payment of pensions, retirement annuities or benefits in favor of corporate officers of the Company, except for retirement termination benefits that are provisioned for all employees.

The Company did not grant any joining or leaving bonuses to these individuals.

3.3.7 Free shares, share subscription warrants and share subscription options

SHARE SUBSCRIPTION OR PURCHASE PLANS AS OF JUNE 30, 2019

	Stock options November 2016	Share subscription warrants November 2017	Share subscription warrants December 2018
Date of Management Board/Board of Directors meeting	11/25/2016 & 5/3/2017*	11/13/2017	12/24/2018
Total number of shares that may be subscribed or purchased	18,765,927	3,752,224	3,936,138
including shares that may be subscribed by:			
Pierre Cesarini	16,839,433	375,222	656,023
Sébastien Martin	10,000	375,222	656,023
Caroline Bouraine Le Bigot	0	750,445	656,023
Luisa Munaretto	0	750,445	656,023
Jean-Loup Rousseau	0	750,445	656,023
Marc Goldberg	0	750,445	656,023
Other employees that are not corporate officers	1,886,494	0	0
Start date for exercise of options	2/25/2017	11/13/2017	12/24/2018
Expiry date	11/25/2026	11/12/2027	2/11/2019
Subscription or purchase price	€0.112	€0.36	€0.114
Number of stock options or share subscription warrants subscribed as of June 30, 2019	18,295,233	0	3,097,776
Number of share subscription warrants exercised as of June 30, 2019		0	240,000
Number of options not subscribed, canceled or lapsed	30,000	0	838,362
Options remaining as of June 30, 2019	440,694	3,752,224	0

* *The conditions relating to the objectives to be achieved as well as the vesting period were amended at the Management Board meeting on May 3, 2017. Accordingly, the vesting conditions were achieved on February 25, 2017.*

FREE SHARE PLANS AS OF JUNE 30, 2019

	Free Shares November 2017
Date of Management Board meeting	11/13/2017
Total number of shares granted	18,760,000
including shares that may be subscribed by:	
Pierre Cesarini*	14,548,000
Sébastien Martin*	3,637,000
Other employees that are not corporate officers	575,000
Share vesting date	13/11/2018
End of lock-up period	2/21/2020
Number of shares acquired as of 6/30/2019	575,000
Number of shares canceled or lapsed*	18,185,000
Free shares remaining as of 6/30/2019	0

* *Pierre Cesarini and Sébastien Martin decided, with the agreement of the Supervisory Board, to waive the grant of the 18,185,000 free shares reserved for them (see the press release of November 8, 2018, "Claranova management accompanies the Group's growth" and Section 3.3.4. of this document).*

3.4 Additional corporate governance information

3.4.1 Related-party agreements and transactions

Related-party agreements

The special report issued by Claranova SE's Statutory Auditors on related-party agreements and commitments referred to in Articles L. 225-38 *et seq*. of the French Commercial Code, for the fiscal year ended June 30, 2019, is presented in Section 3.5 of this document.

In addition, to Claranova's knowledge, there are no agreements, other than agreements relating to current transactions entered into under normal conditions, executed directly or by intermediary, between a Director or shareholder holding over 10% of the voting rights of Claranova SE and a company in which Claranova SE holds, directly or indirectly more than half of the share capital.

Related-party transactions

There are no transactions between related parties as specified by the standards adopted in compliance with European (EC) Regulation no. 1606/2002, entered into by Group companies during the fiscal years ended June 30, 2018 and June 30, 2019, other than those identified in this chapter in Sections 3.3 and 3.5.

3.4.2 Means of attendance of shareholders at General Shareholders' Meetings

The means by which shareholders can attend General Shareholders' Meetings are described in Article 21 (General Shareholders' Meetings) of the Articles of Association available at Claranova's head office.

Article 21 - General Shareholders' Meetings

General Shareholders' Meetings are convened and deliberate in accordance with the conditions set by the Law.

One or more shareholders holding at least 10% of the subscribed share capital may also ask the Board of Directors to convene a General Shareholders' Meeting, indicating the points to appear on the agenda.

At the decision of the Board of Directors, meetings may be held by video conference or by telecommunication means enabling the identification of shareholders.

Collective shareholder decisions are made by Ordinary, Extraordinary and Special General Shareholders' Meetings depending on the type of decisions to be made.

General Shareholders' Meetings exercise the powers conferred on them by the Law and deliberate under the conditions provided by the Law, it being noted that in calculating the majority, votes cast shall not include votes attaching to shares in respect of which the shareholder has not taken part in the vote or has abstained or has returned a blank or spoilt ballot paper.

The format of notices of meeting, which may be communicated electronically, and the time period for issuing such notices, are governed by the Law. The notice of meeting must set the location of the meeting, which may be the head office or any other location, and the agenda.

All shareholders, regardless of the number of shares they hold, are entitled to attend General Shareholders' Meetings, either in person or through a proxy, subject to providing proof of their identity and the ownership of shares, either through the registration of the shares in their name or presentation of a certificate from the accredited financial intermediary managing their share account stating the shares are unavailable until the date of the General Shareholders' Meeting.

These formalities must be completed at the latest by 12:00 A.M. (Paris time) on the second working day preceding the General Shareholders' Meeting.

A shareholder may be represented by another shareholder, their spouse or a partner in a civil union. A shareholder may also be represented by any individual or legal entity of their choice. In such a case, the proxy holder must provide proof of their proxy.

A shareholder who has already requested and received an admission card to attend a General Shareholders' Meeting may grant a proxy and be represented by another shareholder, their spouse or a partner in a civil union. A shareholder may also be represented by any individual or legal entity of their choice. In such a case, the proxy holder must provide proof of their proxy and present the shareholder's admission card to the General Shareholders' Meeting.

All shareholders may vote by mail by completing and sending a form to the Company in accordance with the conditions set by the Law and regulations; in order to be taken into account, this form must be received by the Company two (2) days before the date of the General Shareholders' Meeting.

All shareholders may also, if the Board of Directors so decides when convening the Meeting, attend and vote at General Shareholders' Meetings by video conference or any telecommunication means, including the Internet, enabling their identification, in accordance with the conditions and by the methods set out in prevailing legal provisions. All shareholders participating at a General Shareholders' Meeting by these means shall be considered present when calculating quorum and majority. This decision is communicated in the notice of meeting published in the French Legal Gazette (BALO).

*Shareholders that use for this purpose, within the required time periods, the electronic voting form proposed on the Internet site set up by the Meeting's centralizing agent, are deemed equivalent to shareholders present or represented. The electronic form may be completed and signed directly on the Internet site using any procedure approved by the Board of Directors and meeting the conditions defined in Article 1367 of the French Civil Code (*Code civil*) and, more generally, by prevailing legislative and regulatory provisions, and notably potentially comprising a login and password.*

All shareholders are entitled to receive the documents necessary to enable them to make an informed decision on the management and activities of the Company.

The types of document concerned and the conditions of their communication and availability are set by the Law and regulations.

An attendance sheet, duly initialed by shareholders and proxies present, to which will be appended the powers granted to each proxy and, where applicable, any mail voting forms, is certified correct by the General Shareholders' Meeting Committee.

General Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman of the Board of Directors. In their absence, the General Shareholders' Meeting shall appoint its own Chairman.

The duties of vote-teller are performed by the two shareholders present holding, both in a personal capacity and as proxies, the largest number of votes and who accept such duties.

The resulting General Shareholders' Meeting Committee appoints a secretary, that need not be a shareholder.

Minutes of the meeting are drafted and copies or extracts of deliberations are issued and certified in accordance with the Law.

3.4.3 Authorizations and delegations of authority to the Board of Directors as of the date of this document

Meeting	Reso-lution	Subject	Type of security	Issue price	Ceiling	Period	Used (U) Available (A)
Extraordinary General Shareholders' Meeting of December 13, 2018	31st	Delegation of authority to the Board of Directors to decide the issue, with cancellation of shareholders' preferential subscription rights, of shares and/or securities granting access, immediately or in the future, to the share capital or conferring entitlement to a debt security, without indicating the beneficiaries and by public offering	Shares and/or securities granting access, immediately or in the future, to the share capital or conferring entitlement to a debt security (excluding new preferred shares)	The price will be set by the Board of Directors and will be at least equal to the weighted average price of the Company's share during the three trading days preceding the date on which the price is set, potentially less a maximum discount of 5%	• Par value amount of share capital increase: €20 million • Nominal amount of bonds and other debt securities: €250 million	26 months, or up to February 15, 2021	U: 0% A: 100%
	32nd	Delegation of authority to the Board of Directors to decide the issue, with cancellation of shareholders' preferential subscription rights, of shares and/or securities granting access, immediately or in the future, to the share capital or conferring entitlement to a debt security, by private placement and up to a maximum of 20% of the share capital per year, without indicating the beneficiaries	Ordinary shares and/or securities whose form will be determined by the Board of Directors (excluding new preferred shares)	The price will be set by the Board of Directors and will be at least equal to the weighted average price of the Company's share during the three trading days preceding the date on which the price is set, potentially less a maximum discount of 5%	• Par value amount of share capital increase: €20 million, limited to 20% of the capital per year • Nominal amount of bonds and other debt securities: €250 million	26 months, or up to February 15, 2021	U: 0% A: 100%
	33rd	Authorization granted to the Board of Directors to set the issue price of ordinary shares and/or securities granting access to the share capital, in the event of cancellation of shareholders' preferential subscription rights, up to a maximum of 10% of the share capital per year	Ordinary shares and/or securities granting access to the share capital	The issue price for ordinary shares will be at least equal to the average listed price of the Company's share weighted for trading volumes during a period of between 5 and 30 consecutive trading days, among the 30 trading days preceding the setting of the issue price	Up to a maximum of 10% of the share capital per year at the time of the issue	26 months, or up to February 15, 2021	U: 0% A: 100%

Meeting	Reso-lution	Subject	Type of security	Issue price	Ceiling	Period	Used (U) Available (A)
Extraordinary General Shareholders' Meeting of December 13, 2018	34th	Delegation of authority to the Board of Directors to decide either the issue, with retention of shareholders' preferential subscription rights, of shares and/or securities granting access, immediately or in the future, to the share capital or conferring entitlement to a debt security, or the capitalization of profits, reserves or share premiums	Ordinary shares and/or securities granting access, immediately or in the future, to the share capital or conferring entitlement to a debt security (excluding new preferred shares)	The price will be set by the Board of Directors on the day the options are granted	• Par value amount of share capital increase: €20 million • Nominal amount of bonds and other debt securities: €250 million	26 months, or up to February 15, 2021	U: 0% A: 100%
	35th	Delegation of authority to the Board of Directors to decide the issue, with cancellation of shareholders' preferential subscription rights, of shares and/or securities granting access, immediately or in the future, to the share capital or conferring entitlement to a debt security, reserved for specific categories of beneficiaries	Ordinary shares and/or securities whose form will be determined by the Board of Directors (excluding new preferred shares)	The price will be set by the Board of Directors and will be at least equal to the weighted average price of the Company's share during the 30 trading days preceding the date on which the price is set, potentially less a maximum discount of 20%	• Par value amount of share capital increase: €20 million • Nominal amount of bonds and other debt securities: €250 million	18 months, or up to June 15, 2020	U: 0% A: 100%
	36th	Delegation of authority to the Board of Directors to increase the share capital through the issue, with cancellation of shareholders' preferential subscription rights, of ordinary shares and/or securities granting access to the Company's share capital, in consideration for contributions in kind granted to the Company	Ordinary shares and/or securities whose form will be determined by the Board of Directors (excluding new preferred shares)	The price will be set by the Board of Directors and will be at least equal to the weighted average price of the Company's share during the 30 trading days preceding the date on which the price is set, potentially less a maximum discount of 20%	• Par value amount of share capital increase: cannot exceed 10% of the share capital at the date of the issue and will count towards the overall ceiling of €30 million • Nominal amount of bonds and other debt securities: will count towards the overall ceiling of €400 million	26 months, or up to February 15, 2021	U: 0% A: 100%

Meeting	Reso-lution	Subject	Type of security	Issue price	Ceiling	Period	Used (U) Available (A)
Extraordinary General Shareholders' Meeting of December 13, 2018	37th	Delegation of authority to the Board of Directors to issue, with cancellation of shareholders' preferential subscription rights, ordinary shares and/or securities granting access to the share capital, in the event of a public offering initiated by the Company	Ordinary shares and/or securities whose form will be determined by the Board of Directors (excluding new preferred shares)	The price will be set by the Board of Directors and will be at least equal to the weighted average price of the Company's share during the 30 trading days preceding the date on which the price is set, potentially less a maximum discount of 20%	• Par value amount of share capital increases: €20 million; this will count towards the overall ceiling of €30 million • Maximum nominal amount of issues of bonds and other debt instruments: €20 million that count towards the overall ceiling of €400 million	26 months, or up to February 15, 2021	U: 0% A: 100%
	38th	Authorization granted to the Board of Directors to increase the number of shares issued in accordance with the provisions of Article L. 225-135-1 of the French Commercial Code in the event of a share capital increase with retention or cancellation of preferential subscription rights	Ordinary shares and/or securities granting access to the share capital	The same price as the initial issue and within the limit of 15% of that issue	The par value amount will count towards the applicable overall ceiling stipulated in the 43rd resolution presented to the Extraordinary General Shareholders' Meeting of December 13, 2018	26 months, or up to February 15, 2021	U: 0% A: 100%
	41st	Authorization granted to the Board of Directors to reduce the Company's share capital by cancellation of shares	Ordinary shares		10% of the Company's share capital on the date the Board of Directors decides to use the authorization	18 months, or up to June 15, 2020	U: 0% A: 100%
	43th	Setting of a global ceiling for authorizations	Shares and debt securities, debt securities granting access to the share capital and, more broadly, securities granting access to the share capital		• Nominal amount of increases capital: €30 million • Maximum nominal amount of issues of bonds and other securities claims: €400 million	See the different previous resolutions above	See the different previous authorizations

3.5 Related-party transactions

Statutory Auditors' special report on regulated agreements and commitments

General Shareholders' Meeting held to approve the financial statements for the year ended June 30, 2019

*This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (*Code de Commerce*) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the Claranova General Shareholders' Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code (*Code de commerce*) up to December 13, 2018 and Article R. 225-31 from this date, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R.225-58 and R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the General Shareholders' Meeting

Agreements and commitments authorized during the year

Pursuant to Articles R.228-88 and 225-40 of the French Commercial Code, we have been informed that the following agreements and commitments were previously authorized by your Supervisory Board up to December 13, 2018 and your Board of Directors from this date.

AGREEMENT WITH ELENDIL

Person concerned	**Pierre Cesarini, Chairman of the Board of Directors of your Company and Manager of Elendil.**
Purpose	Consulting services for the structuring, arrangement and financing of a development structure for Claranova's international expansion.
Date of effect and duration	Agreement signed on September 28, 2018 for a duration not exceeding March 28, 2019.
Authorization	Supervisory Board meeting of September 28, 2018.
Reasons justifying the agreement	The Company entered into this agreement to meet its specific consulting requirements relating to the planned creation and development of an international financing entity.
Terms and conditions	Remuneration of €260,000, excl. VAT.
Amount	An expense of €260,000 was recorded in respect of this agreement during the fiscal year.

AGREEMENT WITH PIERRE CESARINI AND SEBASTIEN MARTIN

Person concerned	**Pierre Cesarini, Chairman of the Management Board until December 13, 2018 and Chairman of the Board of Directors from this date and Sébastien Martin, member of the Management Board until December 13, 2018.**
Purpose	Exceptional bonuses paid on the waiver of some or all of the free shares grants (decided by the Management Board meeting of November 13, 2017 acting in accordance with the authorization granted by the General Shareholders' Meeting of June 7, 2017) awarded to the two members of the Management Board.
Authorization	Supervisory Board meeting of October 18, 2018, confirmed by the Board of Directors' meeting of December 13, 2018.
Reasons justifying the agreement	The waiver has an immediately positive impact of €4,923,043, based on the average share price during the 30 days preceding October 18, 2018, the date of the Supervisory Board's decision.
Amount	Bonuses of €1,700,000 and €430,00, excluding social security contributions, were paid to Pierre Cesarini and Sébastien Martin, respectively, in respect of the fiscal year.

AGREEMENT WITH PIERRE CESARINI

Person concerned	**Pierre Cesarini, Chairman of the Board of Directors.**
Purpose	Pierre Cesarini's employment contract for his duties as Operations Director of Claranova Development.
Date of effect and duration	From the creation of Claranova Development, *i.e.* from around January 20, 2019 to termination of the contract.
Authorization	Board of Directors of January 8, 2019.
Reasons justifying the agreement's interest for the Company	The Company entered into this agreement to meet its specific requirements and because of the expertise Pierre Cesarini will bring to the position. It was in the Company's interest to enter into this agreement due to Pierre Cesarini's thorough knowledge of the Company and its areas of business.
Gross annual fixed compensation	Pierre Cesarini receives gross annual fixed compensation of €250,080.
Variable compensation	The gross annual bonus will be calculated based on the achievement of operational and income targets, which will be determined each year by the Board of Directors, taking into account the overall objectives of the Company and changes in the economic environment in the sector, subject to a maximum amount of €350,000.
Severance pay	Severance pay is equal to 12 months' gross compensation in the event of termination of the employment contract by the Company. Severance pay is not payable in the event of serious or gross misconduct on the part of Pierre Cesarini, or if he resigns or breaches his employment contract or changes jobs within the Group. Severance pay is subject to one performance condition, deemed to have been met if the Group's growth rate in the two fiscal years prior to the year in which notice of termination of the employment contract is given, is 10% or more per fiscal year at constant scope.
Non-compete indemnity	Throughout his collaboration with the Company, as well as for a 12-month period after the termination of his employment contract, Pierre Cesarini is prohibited from accepting any job or activity, in any form whatsoever, likely to compete with the Company's businesses, on whatever basis this may be. In exchange for complying with the non-compete clause, once his employment contract ends, Pierre Cesarini will receive a monthly allowance during the period to which the non-compete clause applies, equal to 100% of the gross, fixed and variable compensation that he would have received in the 12 months prior to the termination of his employment contract, not including paid leave.
Amount	The cost of this agreement is borne by Claranova Development.

AGREEMENT WITH ELENDIL

Person concerned	**Pierre Cesarini, Chairman of the Board of Directors of your Company and Manager of Elendil.**
Date of effect and duration	From January 1, 2019 until termination of the agreement by one of the parties.
Authorization	Board of Directors' meeting of January 8, 2019.
Purpose	Operating consulting and assistance services for your company.
Reasons justifying the agreement	The Company entered into this agreement to meet its specific operating consulting requirements.
Terms and conditions	Flat-rate annual remuneration of €50,000, excl. VAT.
Amount	An expense was not recorded in respect of this agreement in FY 2018/2019.

AGREEMENT WITH CAROLINE BOURAINE LE BIGOT

Person concerned	**Caroline Bouraine le Bigot, Director of your Company and shareholder of Cloudy Bay.**
Date of effect and duration	From July 1, 2019, for a renewable period of 6 months.
Authorization	Board of Directors' meeting of June 9, 2019.
Purpose	Digital strategy and communication consulting assignment with Cloudy Bay, for a renewable 6-month period and a monthly fee of €12,000, excl. VAT.
Reasons justifying the agreement	The Company entered into this agreement to benefit from the reputed services and expertise of Cloudy Bay in this sector.
Amount	This agreement had no effect during the fiscal year.

Agreements and commitments already approved by the General Shareholders' Meeting

Pursuant to Article R. 225-57 of the French Commercial Code applicable to December 13, 2018 and Article R. 225-30 of the French Commercial Code applicable from that date, we have been informed that the following agreements and commitments, previously approved by prior-year General Shareholders' Meetings, have remained in force during the year.

EMPLOYMENT CONTRACT

Person concerned	Pierre Cesarini, Chairman of the Management Board until December 13, 2018.
Nature and purpose	Pierre Cesarini's employment contract for his duties as Operations Director of the Company, covering: • his compensation; • his severance pay; • his non-compete indemnity.
Reasons justifying the agreement's interest for the Company	The Company entered into this agreement to meet its specific requirements and because of the expertise Pierre Cesarini will bring to the position. It was in the Company's interest to enter into this agreement due to Pierre Cesarini's thorough knowledge of the Company and its areas of business. The financial terms are beneficial for the Company, as they enable it to avoid hiring and/or training expenses.
Terms and conditions	The Supervisory Board meeting of November 29, 2016, authorized this regulated agreement with Pierre Cesarini formalizing the terms of his employment contract for his duties as Operations Director of the Company.
Fixed compensation	Pierre Cesarini receives gross annual fixed compensation of €250,000.
Other compensation	Pierre Cesarini receives compensation for activities performed outside France of €2,500 gross per day spent outside France, up to a maximum of 40% of the amount of fixed compensation.
Variable compensation	The gross annual bonus is calculated based on the achievement of operational and income targets, determined each year by the Chairman of the Supervisory Board, taking into account the overall objectives of the Company and changes in the economic environment in the sector, subject to a maximum amount of €200,000.
Severance pay	Severance pay is equal to 12 months' gross compensation in the event of termination of the employment contract by the Company. Severance pay is not payable in the event of serious or gross misconduct on the part of Pierre Cesarini, or if he resigns or breaches his employment contract or changes jobs within the Group. Severance pay is subject to one performance condition, deemed to have been met if the Group's growth rate in the two fiscal years prior to the year in which notice of termination of the employment contract is given, is 10% or more per fiscal year at constant scope.
Non-compete indemnity	Throughout his collaboration with the Company, as well as for a 12-month period after the termination of his employment contract, Pierre Cesarini is prohibited from accepting any job or activity, in any form whatsoever, likely to compete with the Company's businesses, on whatever basis this may be. In exchange for complying with the non-compete clause, once his employment contract ends, Pierre Cesarini will receive a monthly allowance during the period to which the non-compete clause applies, equal to 100% of the gross, fixed and variable compensation that he would have received in the 12 months prior to the termination of his employment contract, not including paid leave.
Insurance policy	Unemployment insurance for entrepreneurs and company owners (GSC) will be taken out for him for the involuntary loss of his job.
Amounts	As of June 30, 2019, an expense of €190,551, including employer contributions, was recorded in respect of this agreement.

EMPLOYMENT CONTRACT

Person concerned	**Sébastien Martin, member of the Management Board until December 13, 2018.**
Authorization	Supervisory Board meeting of July 6, 2018.
Nature and purposes	Amendment to Sebastien Martin's employment contract for his duties as Chief Finance Officer of the Company, covering: • his compensation; • his severance pay; • his non-compete indemnity.
Reasons justifying the agreement's interest for the Company	The Company entered into this agreement to meet its specific requirements and because of the expertise Sébastien Martin will bring to the position. It was in the Company's interest to enter into this contract due to Sebastien Martin's thorough knowledge of the Company and its areas of business.
Terms and conditions	The Company amended Sebastien Martin's employment contract in respect of his duties as Chief Finance Officer of the Company. As Sebastien Martin's initial employment contract pre-dated his start date as a member of the Management Board, this contract was not subject to the Supervisory Board's prior authorization.
Fixed compensation	Sébastien Martin receives gross annual fixed compensation of €230,000 from January 1, 2018.
Activities outside France	Sébastien Martin receives variable compensation for activities performed outside France of up to €4,500 gross per day spent outside France, depending on the region.
Variable compensation	The gross annual bonus is calculated based on the achievement of operational and income targets, determined annually, taking into account the overall objectives of the Company and changes in the economic environment in the sector, subject to a maximum amount equal to annual fixed compensation.
Severance pay	Severance pay is equal to 12 months' gross compensation in the event of termination of the employment contract by the Company. Severance pay is not payable in the event of serious or gross misconduct on the part of Sébastien Martin, or if he resigns or breaches his employment contract or changes jobs within the Group.
Non-compete indemnity	Throughout his collaboration with the Company, as well as for a 12-month period after the termination of his employment contract, Sebastien Martin is prohibited from accepting any job or activity, in any form whatsoever, likely to compete with the Company's businesses, on whatever basis this may be. The activities thus prohibited may not be performed in North America, the United Kingdom, France or Germany. In exchange for complying with the non-compete clause, once his employment contract ends, Sebastien Martin will receive a monthly allowance during the period to which the non-compete clause applies, equal to 100% of the gross, fixed and variable compensation that he would have received in the 12 months prior to the termination of his employment contract, not including paid leave.
Insurance policy	Unemployment insurance for entrepreneurs and company owners (GSC) will be taken out for him for the involuntary loss of his job. Should it be impossible to activate this policy, the Company will make up for the compensation due.
Amount	An expense of €208,794, including contributions, was recorded in respect of this agreement during the fiscal year.

Paris and Paris-La Defense, October 21, 2019

The Statutory Auditors

ERNST & YOUNG Audit, represented by
Jean Christophe Pernet

APLITEC, represented by
Stéphane Lambert

4 Risk factors

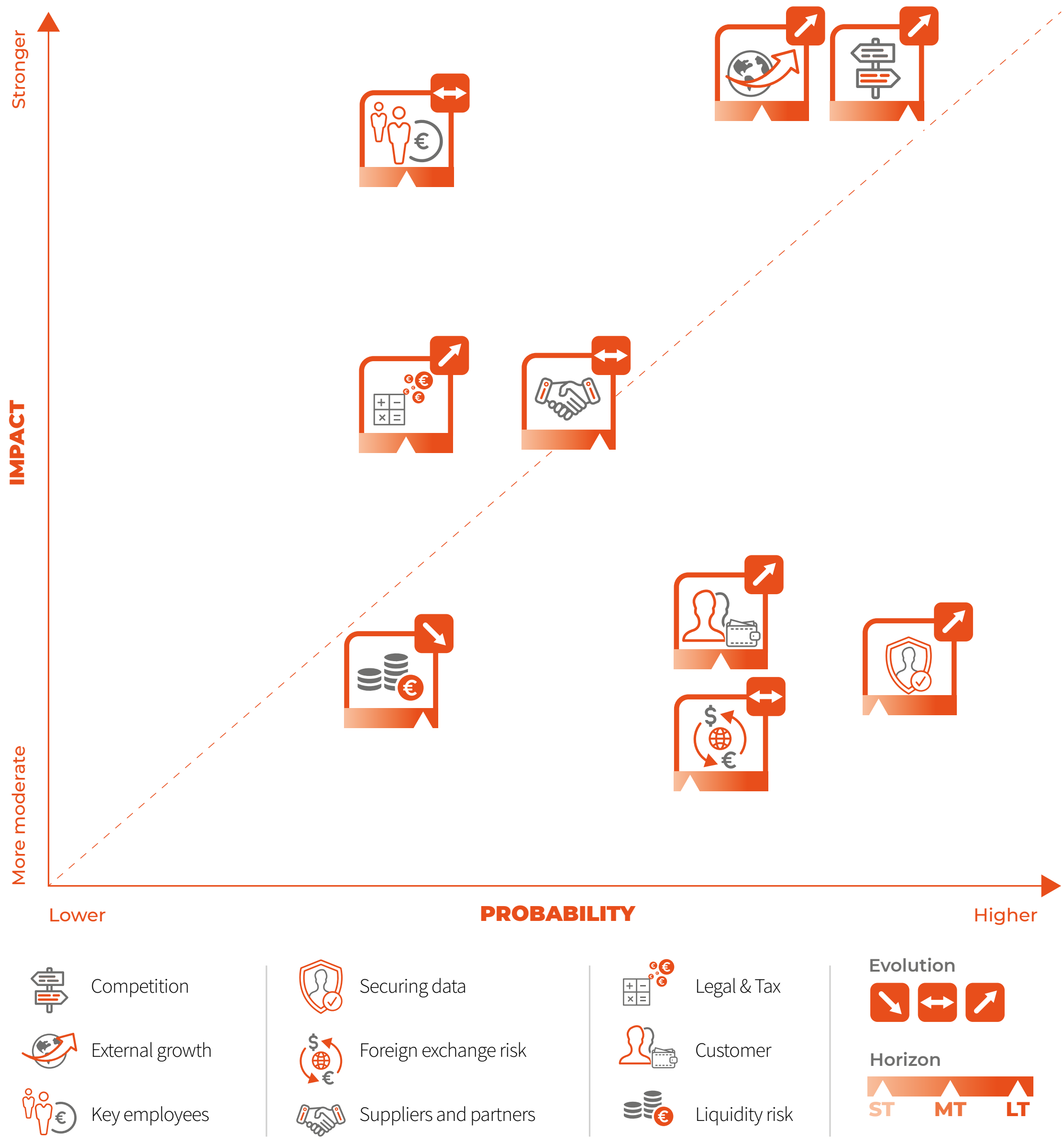
Investors are advised to take into consideration all of the information contained in this document, including the risk factors described in this section.

Only risks considered material and specific to the Group as of the date of this document are presented below.

Investors' attention is drawn to the fact that the Company may be exposed to other risks, currently or in the future, not identified in this document. The risk factors presented in this section cover the risks borne by Claranova SE– the parent company – as well as those borne by the Group. Unless otherwise specified, the risks apply to all Group companies.

The Company has insurance policies which the Group's management considers adequate. These policies and their suitability are reviewed regularly, and at least once a year. Claranova has taken out policies covering operating losses, property damage and civil liability (of the Company and its corporate officers).

Each of the Group's subsidiaries takes out insurance policies locally which are appropriate to its needs and consistent with local legal requirements.



4.1 Financial risks and market risks

4.1.1 Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through appropriate credit facilities.

The Group's cash position as of June 30, 2019 was €75.4 million. Borrowings and other financial liabilities amounted to €51.9 million, and therefore the cash excess was €23.5 million.

Amounts available immediately or almost immediately are largely sufficient to cover borrowing repayments and operating requirements during the next 12 months. Operating flows are generally sufficient to internally finance operating activities and organic growth.

The Joint General Meeting of November 29, 2018 gave the Board of Directors the opportunity to issue securities.

The Group therefore considers its liquidity risk to be very low.

4.1.2 Foreign exchange risk on main currencies

The Group mainly carries on its business outside the euro zone.

However, since revenues and costs are denominated in the same currency, the exposure to currency risk is limited to earnings, and no systematic policy of hedging currency risk has been implemented within the Group.

An estimate of the impact of currency movements on earnings for the year ended June 30, 2019 is given below:

Fiscal year ended on June 30, 2019	**Impact on revenue**			**Impact on Recurring Operating Income**			**Impact on equity**		
(in € million)	**real rate**	**-10%**	**+10%**	**real rate**	**-10%**	**+10%**	**real rate**	**-10%**	**+10%**
USD	262.3	(12.3)	12.3	14.3	(0.1)	0.1	63.6	5.9	(5.9)
GBP	262.3	(7.8)	7.8	14.3	(1.0)	1.0	63.6	(1.0)	1.0
CAD	262.3	(7.8)	7.8	14.3	(0.7)	0.7	63.6	(4.3)	4.3

4.2 Business-related risks

4.2.1 Risks relating to competition

Claranova operates in competitive markets characterized by rapidly changing technology, as well as by the frequent launch of new products and services.

In this context, some of Claranova's competitors could have better technical, development and marketing resources than the Group. For example, in the Mobile segment, established competitors in the personalized products printing sector, such as Shutterfly or Cewe, have the means to compete with the Mobile business with significant marketing and technical investments, as there is no technology barrier to entry in this market.

The arrival of new competitors in the same markets as the Group could also adversely affect its market share, and therefore reduce repeat business, as some customers might switch to competing offers.

In the IoT segment, the Group has a number of large competitors (PTC, ATOS, IBM, Software AG) that seek to position themselves in this promising emerging market, each with their own specific approach (custom products, services, *etc.*) and with considerable financial resources.

In the Internet segment, the Group is positioned on a mature market with powerful competitors, some ready to invest considerable amounts in marketing in order to gain market dominance.

Furthermore, the Company must anticipate technological or business changes that could be demanded by the market and be able to keep innovating in order to support and develop its business and growth.

The Company's know-how in innovation and the development of new products and business models helps mitigate this risk.

4.2.2 Risks relating to external growth

Claranova's strategy consists in creating innovative business models and holding leadership positions in each of its businesses. In the Internet segment, this strategy relies in part on the pursuit of consistent, considered external growth, mainly through acquisitions such as the integration of the Adaware, SodaPDF and Upclick businesses on July 1, 2018. The Mobile segment also announced, on August 2, 2019, the recent acquisition of the assets of Personal Creations®, a business of the US group, FTD Companies, Inc.

Acquisitions can have a negative impact on earnings, the value of assets, and even Claranova's business, if the Group is not able to rapidly and effectively integrate the businesses acquired and develop the expected synergies.

Claranova pays careful attention to the set-up of adequate governance in the companies acquired and with its partners. Claranova ensures regular, high-quality relations with the teams of the companies acquired, whether through regular meetings, or on-going contact with the operating and financial teams. Starting from the time of acquisition, the new companies are involved in the Group's budgeting process and reporting.

4.2.3 Risks relating to key employees

Claranova's success depends largely on the involvement and expertise of its managers and qualified employees. The Group could lose key employees and be unable to attract new qualified individuals.

The departure of one or more members of the Management team or other key employees of the Group could result in:

- the loss of know-how and the weakening of certain activities, exacerbated in the event of a transfer to the competition;
- a less relevant medium- or long-term strategic vision;
- gaps in execution capacity that could affect the Group's ability to implement its strategy;
- temporary uncertainty, potentially impacting the Company's share price in the short term.

Additionally, the Group will need to recruit new executives and qualified operational managers to develop its activities, in a highly competitive global context.

The Group's inability to attract and retain key employees could affect its overall ability to attain its objectives and therefore have an adverse impact on its business, results, financial position, development and outlook.

Faced with this risk, the Group has implemented employee motivation and loyalty measures in the form of performance-based variable compensation and the grant of securities and other rights granting access to share capital, for details, see chapter 2 note 22.3 of this document.

4.2.4 Risks relating to suppliers and partners

Most of the products sold by Claranova are developed or manufactured externally. Therefore, a breach of contract with the developers, publishers or manufacturers who supply these products, and with logistics suppliers, could have a negative impact on the Group's revenue. Currently, the Company considers that it is not overly dependent on these partners or that the dependence is reciprocal, and that therefore it is shielded from the related risk. Nevertheless, a break in commercial relations with one or more suppliers could have an adverse impact on the business during a transition period.

The Internet and Mobile segments are strongly tied to the purchase of traffic, particularly *via* Google or Facebook. Changes in these suppliers' commercial practices could adversely affect these businesses. Given the lack of players similar to Google and Facebook, no real strategy can be envisaged to address this risk, except for the diversification of sources of traffic acquisition. This has been the Company's strategy for several years.

It should be noted, however, that IoT segment revenue (myDevices) is presently dependent on its first partnerships with the partners marketing the "IoT in a Box" offering. Adverse decisions of these partners would not have a material impact on the Group's earnings, but, could have a negative impact on the earnings and development of this segment.

4.2.5 Risks relating to securing data

On April 14, 2016, the European Parliament adopted the General Data Protection Regulation (GDPR), repealing the 1995 directive on the matter and reframing the issue of personal data at European level. In the case of a dysfunction or violation of the GDPR, fines equal to a percentage of Group revenue can be applied.

The GDPR took effect on May 25, 2018. To comply with this regulation, the Group strengthened its protection procedures. In particular, it accelerated the migration of its data to data networks that are compliant with the PCI-DSS standard (Payment Card Industry - Data Security Standard) as well as their encryption in such networks, appointed a Data Protection Officer (DPO) for each unit, as well as a Group-level DPO, and implemented a documentary system describing the procedures related to the processing of this data. In addition, the descriptions and implemented procedures are centralized on a dedicated platform accessible to all of the Group's entities.

Due to the nature of its business, Claranova depends strongly on computer infrastructures and applications, and the safeguarding and preservation of its data and their confidentiality is a major challenge. The Group is permanently exposed to risks related to the availability of its IT services, and the security and integrity of its applications, software and databases. There could be unintentional technical failures or pirating, involving attacks either on its own systems, or directed against its service providers and suppliers. In the event of a cyberattack, the impacts could be the fraudulent use or disclosure of personal data, including private customer data (email addresses, for example), the loss of such data, or the unavailability of applications and/or services offered to customers.

The Group takes all necessary precautions to ensure that its products and data are secure. However, it cannot completely rule out that they might be pirated, or that the products might be faulty, which could have an adverse impact on its operations and reputation, or, entail the Group's legal liability in certain jurisdictions. To guard against this risk, the Group has set up policies for the secure storage of personal data in a partitioned network inaccessible from the outside.

4.2.6 Customer risk

Claranova conducts the majority of its business with the general public. The Group's strategy of developing different business segments and expanding its geographical footprint enables Claranova to accentuate the diversification of its customer base. As a precaution, provisions are systematically set aside for all default risks according to the information available at the reporting date.

For example, at June 30, 2019, revenue from the top ten customers is €33 million and represents only 12.6% of the consolidated revenue of the fiscal year (compared with 16% of the previous fiscal year). During fiscal year 2018-2019, revenue generated with the Group's largest customer represented 6.3% of consolidated revenue.

4.3 Legal and tax risks

On July 11, 2019, the French parliament adopted a draft law implementing a digital services tax and known as the GAFA tax (for Google, Apple, Facebook and Amazon). The Company is not concerned by this tax in its current form as it does not exceed the thresholds.

Nonetheless, there is a risk that other European Union countries will adopt similar laws with different criteria and/or the current thresholds will gradually be revised downwards, that could impact the Company.

Furthermore, the Group's international footprint, and the regular integration of new businesses, through acquisitions, could generate new issues tied to the tax policies of countries where the Group is present.

5 Information on the Company and its share capital

5.1 Information on the Company

5.1.1 Corporate name, trading name and head office

The corporate name of the Company is “Claranova”.

Claranova’s head office is located at:

Immeuble Vision Défense 89/91, boulevard National, 92250 La Garenne-Colombes, France, Telephone: +33 1 41 27 19 75

5.1.2 Legal form

Claranova is a European Company (*Societas Europaea*) with a Board of Directors, governed notably by the provisions of Book II of the legislative and regulatory sections of the French Commercial Code relating to commercial companies and economic interest groups. It has a share capital of €39,442,878.80.

5.1.3 Trade and Companies Register – Activity Code and LEI

The Company is registered in the Nanterre Trade and Companies Register under number 329 764 625. The Activity Code, corresponding to the Company's new Articles of Association, is 7010Z “Head office activities”. The legal entity identifier (LEI) is 969500P3RUS57W9Z9Z70.

5.1.4 Date of incorporation and term

The Company was incorporated on May 28, 1984. The Company’s term was extended to 99 years by a decision of the Extraordinary Shareholders’ Meeting of December 13, 2018, *i.e.* to May 28, 2083.

5.1.5 Fiscal year

Each fiscal year has a term of one year starting on July 1 and ending on June 30.

5.2 Articles of Association

5.2.1 Corporate purpose (Article 2 of the Articles of Association)

Pursuant to Article 2 of the Articles of Association the corporate purpose of the Company is to:

- *buy, subscribe, own, manage, sell or contribute shares or other securities of any entities;*
- *guide businesses in which the Company invests, by actively participating in implementing the Group's policy and overseeing its subsidiaries;*
- *provide any human resource, IT, management, communication, finance, legal, marketing and purchasing services and advice to its subsidiaries and direct or indirect equity interests;*
- *act as a group finance company and as such provide all types of financial assistance to entities within the Group to which the Company belongs;*
- *take part, by any means, directly or indirectly, in any transactions potentially related to its corporate purpose, notably by creating new companies, through acquisitions, contributions, mergers or otherwise in any existing or future entities, or by entering into any type of commercial contract; acquisition, use or transfer of any processes, trademarks or patents related to these activities;*
- *and, more broadly, carry out any and all industrial, commercial, economic, financial, civil, securities or real estate transactions related directly or indirectly to the corporate purpose or any similar, related or complementary purpose.*

5.2.2 Governance bodies

Information relating to the governance bodies is presented in Section 3.1 of Chapter 3 “Corporate governance” of this document.

5.2.3 Rights, privileges and restrictions associated with each category of existing shares (Articles 11 and 23)

The voting right attached to shares is proportional to the share capital represented by those shares. At General Shareholders' Meetings, each share (excluding treasury stock) carries the right to one vote.

The Extraordinary General Shareholders' Meeting of June 7, 2017 decided, in accordance with Article L. 225-123 of the French Commercial Code, to grant double voting rights:

(i) to fully paid-up Company shares which can be proved to have been registered in the name of the same shareholder for at least two years;

(ii) as well as to registered shares allocated as bonus shares to a shareholder, in the event of a capital increase by capitalizing reserves, profits or issue premiums. As of June 30, 2019, before the reverse stock split on August 1, 2019, and taking into account treasury shares, there were a total of 403,247,810 exercisable voting rights. 11,240,273 shares carry double voting rights.

If, at the date of the reverse stock split, the shares hold double voting rights, the new shares after exchange benefit from double voting rights.

Article 11 - Rights and obligations attached to shares:

11.1 *- Each share confers entitlement to the profits, Company assets and liquidation bonus in proportion to the percentage of capital it represents and shall confer the right to vote.*

A share also gives the holder a right to vote or be represented at General Shareholders' Meetings, to be informed on the Company’s progress and to receive certain Company documents at times and under conditions specified by legislation and the Articles of Association.

In accordance with Article L. 225-123, paragraph 3, of the French Commercial Code, a voting right equivalent to twice that attributed to other shares is attributed as of right to:

- *fully paid-up shares which can be proved to have been registered in the name of the same shareholder for at least two years;*
- *registered shares allocated to a shareholder, in the event of a capital increase by capitalizing reserves, profits or issue premiums, by reason of existing shares held by the shareholder that bear this entitlement.*

Double voting rights expire immediately for any registered shares converted to bearer shares on the transfer of ownership. However, if the transfer of ownerships results from succession, the dissolution of the joint property of spouses, or gift to a spouse or person in line of succession, double voting rights do not lapse and there is no interruption in the required period of two years. This is also the case in the event of a transfer following a merger or de-merger of a shareholder company.

11.2 *- Shareholders are liable for corporate liabilities only up to the limit of their contributions.*

The rights and obligations attached to the shares remain attached thereto irrespective of the holder.

Shareholders are automatically bound by the Articles of Association and by any decisions of the General Shareholders' Meeting.

11.3 *- Whenever it is necessary to own a certain number of shares in order to exercise any right whatsoever, the owners who do not possess the required number of shares must personally see to the pooling and, possibly, the purchase or sale of the necessary number of shares.*

Article 23 - Appropriation and distribution of profits:

In accordance with the Law, amounts are transferred to reserves from the profits of each year less prior losses. Five percent (5%) is withdrawn to form the legal reserve fund.

Such withdrawal shall cease to be mandatory once said fund reaches one-tenth of the share capital; it shall become mandatory once again when, for any reason, the legal reserve drops below that percentage.

Distributable profits shall consist of net income for the fiscal year less prior year losses and amounts transferred to reserves pursuant to the Law or the Articles of Association, plus retained earnings.

Distributable profits are at the disposal of the General Shareholders' Meeting, which may, in part or in full, carry them forward, allocate them to general or special reserves or distribute them to shareholders, without distinction of category.

The General Shareholders' Meeting may decide to distribute sums withdrawn from reserves that are at its disposal. In such case, the decision shall expressly state the reserve accounts from which the withdrawals are made.

Following the approval of the accounts by the General Shareholders' Meeting, any losses shall be entered in a special account to be charged against profits of subsequent fiscal years until the losses are cleared.

Share dividends shall be paid at the times and in the places determined by the General Shareholders' Meeting or the Board of Directors within a maximum period of nine months as of the year-end. This period may be extended by a court order.

5.2.4 Modification of shareholders' rights

Shareholders' rights as they appear in the Company's Articles of Association can only be modified by the Extraordinary General Shareholders' Meeting of the Company. Any increase in the commitments of shareholders must be decided under the terms and conditions and in accordance with the methods provided by law.

5.2.5 Clauses likely to have an impact on the control of the Company

The Company's Articles of Association do not contain any measures that would permit the delay, deferment or prevention of a change in control.

5.2.6 Provisions regarding the crossing of thresholds

Where an individual or corporate shareholder, acting alone or in concert, comes to own, directly or indirectly, within the meaning of Articles L. 233-7 *et seq.* of the French Commercial Code, one percent (1%) or more of the share capital or voting rights, this shareholder must, on crossing this threshold and each additional threshold of one percent (1%) of the share capital and voting rights, inform the Company of the information set out in Article L. 233-7 of the French Commercial Code and notably the total number of shares, voting rights and securities granting future access to shares to be issued and related voting rights held.

In determining these thresholds, account will also be taken of shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code. This information must be sent to the Company's head office by registered letter with return receipt requested, within five (5) stock market days of the acquisition date of the shares or voting rights resulting in the crossing of one or more thresholds.

In the event of failure to comply with the provisions of this article, at the request of one or more shareholders with combined holdings representing at least five percent (5%) of the Company's share capital or voting rights, recorded in the minutes of the General Shareholders' Meeting, the shares or voting rights not disclosed within the above period will be stripped of voting rights. This sanction will apply for all General Shareholders' Meetings during a two-year period from the date on which the failure to disclose is rectified.

The above reporting obligation similarly applies when the amount of share capital and/or voting rights held falls below a one percent (1%) threshold.

In the fiscal year, Claranova was not aware of any declarations of threshold crossings.

5.2.7 Rules governing amendments to the Articles of Association

The rules governing amendments to the Articles of Association are set out in prevailing legislation. Claranova's new Articles of Association were unanimously adopted by the Extraordinary General Shareholders' Meeting of June 11, 2019.

5.3 Share capital

As of the filing date of this document, after the reverse stock split on August 1, 2019, the share capital stood at €39,442,878 divided into 39,442,878 shares of the same class with a par value of €1 each, all entirely subscribed and fully paid up.

There are no specific provisions in the Articles of Association regarding the modification of the share capital or the voting rights associated with the securities that comprise it.

Please refer to Section 5.4.1 below regarding the distribution of the share capital and voting rights.

5.3.1 Share capital history

Date	Transaction	Number of shares issued	Par value	Number of shares comprising the share capital	Share capital amount
5/1/1984	creation		F100	200	F20,000
9/10/1985	share capital increase	300	F100	500	F50,000
10/27/1987	share capital increase	2,000	F100	2,500	F250,000
10/27/1989	share capital increase	2,305	F100	4,805	F480,500
1/10/1990	share capital increase	0	F500	4,805	F2,402,500
6/10/1994	share capital increase	1,420	F500	6,225	F3,112,500
7/25/1996	share capital increase	623	F500	6,848	F3,424,000
8/14/1996	share capital increase	0	F1,170	6,848	F8,012,160
8/14/1996	reduction of par value	794,368	F10	801,216	F8,012,160
12/11/1996	share capital increase	401,000	F10	1,202,216	F12,022,160
7/15/1998	share capital increase	23,876	F10	1,226,092	F12,260,920
1/20/1999	share capital increase	176,127	F10	1,402,219	F14,022,190
9/14/1999	share capital increase	13,940	F10	1,416,159	F14,161,590
3/10/2000	share capital increase	50,503	F10	1,466,662	F14,666,620
4/25/2000	share capital increase	149,333	F10	1,615,995	F16,159,950
4/25/2000	reduction of par value	1,615,995	F5	3,231,990	F16,159,950
8/2/2000	share capital increase	47,000	F5	3,278,990	F16,394,950
5/18/2001	share capital increase	177,602	F5	3,456,592	F17,282,960
5/21/2001	share capital increase	144,626	F5	3,601,218	F18,006,090
10/17/2001	share capital increase	47,202	F5	3,648,420	F18,242,100
10/17/2001	conversion into euros	0	€1	3,648,420	€3,648,420
6/21/2002	share capital increase	14,352	€1	3,662,772	€3,662,772
1/14/2003	share capital increase	8,000	€1	3,670,772	€3,670,772
10/10/2003	share capital increase	1,000,833	€1	4,671,605	€4,671,605
1/15/2004	share capital increase	46,700	€1	4,718,305	€4,718,305
1/27/2005	share capital increase	1,146,851	€1	5,865,156	€5,865,156
3/31/2005	share capital increase	244,872	€1	6,110,028	€6,110,028
3/15/2006	share capital increase	484,452	€1	6,594,480	€6,594,480
10/3/2006	share capital increase	340,909	€1	6,935,389	€6,935,389
3/14/2007	share capital increase	54,916	€1	6,990,305	€6,990,305
4/3/2007	share capital increase	746,268	€1	7,736,573	€7,736,573
4/10/2007	share capital increase	2,333,318	€1	10,069,891	€10,069,891
5/10/2007	share capital increase	207,646	€1	10,277,537	€10,277,537
5/7/2008	share capital increase	221,716	€1	10,499,253	€10,499,253
2/3/2009	share capital increase	80,844	€1	10,580,097	€10,580,097

Date	Transaction	Number of shares issued	Par value	Number of shares comprising the share capital	Share capital amount
3/20/2009	share capital increase	3,205,115	€1	13,785,212	€13,785,212
6/11/2009	share capital increase	83,850	€1	13,869,062	€13,869,062
11/25/2009	share capital increase	14,902	€1	13,883,964	€13,883,964
2/15/2010	share capital increase	2,221,434	€1	16,105,398	€16,105,398
6/10/2010	share capital increase	85,333	€1	16,190,731	€16,190,731
2/11/2011	share capital increase	1,916,667	€1	18,107,398	€18,107,398
5/5/2011	share capital increase	79,500	€1	18,186,898	€18,186,898
7/27/2011	share capital increase	97,000	€1	18,283,898	€18,283,898
12/9/2011	share capital increase	258,264	€1	18,542,162	€18,542,162
5/9/2012	share capital increase	30,200	€1	18,572,362	€18,572,362
6/27/2012	share capital increase	371	€1	18,572,733	€18,572,733
11/8/2012	share capital increase	60,000	€1	18,632,733	€18,632,733
2/5/2013	share capital increase	64,841	€1	18,697,574	€18,697,574
5/14/2013	share capital increase	45,000	€1	18,742,574	€18,742,574
7/25/2013	share capital increase	902,000	€1	19,644,574	€19,644,574
9/25/2013	share capital increase	500,000	€1	20,144,574	€20,144,574
2/13/2014	share capital increase	450,000	€1	20,594,574	€20,594,574
5/6/2014	share capital increase	500,000	€1	21,094,574	€21,094,574
5/6/2014	share capital increase	13,250	€1	21,107,824	€21,107,824
6/27/2014	share capital increase	300,000	€1	21,407,824	€21,407,824
6/27/2014	share capital increase	5,946,617	€1	27,354,441	€27,354,441
9/2/2014	share capital increase	2,621,963	€1	29,976,404	€29,976,404
2/10/2015	share capital increase	6,151	€1	29,982,555	€29,982,555
4/9/2015	share capital reduction	0	€0.1	29,982,555	€2,998,255.50
6/16/2015	share capital increase	345,000,000	€0.1	374,982,555	€37,498,255.50
8/11/2015	share capital increase	240,000	€0.1	375,222,555	€37,522,255.50
6/28/2016	share capital increase	96,000	€0.1	375,318,555	€37,531,855.50
11/23/2017	share capital increase	17,935,233	€0.1	393,253,788	€39,325,378.80
3/19/2018	share capital increase	320,000	€0.1	393,573,788	€39,357,378.80
6/28/2018	share capital increase	40,000	€0.1	393,613,788	€39,361,378.80
2/19/2019	share capital increase	240,000	€0.1	393,853,788	€39,385,378.80
2/21/2019	share capital increase	575,000	€0.1	394,428,788	€39,442,878.80
8/1/2019	reverse stock split	0	€1	39,442,878	€39,442,878

5.3.2 Other securities granting access to the share capital

Information relating to the other securities granting access to the share capital, either under currently active free share, stock option, share subscription warrant or convertible bond plans, is presented in Note 22.3 to the consolidated financial statements, in Chapter 2 of this document.

5.3.3 Pledging of share capital

To the best of the Company's knowledge, there are no pledges, guaranties or collateral affecting Claranova's share capital.

5.3.4 Securities not representing share capital

As of the date of this document, the Company has not issued any securities that do not represent share capital.

5.3.5 Information on the conditions governing acquisition rights and/or obligations associated with subscribed share capital not fully paid up, or regarding any endeavor intended to increase the share capital

None.

5.3.6 Information on the share capital of any Group member that is subject to an option or a conditional or unconditional agreement intended to make it subject to an option

Roger Bloxberg and Todd Helfstein (PlanetArt Chief Executive Officer and Chairman, respectively) hold an option to acquire a stake in PlanetArt. For further information, please see Note 30.1 of the Consolidated Financial statements, in Chapter 2 of this document.

The subsidiary myDevices set-up a stock option plan for its managers and employees (see Note 22.3 to the consolidated financial statements, in Chapter 2 of this document).

myDevices committed to grant share subscription warrants to a commercial partner; the number of the warrants is dependent on payments made by this partner to myDevices. For further information, please see Note 22.3 of the consolidated financial statements, in Chapter 2 of this document.

As part of the acquisition of the Canadian group by the internet business segment on July 1, 2018, the share purchase agreement specifies that the minority shareholders of the Canadian group can convert their residual investment into Avanquest Software SAS shares. For further information on the acquisition, please see Note 4 to the consolidated financial statements, in Chapter 2 of this document.

5.3.7 Share buyback program

The Ordinary and Extraordinary General Shareholders' Meeting of December 13, 2018, in its 30th resolution, authorized a share buyback program in accordance with Article L. 225-209 of the French Commercial Code, replacing the previous authorization granted by the Extraordinary General Shareholders' Meeting of November 30, 2017.

The objectives of the share buyback program are to facilitate the following transactions:

- the management of the equity market under a liquidity contract entered into with an investment services provider that complies with the Ethical Charter recognized by the French Financial Markets Authority (*Autorité des marchés financiers*, AMF);
- the grant or sale of shares to employees and/or corporate officers of the Company or affiliated companies, on the terms and by the methods provided by law, and notably in the context of the French statutory profit-sharing scheme, through the grant of free shares, or in the event of the exercise of share purchase options or employee share ownership transactions reserved for members of a company savings plan;
- the retention of shares and their subsequent presentation in payment or exchange for potential external growth, merger, demerger or contribution transactions;
- their use in any transaction to hedge the Company's commitments involving financial instruments notably covering changes in the Company's share price;
- the delivery of shares on the exercise of rights attached to securities granting access, immediately or in the future, by redemption, conversion, exchange, presentation of a warrant or any other means of awarding Company shares, and the performance of all hedging transactions relating to the issue of such securities, under the terms stipulated by the market authorities and at the times the Board of Directors sees fit;
- the cancellation of some or all of the shares via a share capital reduction (specifically in order to optimize cash management, the return on equity or earnings per share);
- the implementation of any market practice that may be permitted by the AMF and more generally the carrying out of any transaction that complies with prevailing regulations.

5.3.7.1 Terms and conditions of the share buyback program

The Ordinary General Shareholders' Meeting decided that the maximum purchase price per share may not exceed the higher of the last independent transaction (most recent share price) and the current highest independent offer on the market where the purchase is performed.

Claranova may acquire a maximum of 10% of the share capital. The buyback authorization was granted for a period of 18 months, *i.e.* until June 13, 2020.

5.3.7.2 Liquidity contracts or share buyback conracts

Claranova implemented a share buyback agreement with Invest Securities on June 28, 2018, covering Claranova shares admitted to trading on Euronext Paris 6 - Eurolist Compartment B, in accordance with the Ethics Charter established by the French Financial Markets Association (AMAFI) and approved by the AMF on March 21, 2011, for a maximum amount of €5 million, and a maximum of 7 million shares. The shares may be purchased at a maximum unit price of €1. The buyback authorization was granted for a period of 18 months, *i.e.* until May 29, 2019.

5.3.7.3 Registered treasury shares

During the fiscal year ended June 30, 2019, 2,226,460 shares were acquired under the share buyback program of June 28, 2018.

Date	Number of shares purchased	Price
7/2/2018	73,160	0.862
7/4/2018	100,000	0.888
7/5/2018	105,000	0.864
7/6/2018	160,000	0.837
7/9/2018	217,500	0.810
7/10/2018	91,000	0.803
7/11/2018	90,000	0.804
7/12/2018	200,000	0.849
7/13/2018	90,300	0.873
10/4/2018	100,000	0.939
10/5/2018	125,000	0.939
10/8/2018	172,500	0.942
10/9/2018	175,000	0.919
10/10/2018	210,000	0.904
10/11/2018	317,000	0.849
TOTAL	**2,226,460**	

Average purchase price €0.872. Commissions before taxes: €9,307.43.

Treasury shares held by Claranova were as follows on June 30, 2019, before the reverse stock split:

	Number of shares	% treasury shares	Net carrying amount	Market value
Bearer shares	2,421,251	0.61%	€2,002,128.23	€1,887,365.15

5.3.8 Employee share ownership

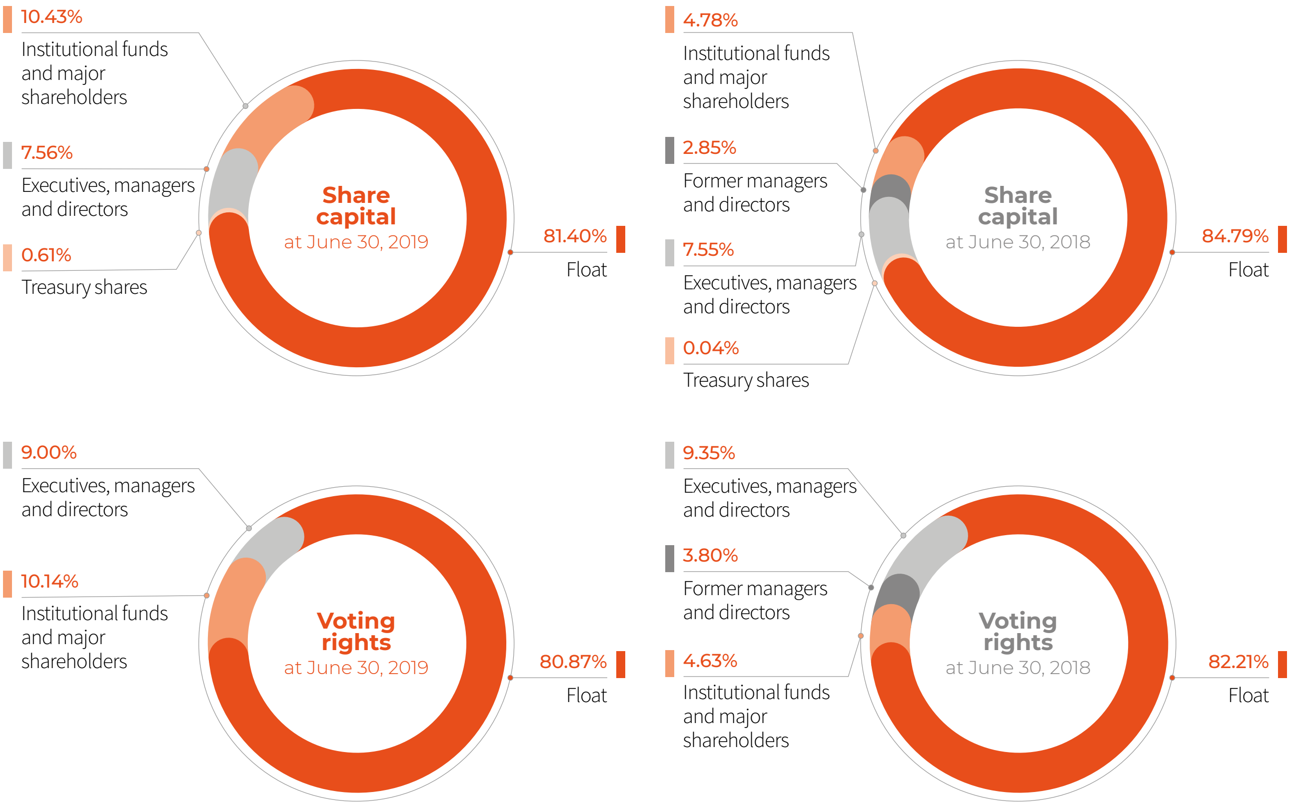
As of June 30, 2019, the employees of the Company, and of associated companies within the meaning of Article L. 225-180 of the French Commercial Code, held no Claranova shares under a company savings plan provided for in Articles L. 3331-1 *et seq.* of the French Labor Code. Likewise, no employees or former employees of Claranova held shares under a company investment fund governed by Articles L. 214-39 and L. 214-40 of the French Monetary and Financial Code.

5.4 Main shareholders

5.4.1 Company shareholders

The Company's shareholder base breaks down as follows as of June 30, 2019, before the reverse stock split on August 1, 2019:

Shareholder	Number of shares	% share capital	Number of voting rights	% voting rights
Executives, managers and directors	29,803,047	7.56%	36,492,870	9.00%
Institutional funds and major shareholders	41,131,323	10.43%	41,131,323	10.14%
Float	321,073,167	81.40%	328,044,868	80.87%
Treasury shares	2,421,251	0.61%		
TOTAL	**394,428,788**	**100%**	**405,669,061**	**100%**



To the Company's knowledge, Pierre Cesarini is the sole shareholder holding, directly or indirectly, more than 5% of the share capital or voting rights.

5.4.2 Control

On the date of filing this document, the Company is not controlled, either directly or indirectly, as defined by European regulations.

5.4.3 Shareholders' agreement

To Claranova's knowledge, there are no shareholders' agreements or concerted actions by shareholders as of June 30, 2019.

5.4.4 Summary statement of share transaction declarations

No transactions in the Company's shares (Article L. 621-18-2 of the French Monetary and Financial Code) were performed by managers, corporate officers or their relatives in fiscal year 2018-2019, except under the share subscription warrant plan, as detailed in Section 3.3.1 of this document.

5.5 Dividend policy

The Company has never paid dividends on its shares. Pursuant to the policy it communicated at the time of its IPO, the Company intends to reinvest its profits in order to finance its growth and does not plan to pay dividends in the short term. This position may nevertheless be re-assessed annually.

5.6 Items likely to have an impact in the event of a public offer

Certain commercial and financial agreements concluded by the Company, and certain Group companies, have termination clauses in the event of a change in control. The provisions of these agreements, and indeed for some, their mere existence, are covered by confidentiality agreements whose violation would likely have a serious impact on the Company's interests due to the risk resulting from their termination for default. Nevertheless, in the case of a public offer, these items should have a relatively small impact.

5.7 Market for the security

5.7.1 General information

- ISIN code as of June 30, 2019: FR0004026714.
- New ISIN code as of August 1, 2019 after the reverse stock split: FR0013426004.
- Listing market: Euronext Paris – Eurolist Compartment B.
- Number of shares listed as of June 30, 2019: 394,428,788.
- Closing price as of June 30, 2019: €0.78.
- Market capitalization as of June 30, 2019: €307 million.
- Initial listing on the *Nouveau Marché* on December 5, 1996.

Claranova reverse stock split

On June 20, 2019, the Claranova group announced the implementation conditions of a reverse stock split of 1 new share for 10 existing shares. This transaction was unanimously approved by Company shareholders at the Extraordinary General Shareholders' Meeting of June 11, 2019. The par value of the Claranova share was increased in proportion to the exchange parity from €0.10 to €1. The reverse stock split commenced on July 1, 2019 in accordance with the terms of the reverse stock split notice published in the French Legal Gazette (BALO) on June 14, 2019. The former Claranova shares (ISIN code: FR0004026714) were delisted from the Euronext market on July 31, 2019 and replaced by the new Claranova shares (ISIN code: FR0013426004) on August 1, 2019. The ticker symbol (CLA) is unchanged.

Share buyback program

Information relating to the share buyback program is presented in Section 5.3.7 of this document.

5.7.2 Share price trends during the fiscal year

Month	Trading volume	Average price *(in €)*	High *(in €)*	Low *(in €)*
July 2018	46,699,575	0.855	0.915	0.786
August 2018	38,863,245	0.832	0.932	0.802
September 2018	83,737,150	0.921	1.126	0.775
October 2018	114,075,692	0.836	1.103	0.668
November 2018	95,476,811	0.756	0.917	0.683
December 2018	93,857,897	0.623	0.810	0.476
January 2019	83,993,319	0.670	0.799	0.563
February 2019	79,604,765	0.692	0.818	0.628
March 2019	51,516,058	0.734	0.785	0.680
April 2019	74,816,512	0.820	0.923	0.684
May 2019	48,089,660	0.833	0.885	0.793
June 2019	35,247,791	0.795	0.847	0.725

Source Euronext.

6

Group corporate Social Responsibility and Environmental management report

This non-financial report, previously referred to as the Social, Environmental and Societal Responsibility report, sets out Claranova's responsible approach towards all of its internal and external stakeholders.

Claranova is not required by law to publish a Non-Financial Performance Statement. Nonetheless, the Group wishes to develop its responsibility through continuous improvement and transparency. This chapter therefore presents an overview of its commitments, actions and performance.

The selected information covers Claranova's major Social, Environmental and Societal Responsibility challenges, that is:

- the most important challenges for its stakeholders;
- the challenges with the greatest impact on the Group's activities.

For each of these challenges, Group Management has selected data and indicators that are published in this report, taking account of their relevance and effectiveness in reporting on the Group's responsible approach. They are reassessed annually and on changes in the Group's scope.

Our responsibility

Broader responsibility

Claranova's responsibility fits within a highly favorable environment: strong and accelerating Group growth, in a civil society with increasing environmental, social and societal expectations. Beyond its own needs, Claranova is mindful to meeting the expectations of its stakeholders, within an expanding scope. The Group's responsibility is broadening.

With another year of vigorous growth and the addition of new businesses, Claranova is clearly on the path to sustainable growth. This momentum is based on a change in its governance, a strategic refocus on its core activity and the development of the Group's target business models. These extensive changes have involved transformation of practices that the teams have been strongly committed to for years, achieving excellent results.

The societal context in which Pierre Cesarini steered this transition has also changed: society's expectations of companies, especially digital companies, have never been so high. As such, the environmental and societal impact of products, the capacity to foster employee commitment, as well as the ability to innovate in a manner that is agile, demanding and responsible, are topics debated in the Group, both in France and throughout the world.

A culture of initiative

The momentum driven by the recent reorganization of the Group has heightened demands in terms of managing the different entities. This fresh impetus can be seen in its Corporate Social Responsibility policy. In concrete terms, reductions in consumption and the attention to sustainable development, are not experienced as constraints, but as vectors of growth and profitability.

This company culture, promoted throughout the Group, is embedded found in the practices of all of the entities. As decentralization is at the heart of the Group's DNA, it is the responsibility of each entity to implement this culture, in line with the regulations and culture specific to each country.

Claranova's overall ambition of excellence, since it was created, means that the Group imposes on itself rules of conduct that go above and beyond regulatory standards. The Group's CSR (Corporate Social Responsibility) policy and monitoring of non-financial indicators is part of a long-term, continuous improvement process within an organization that promotes the autonomy of its subsidiaries.

Our responsibility: 12 major challenges

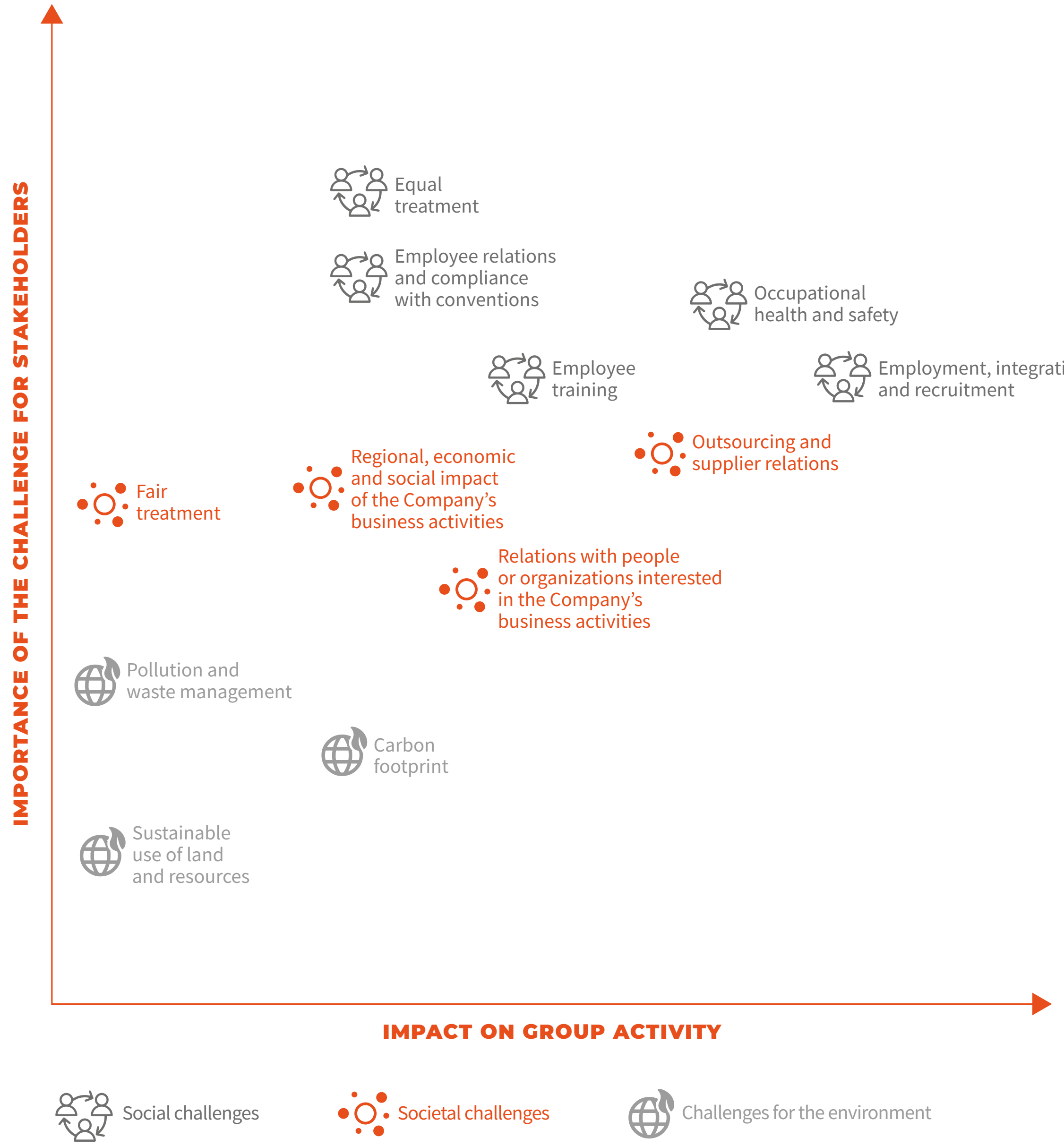
Against this backdrop, Claranova has defined its major challenges.

This year, we have chosen a standard presentation format, organized around three pillars:

1. **social**: for its employees, good working conditions, skills and career development, the recognition of talent, and respect for fairness and equal opportunities;
2. **societal**: for its customers, the full use of the Group's skills and an objective of operational excellence; for its suppliers, fair and transparent relationships; for civil society, the availability of the best digital products and services, training assistance and autonomy for individuals with disabilities;
3. **for the environment**, limiting its environmental impact.

In 2020, Claranova will map its CSR risks and challenges. This work may identify new areas of responsibility.

CLARANOVA GROUP'S NON-FINANCIAL CHALLENGES



Diversity: a priority

Claranova considers diversity, in all its forms, to be a source of wealth. The Group's competitiveness relies upon the talents and motivation of the men and women who contribute to its growth.

In particular, the promotion of women is a strategic priority for Claranova. The Group refuses stereotypes, many of which remain in the digital sector. Our proactive policy is successful. Nearly 40% of our employees are women. The skills of women are recognized at the highest level: 50% of the members of the Management Board are currently women, namely, Luisa Munaretto and Caroline Bouraine Le Bigot, both Vice-Chairwomen of the Board.

The Group also promotes synergies between cultures. This is essential for our international group, that earns more than 90% of its revenue outside France.

Lastly, the skills and experience of older employees are valued just as much as those of our young graduates and students. Experienced, older workers are seen as guarantors of the transmission of the Group's know-how and ability to innovate.

Innovation: a service for our customers and a benefit to society

The growth of the IoT (Internet of Things) segment, is proof that it meets market needs and is able to respond to today's major economic and societal transformations. Using these solutions, our corporate customers can easily integrate IoT solutions into their processes. Among the current infinite uses, the majority present a recognized societal and environmental benefit. They improve, among other things, consumption monitoring, product quality and the reliability of installations. Several software and services provide a line of defense against IT pirates, cyber-threats and malware, or increase the security of online payment systems.

6.1 Employee information

The Claranova group's success can only be achieved with the support of all the employees of its subsidiaries. They are among its most precious assets. The Group's ambition is to take steps to ensure that the men and women can personally grow as stakeholders in the Company's long-term project. Through their deep commitment, they place the Group on the path to success. Our Management is convinced that favorable working conditions, skills and career development, recognition of talent, fair treatment, and equal opportunity are key to the success of our strategic plan. These practices are vectors of innovation, responsiveness, reliability and expertise, for the benefit of our customers.

6.1.1 Employment, integration and recruitment

Employment and working hours

Employee numbers at the end of June 2019 are up year-on-year, following the integration of the Adaware, SodaPDF and Upclick businesses in the Group's Internet segment. This growth in employee numbers will continue, with the recent acquisition of Personal Creations®. The personalized gifts business of the US group, FTD Companies, Inc., was acquired by the Mobile segment after the 2018-2019 year-end and the integration of its employees was ongoing at the time of publishing of this document.

The integration of new activities, and therefore new employees, is a challenge for the Group. Claranova seeks to preserve each entity's specific culture and innovation, while encouraging synergies and promoting Group growth levers.

The photo-printing and personalized gifts business experiences an end-of-year peak in Christmas-related sales. As a result, large numbers of extra staff are hired to help the Company provide the best customer service possible.

Full-time on-site work is the norm within the Group, as this promotes employee adoption of the corporate culture. The proportion of part-time work or work from home was relatively unchanged on the previous fiscal year.

The use of mobile tools promotes a good work-life balance. These tools help to improve the quality of life at work by giving workers more flexibility in the management of their schedules. For example, the subsidiary in Germany allows all employees to work from home one day a week. In France, occasional telecommuting is a widespread practice, and some employees even work full-time on a remote basis.

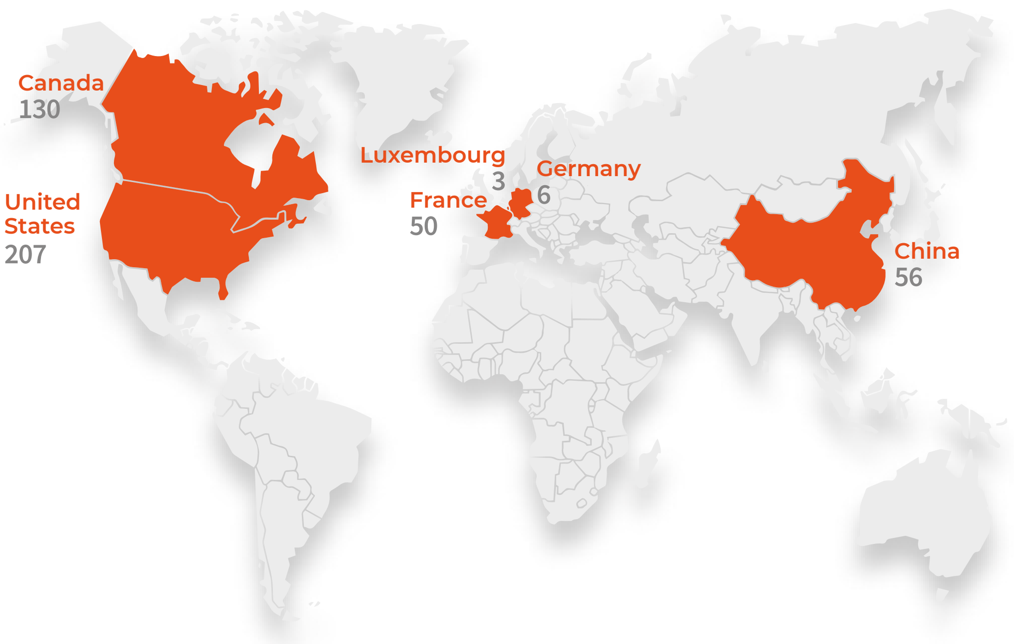
Except for compliance with national regulations, there are no standardized practices concerning overtime and work performed on weekends or statutory holidays. Local managers are encouraged to cut out overtime, except in exceptional cases.

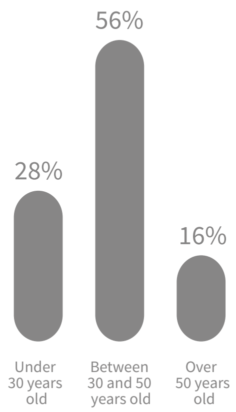
Compensation and employee shareholding

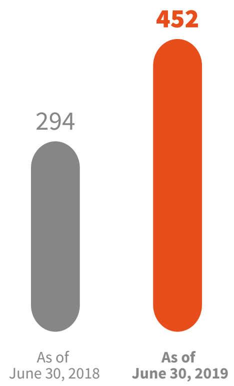
For the 2018-2019 fiscal year, the Group's wage bill (salaries and bonuses, excluding employer contributions and expenses relating to share-based payments) amounted to €38.8 million. To promote general employee commitment and motivation, individual wage increases are based on annual performance appraisals for each employee.

A certain number of the Group's staff are shareholders of the Company or one of its subsidiaries, through the grant of free shares or stock options. Share grant plans are intended to motivate and build commitment in employees worldwide and will continue.

GEOGRAPHICAL DISTRIBUTION







6.1.2 Occupational health and safety

The managers of the Group's subsidiaries have identified the main health hazards to which employees are exposed. They are associated with workstations, the use of screens and office activities and mainly include musculoskeletal disorders, stress and psychosocial risks.

Committees have been set up in France and the United States to prevent these risks. In Germany, a health and safety officer tracks the risks.

For example, in France, meetings with the Social and Economic Committee (SEC), help prevent the risk of accidents, as well as employee health problems and contribute to well-being in the workplace. Through working together, telecommuting has become more common place, a coffee machine has been introduced and the dining area has been reorganized.

No formal agreement has been signed concerning occupational health and safety.

A health insurance plan is offered to full-time employees in all Group subsidiaries.

There were no occupational accidents in the past three fiscal years.

6.1.3 Employee relations and compliance with Conventions

Promoting social dialogue is part of the Group's culture. There is no standardized Group-wide procedure, as the Group wishes to meet employee needs by maintaining human resource management at local level. Practices therefore vary among subsidiaries, depending on national regulations, laws and culture.

For example, Management holds regular meetings with the Social and Economic Committee (CSE) at the Group's head office. These meetings are the focus of meaningful interactive sessions where all issues may be examined and discussed. A collective agreement, covering the organization of working time and professional equality, was signed in December 1999, in compliance with French law on employee representation.

In France and Germany, formal meetings are held with employee representatives at the legally required frequency.

There are no such regulations in the United States, and the US subsidiary has an "open-door" policy in this regard.

The industry uses highly qualified, mobile employees. This type of profile and the absence of any manufacturing activity considerably limits the risk of non-compliance with the stipulations of the International Labor Organization's (ILO) Fundamental Conventions. Furthermore, the mainly commercial activities are chiefly performed in developed countries where such practices are very rare.

6.1.4 Training and career development

Training

The digital sector is undergoing constant and rapid change. Generally speaking, all our employees are qualified. In this context, Claranova considers skills development a priority for the Group. Training is a vector for excellence in our Group.

Individual appraisals are conducted annually. They identify training expectations and needs and match them with training programs.

For example, the Paris head office holds two meetings with employee representatives every year – the first to review the training sessions given during the year, and the second to present the coming year's training program, along with the allocated budget.

In France, 82 hours of training were provided in FY 2018-2019 to five employees. The number of training hours was, on average, approximately two hours per employee, or a 59% drop on the 2017-2018 level. This is due to fewer training requests.

In Canada, "lunch & learn" sessions are organized regularly, allowing several dozens of employees to get training on various topics ranging from management to strategy during their break.

Career development

In this constantly evolving industry, Claranova is committed to ensuring that all generations work together to maintain the highest skill level. The Group makes retraining a priority and promotes internal mobility.

6.1.5 Fair treatment

Fair treatment and equal opportunity are part of Claranova's fundamental values The Group considers diversity an asset and a key success factor. In concrete terms, beyond mere compliance with regulations, measures related to gender equality, parenthood and the prevention of discrimination are implemented by each subsidiary, in keeping with local issues and expectations.

The Group's Board of Directors confirms annually the continuation of measures related to gender equality, parenthood and the prevention of discrimination implemented in the Company and its subsidiaries; the continued roll-out of mobile tools to promote remote working and to encourage occasional home working, thereby improving the work-life balance and promoting gender equality through human resource strategies such as strengthening women's role in the Group through recruitment.

Data concerning the agreements signed in the entities is not consolidated and therefore not available.

For example, Avanquest North America, PlanetArt and myDevices allow paternity leave.

Avanquest China provides a bonus for the first child and the possibility of taking paternity leave.

The Group's disability policy seeks to promote job integration and the continuing employment of workers with disabilities, in compliance with the legal requirements applicable in the countries where the Group's subsidiaries operate. The Group goes beyond the basic regulatory requirements whenever possible. For certain outsourced services (gardening, office supplies, printing, *etc.*), it calls on sheltered-sector or job-integration companies.

For example, the Paris head office conducts an office cleaning operation every year which results in the collection of over one metric ton of IT equipment and magnetic media. This equipment is either recycled or securely destroyed by a disabled-friendly company, committed to sustainable development. In addition, part of the ongoing paper collection and recycling system is managed by job-integration companies. Moreover, for many years now, the packaging of certain French products distributed or produced by Avanquest Software has been chiefly handled by a company employing people with disabilities which provides support through employment (known as an "ESAT" in France).

6.2 Societal information

As a global Internet player, Claranova is one of the few French companies in this segment to exceed €260 million in revenue. The Group's size and lean organization nonetheless allow it to cultivate a feeling of proximity. As an employer, customer or patron, Claranova is involved in the development of local communities in the regions where it operates.

6.2.1 Outsourcing and supplier relations

The Claranova group's main suppliers are printers, software developers and logistics service providers. While the Group does not yet have a formal responsible purchasing policy, *ad hoc* initiatives take into account environmental and social factors.

For example, for many years now, the Group's French head office has called on the services of an aid organization which provides support for disabled persons through employment (ESAT Suzanne Lawson, managed by Association des Papillons Blancs des Rives de Seine*). This establishment, which employs 95 persons recognized as disabled, performs a large amount of packaging work for Avanquest Software SAS.*

Moreover, the Group's head office entrusts the recycling of its IT equipment – computers, magnetic media, batteries, etc. – to APR2, a disabled-friendly company which combines sustainable development and economic solidarity by employing a majority of individuals in difficulty.

6.2.2 Regional, economic and social impact of the Company's business activities

The Group recruits locally in the countries where it operates. In particular, the North American subsidiary has signed numerous contracts with local companies and recruits staff at local universities to contribute to value creation. The Paris head office also has a long tradition of taking in trainees and students under work-study contracts. As of June 30, 2019, four young people were added to the teams, in the areas of development, graphics, marketing and administration. Intergenerational exchanges and the training of young people are a priority for the Group and constitute an asset for its future.

6.2.3 Relations with people or organizations interested in the Company's business activities

Protection of customer personal data

Claranova is vigilant about protecting customers' personal data. This challenge has always been of great importance given the Group's historical activities and is treated with the utmost rigor. In accordance with the European General Data Protection Regulation (GDPR) that took effect on May 25, 2018, the Group strengthened the protection of its customers' personal data.

Relations with associations and local education

The Group has always been committed to making the best of technology available to everyone through concrete actions and partnerships with non-profit organizations. Claranova develops software to help people to create, play and learn.

Additionally, in a spirit of solidarity, our subsidiaries commit locally to working with associations in their regions.

For example, our American subsidiary in California organizes a food drive every year with the help of volunteers, to support the work of local food banks.

6.2.4 Fair practices

Group Management promotes principles of ethics and transparency as key factors for its ongoing development. However, Claranova has not yet formally documented its policy.

Subsidiaries have implemented measures to prevent corruption and ensure compliance with business ethics and fair practices. Data on the roll-out of these action plans is not consolidated at Group level.

For example, the Group's American subsidiaries are subject to regular audits to prevent corruption.

Country consumer health and safety regulations are applied, and video games are supplied with warnings.

6.3 Environmental information

6.3.1 General policy concerning the environment

The service activities provided by Claranova group subsidiaries have a limited direct impact on the environment, compared to industrial activities. On the other hand, technological innovation allows, in certain activities, the reduction of the environmental impact of products, their logistical chain or the activities of its customers.

Environmental impact of our activities

There are no environmental risks or risks of significant pollution in the Claranova group's areas of activity. The Group does not produce or sell any toxic products. Moreover, the services provided are located in offices, with very limited risks in this regard.

At this stage, the Group has no formal environmental policy and has not taken any steps towards environmental certification. No site-specific or consolidated data are available as there is no centralized data collection system.

Nonetheless, Claranova monitors the environmental impact of its own activities. The Group is committed to making its teams aware of the environmental challenges and disseminating good practices.

Internet of Things: solutions to reduce the environmental impact of our customers

Following the signing of a commercial agreement with the American telecoms operator Sprint, the activity of the myDevices entity accelerated significantly. In a number of domains, new features acquired by businesses through connectivity offer a more detailed degree of equipment management. Depending on the segment, real-time monitoring has a favorable impact on product quality, foodstuff losses, energy and liquid consumption of buildings, proper server functioning, *etc*. It therefore allows better resource use, waste and emissions reduction and extension of equipment life. These measurable impacts are part of better environmental management of the business, and this trend concerns more and more business segments.

Some examples:

A connected cold room allows a restaurant manager to act very quickly when there is a breakdown, preventing the loss of foodstuffs stored there. In addition, assurance of the continuity of the cold chain is more reliable than through manual and separate verifications, which in turn improves food safety.

Monitoring the humidity and temperature of a datacenter helps prevent costly repairs or replacement of equipment in case of failure.

Remote real estate management helps optimize maintenance interventions, communicate good practices to occupants through detailed reporting, and detect leaks.

Connected rodent traps in a grain warehouse, for example, can be used to detect the rodent populations before they reach proportions that are difficult to manage, offering a non-toxic way of fighting infestations.

Online software sales, improved economy of use

While the software sold by the internet business segment is present in stores throughout the world, the online sales market continues to grow. With this dematerialized solution, the physical medium of the software is no longer necessary. The environmental impact of its life cycle is therefore reduced: the raw materials and energy necessary for manufacturing, the logistics chain for its distribution, the devices necessary for it to function, and its end of life management (recycling, landfill disposal, incineration, *etc*.).

Another advantage is that the customer pays exactly for what they consume. The number of software leases is adapted to the number of users in real time. When this number goes down, so does the number of subscriptions. Therefore, the energy consumption related to data storage and downloading is proportional to the use of the software.

6.3.2 Climate change – Carbon footprint

Claranova has a responsibility to combat climate change, like all other companies. While its greenhouse gas emissions remain low compared to those of industry, the Group is nevertheless committed to monitoring and reducing its own carbon footprint. Its footprint is mainly the result of employee travel.

Due to the Group's international scope, frequent meetings and exchanges involving all subsidiaries are required. To reduce the impact of such meetings, the Group has established several rules of conduct:

- reduce travel in favor of video conferences and telephone meetings;
- and, where this is not possible, prefer travel by train.

In order to limit the environmental impact of employee car journeys, the Group head office includes the CO_2 emitted by vehicles in its selection criteria when renewing its vehicle fleet. It therefore favors hybrid or electrical vehicles. The vehicle leasing firms supplying these vehicles are also tasked with tracking fuel consumption.

The Group head office travel agencies measure the carbon footprint of each employee's business trips, and publish an annual report on CO_2 emissions:

	2018-2019	2017-2018	2016-2017	2015-2016
Total CO_2 emissions from travel	295,529kg CO_2	162,171kg CO_2	180,383kg CO_2	239,043kg CO_2

The number of business trips increased significantly over the year due to the integration of the new activities.

Energy consumption, energy efficiency and the use of renewable energy remain a challenge for Claranova. Fluctuations in energy consumption largely depend on the air conditioning used in the server room. No general monitoring data are available as there is no Group-wide data collection system. At this stage, each subsidiary implements its own measures and tracks its own indicators.

6.3.3 Pollution and waste management

There is no standardized Group-wide procedure for waste management. Nevertheless, employees are strongly encouraged to set up initiatives within their own units: waste reduction, recycling, reuse, recovery and disposal. These practices are willingly implemented as they fit in with the culture of day-to-day responsibility observed in each country.

For example, the Group's North American subsidiaries recycle all of their paper, cardboard and ink cartridges. Employees have access to paper/cardboard shredders which enable the recycling of some of the packaging cardboard. The rest is handled by an external firm. Ink cartridges are recycled.

In the French offices, paper, batteries and printer cartridges are collected. Electronic and magnetic equipment, as well as light bulbs and fluorescent bulbs, are handled by specialized companies.

No significant risk has been observed in connection with the Claranova group's activity warranting measures for the prevention, reduction or remedying of discharges into the air, water or soil with serious impacts on the environment.

The Claranova group's activity does not generate any significant noise pollution, unpleasant odors or dust.

Food waste is not a major challenge for the Group.

No precise consolidated data is available as there is no Group-wide data collection system.

6.3.4 Sustainable use of land and resources

Given the nature of Claranova's activity, and the fact that all of the Group's premises are located in urban areas, its impact on sustainable land use is not significant.

The impact on water is limited. The exposure of activities to water-related issues is not significant (office activities). Water consumption and supply varies according to local restrictions and is not consolidated Group-wide.

Raw material consumption and measures taken to improve efficiency of use are not issues for Claranova, which does not use raw materials.

6.4 Methodology

All Group entities report their CSR data or non-financial indicators to the Finance Department, which is responsible for centralizing the data, *via* the same channels as for financial data.

In line with the Group's decentralized organization model, the data is not always consolidated. In fact, rules and definitions (particularly in relation to social aspects) may vary from one geographical entity to another. Operational effectiveness at a local level is prioritized.

As a result of its central role and direct links with the Human Resources Department and other operational Departments of the geographical entities, the Group's Finance Department is best placed to collect and verify the data circulated by the local entities. It provides a list of the data and indicators to be supplied.

The local contributors to the non-financial reporting process also provide financial reporting data, thereby helping to maintain the accuracy of the data collection and verification procedures.

Social data is collected on a monthly basis by the Group's Finance Department, and the environmental and societal data are collected every year. The consistency of the data (compared with data from prior years, and financial management data) is verified locally and then centrally.

6.5 Reporting changes in 2020-2021

Due to its growth, the Group will undoubtedly be subject to the regulatory requirement to publish a non-financial performance statement. Claranova will therefore adapt its report in 2019-2020 and, as such, will start implementing from 2020:

- an analysis of its CSR risks;
- reasonable policies and procedures on major CSR risks;
- non-financial reporting guidelines covering a range of non-financial performance key indicators;
- a non-financial data reporting system.

Claranova's business model is described in chapter 1.

7 Additional information

7.1 Persons responsible for the Universal Registration Document

7.1.1 Person responsible for the Universal Registration Document

Pierre Cesarini,
Chief Executive Officer, Chairman of the Board of Directors

Claranova

Immeuble Vision Défense

89/91, boulevard National

92257 La Garenne-Colombes Cedex

Tel.: 01 41 27 19 75

7.1.2 Declaration by the person responsible for the Universal Registration Document

I hereby certify, having taken all reasonable measures in this respect, that the information contained in this document is, to the best of my knowledge, true to fact and does not contain any omissions likely to affect its import.

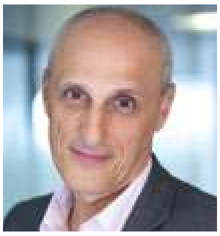
I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with applicable accounting standards and are a true representation of the assets, the financial position and the income of the Company and all the companies in the Group, and that the report on Corporate Governance, contained in this document as set out in the cross-reference table on page 165, provides a true representation of the business' development, the income and the financial position of the Company and all the companies in the Group and a description of the main risks and uncertainties facing them.

I obtained a letter from the Statutory Auditors at the end of their engagement indicating that they have verified the information concerning the financial position and financial statements presented in this document and have read the entire document. The historical financial information presented in this document has been the subject of Statutory Auditors' reports, presented in Sections 2.6 and 8.5 of the document.

La Garenne-Colombes, October 21, 2019

Pierre Cesarini
Chief Executive Officer, Chairman of the Board of Directors

7.1.3 Persons responsible for the financial information



Pierre Cesarini,
Chief Executive Officer, Chairman of the Board of Directors

Claranova,

Immeuble Vision Défense,
89/91 boulevard National,
92257 La Garenne-Colombes Cedex
Tel.: 01 41 27 19 75

Sébastien Martin,
Group Chief Finance Officer

Claranova,

Immeuble Vision Défense,
89/91 boulevard National,
92257 La Garenne-Colombes Cedex
Tel.: 01 41 27 19 75

7.2 Persons responsible for auditing the financial statements

7.2.1 Principal Statutory Auditors

Ernst & Young Audit

Tour First, 1/2, place des Saisons – 92400 Courbevoie.

On expiry of the term of office of Ernst & Young et Autres, the Ordinary General Shareholders' Meeting of November 29, 2018 appointed Ernst & Young Audit for a term of six fiscal years ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ending June 30, 2024. Previously, Ernst & Young Audit was the Auditor from 2006 to 2012 and Ernst & Young et autres from 2013 to 2018.

Ernst & Young Audit is represented by Jean-Christophe Pernet. The company is a member of the *Compagnie regionale des commissaires aux comptes de Versailles*.

Aplitec

Les patios Saint-Jacques. 4-14, rue Ferrus – 75014 Paris.

Appointed on February 12, 1998 for a period of six fiscal years, Aplitec's term of office was initially renewed for a period of six additional fiscal years by the Ordinary General Shareholders' Meeting of May 27, 2004. It was renewed a second time for a period of six additional fiscal years by the Ordinary General Shareholders' Meeting of July 28, 2010, and then a third time for a period of six additional fiscal years by the Ordinary General Shareholders' Meeting of November 30, 2016, *i.e.* until the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ending June 30, 2022.

Aplitec is represented by Stephane Lambert. The company is a member of the *Compagnie regionale des commissaires aux comptes de Paris*.

7.2.2 Alternate Statutory Auditors

Bruno Dechance

Les patios Saint-Jacques. 4-14, rue Ferrus – 75014 Paris.

Appointed on November 30, 2016 for a period of six fiscal years, *i.e.* until the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ending June 30, 2022.

7.3 Fees paid to the Statutory Auditors

	APLITEC			
	Amount *(in €)*		%	
	2018-2019	2017-2018	2018-2019	2017-2018
AUDIT (statutory audit, review and certification of separate and consolidated financial statements)				
• Issuer	151,300	113,700	75%	80%
• Fully-consolidated subsidiaries	51,500	29,200	25%	20%
SUB-TOTAL	**202,800**	**142,900**	**100%**	**100%**
ANCILLARY ASSIGNMENTS				
• Issuer			0%	0%
• Fully-consolidated subsidiaries			0%	0%
SUB-TOTAL	**0**	**0**	**0%**	**0%**
TOTAL	**202,800**	**142,900**	**100%**	**100%**

	Ernst & Young Audit			
	Amount *(in €)*		%	
	2018-2019	2017-2018	2018-2019	2017-2018
AUDIT (statutory audit, review and certification of separate and consolidated financial statements)				
• Issuer	203,825	123,250	59%	53%
• Fully-consolidated subsidiaries	143,852	109,047	41%	47%
SUB-TOTAL	**347,677**	**232,297**	**100%**	**100%**
ANCILLARY ASSIGNMENTS				
• Issuer			0%	0%
• Fully-consolidated subsidiaries			0%	0%
SUB-TOTAL	**0**	**0**	**0%**	**0%**
TOTAL	**347,677**	**232,297**	**100%**	**100%**

7.4 Auditors who resigned or were dismissed during the period covered by the historical financial information

None.

7.5 Major contracts

No major contracts, other than those signed in the normal course of business, have been signed in the two years preceding the publication of this document.

7.6 Documents available to the public

7.6.1 Availability of the Universal Registration Document

The Universal Registration Document is available at the Company's head office at 89/91, boulevard National – 92257 La Garenne-Colombes Cedex - France, as well as on the Claranova group's website at www.claranova.com. It is also available on the French Financial Markets Authority's website (www.amf-france.org).

The following documents may be consulted at the Company's head office during the validity period of this document:

- the Company's Articles of Association;
- all reports, correspondence and other documents, historical financial information, evaluations and statements prepared by experts at the request of Claranova, certain of which are included or referred to in this document;
- the historical financial information of the issuer and its subsidiaries for each of the two fiscal years preceding the publication of the Registration Document.

Pursuant to Article 221-3 of the AMF's General Regulation, all regulatory information referred to in Article 221-1 of this regulation is available on the Company's website (www.claranova.com).

7.6.2 List of press releases

Please find below a list of the press releases published online by the Company since the 2017-2018 Registration Document was made available, *i.e.* since October 2, 2018 (excluding monthly disclosures of the number of shares and voting rights and regulatory information concerning the liquidity contracts):

10/5/2018	Claranova will be present at the European Large & Midcap Event on October 8 and 9 in Paris (French only)
10/15/2018	myDevices and Arm Partner to Simplify IoT
10/16/2018	Claranova will be present at the Berenberg Pan-European Discovery Conference USA 2018
11/7/2018	Q1 2018-2019 revenue: growth acceleration confirmed: +61% to €48.2 million
11/8/2018	Claranova management accompanies the Group's growth - Invitation to Claranova SA's Annual Ordinary and Extraordinary General Shareholders' Meeting on November 29, 2018
11/29/2018	Claranova will be present at the Geneva MidCap Event on December 4 and 5 (French only)
12/4/2018	Claranova group 2019 financial calendar
1/24/2019	PlanetArt strengthens its position in Europe: Launch of the FreePrints applications in the Netherlands
2/6/2019	Strong revenue growth in H1 2018-2019: €140 million up 55%
2/11/2019	Claranova will be present at the European MidCap Event on February 12 in Frankfurt (French only)
2/25/2019	myDevices to Connect Hundreds of LoRaWAN Sensors to Microsoft Azure
2/27/2019	Claranova : Launch of FreePrints in Belgium - 10th country offering PlanetArt apps
3/27/2019	Claranova: Growth acceleration confirmed, with a strong increase in profitability in H1 2018-2019
3/27/2019	Presentation 2018-2019 Half-year Results
4/5/2019	Proposed conversion to a European Company (French only)
4/10/2019	The Claranova group will be present at the SmallCap Event on April 16 & 17 in Paris
5/14/2019	Claranova: 9-month revenue of close to €200 million (+59%)
5/21/2019	Invitation to Claranova SA's Extraordinary General Shareholders' Meeting on June 11, 2019 (French only)
6/12/2019	The General Shareholders' Meeting unanimously approves the conversion to a European Company and the reverse stock split
6/20/2019	The Claranova group is pleased to announce the implementation terms of the reverse stock split
6/20/2019	FAQ - Claranova Reverse Stock Split

6/27/2019	Claranova successfully issues a bond for around €20 million
6/28/2019	PlanetArt launches a takeover bid for the customized gifts business of FTD Companies, Inc.
8/1/2019	Notice to holders of Claranova Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares
8/1/2019	Claranova reverse stock split takes effect
8/2/2019	Claranova group: PlanetArt acquires Personal Creations®, a subsidiary of the US group, FTD Companies, Inc.
8/7/2019	Claranova group: Revenue increases +71% in H2 2018-2019 (€123 million), with Full-year Revenue Growth of €100 million to €262 million (+62%)
9/12/2019	The Claranova group will be present at the Citi Small/Mid-Cap & Growth Conference on September 19 and 20 in London
9/27/2019	Claranova: the IoT market is taking off
10/1/2019	Claranova: Growth accelerates as profitability surges
10/2/2019	Presentation of the full year results and the 2018-2019 consolidated financial statements are available

8 Individual financial statements

8.1 Income Statement for the year ended June 30, 2019

(in € thousand)	Notes	2018-2019	2017-2018
NET REVENUE	Note 4	**1,778**	**1,197**
Stored production			
Operating subsidies			
Reversals of amortization, depreciation, provisions, and expense transfers		2,008	3,352
Other income			17
OPERATING INCOME		**3,786**	**4,566**
Purchase of goods and change in inventory			
Purchase of raw materials and change in inventory			
Other purchases and external expenses		6,208	5,524
Taxes, duties and similar payments		64	58
Wages and salaries		2,535	1,196
Payroll tax expenses		(2,224)	3,571
Depreciation and amortization on non-current assets		260	8
Provisions for non-curent assets			
Provisions for current assets			
Provisions for contingent liabilities		1	
Other expenses		145	114
OPERATING EXPENSES		**6,989**	**10,471**
NET INCOME (LOSS) FROM OPERATIONS		**(3,203)**	**(5,905)**
Income from other securities and real estate loans		133	30
Other interest and similar income		103	173
Reversals of provisions and expense transfers		517	480
Foreign exchange gains		3	1,970
FINANCIAL INCOME		**756**	**2,653**
Amortization and charges to provisions for financial items		356	517
Interest and similar expenses		1,907	205
Foreign exchange losses		155	13
FINANCIAL EXPENSES		**2,418**	**735**
NET FINANCIAL INCOME (EXPENSE)	Note 5	**(1,662)**	**1,918**
CURRENT PROFIT (LOSS) BEFORE TAX		**(4,865)**	**(3,987)**
Extraordinary income on management transactions			
Extraordinary income on capital transactions			
Reversals of provisions and expense transfers		(8)	10,108
EXTRAORDINARY INCOME		**(8)**	**10,108**
Extraordinary expenses on management transactions		199	1,587
Extraordinary expenses on capital transactions			9,145
Extraordinary amortization, depreciation and provisions		208	
EXTRAORDINARY EXPENSES		**407**	**10,732**
EXTRAORDINARY RESULT	Note 6	**(415)**	**(624)**
PRE-TAX NET INCOME		**(5,280)**	**(4,611)**
Statutory employee profit-sharing			
Income tax	Note 9	(10)	(7)
NET INCOME (LOSS) FOR THE YEAR		**(5,270)**	**(4,604)**

8.2 Balance sheet assets as of June 30, 2019

(in € thousand)	Notes	Gross	Amortization and provisions	Net 6/30/2019	Net 6/30/2018
Intangible assets		11		11	11
Property, plant and equipment		2		2	
Equity interests	Note 10	87,953	148	87,805	87,505
Other long-term financial assets	Note 10	19,442		19,442	1,509
NON-CURRENT ASSETS		**107,408**	**148**	**107,260**	**89,025**
Inventories					
Work in process - Goods					
Intermediate and finished products					
Goods					
Receivables	Notes 12 to 14				
Advances and payments on account					
Trade receivables		3,860		3,860	1,128
Other receivables		3,701		3,701	3,104
Cash					
Marketable securities		2,460	115	2,345	62
Cash at bank and in hand		7,333		7,333	19,295
Prepayments and accrued income					
Prepaid expenses	Note 15	161		161	587
CURRENT ASSETS		**17,515**	**115**	**17,400**	**24,176**
Deferred loan issue costs	Note 16	1,643		1,643	1,250
Unrealized foreign exchange losses	Note 23	357		357	517
GRAND TOTAL		**126,923**	**263**	**126,660**	**114,968**

8.3 Balance sheet equity and liabilities as of June 30, 2019

(in € thousand)	Notes	6/30/2019	6/30/2018
Share capital		39,443	39,361
Share and merger premiums		124,746	124,348
Legal reserve		688	688
Other reserves		3,769	3,769
Retained earnings		(88,766)	(84,162)
Net income/(loss) for the year		**(5,270)**	**(4,604)**
Regulated provisions			
EQUITY	Note 17	**74,610**	**79,400**
PROVISIONS	Note 18	**450**	**3,506**
Financial liabilities	Note 19		
Other bond issues		48,668	29,048
Bank borrowings		2	1
Other financial liabilities		43	42
Operating liabilities	Note 20		
Trade payables		2,316	1,488
Tax and employee-related liabilities		76	893
Other liabilities			
Other payables	Note 25	464	578
LIABILITIES		**51,569**	**32,050**
Unrealized foreign exchange gains	Note 23	31	12
GRAND TOTAL		**126,660**	**114,968**

8.4 Notes to the individual financial statements

Contents

Note 1 Major events during the fiscal year

1.1 Cancellation of free shares

On November 13, 2017, pursuant to the delegation of authority granted by the General Shareholders' Meeting of June 7, 2017, Claranova SE announced the grant of free shares to certain employees and corporate officers of the Company and its subsidiaries. A total of 18,760,000 shares were granted. The vesting of these shares was subject to performance conditions.

The free share plan resulted in the recognition of a provision for social security contributions of €2,989 thousand, in the individual financial statements for the year ended June 30, 2018.

To accompany the Group's future, Pierre Cesarini, Chairman of the Management Board and Sébastien Martin, member of the Management Board, at the time of the grant, decided, with the agreement of the Supervisory Board meeting of October 18, 2018, to waive the grant of the 18,185,000 free shares reserved for them.

This decision sought to reduce the accounting impact of these grants on Claranova's financial performance. These grants would have led to the recognition of employer social security contributions estimated at €4,900 thousand, automatically reducing Claranova's operating profitability, without any link to the development of its activities. The Group's cash position could cover this transaction without worsening its financial position, however management considered this amount could be better used to push forward the Group's growth.

The waiver of the 18,185,000 free shares by their beneficiaries is reflected in the financial statements for the year ended June 30, 2019 by the reversal of the related social security contributions, representing income of €2,875 thousand.

In return, the Supervisory Board approved the payment of an exceptional bonus of €1,700 thousand to Pierre Cesarini and €430 thousand to Sébastien Martin, as partial compensation for the loss resulting from this waiver. Payment of these exceptional bonuses was approved by the Combined Shareholders' Meeting of December 13, 2018.

1.2 Change in management and governance structure

In order to simplify its functioning, the Company's governance method was changed back to a Board of Directors governance structure, regulated notably by the provisions of Articles L. 225-17 to L. 225-56 of the French Commercial Code, from a governance structure comprising a Management Board and a Supervisory Board. The Combined Shareholders' Meeting of December 13, 2018 approved this change.

1.3 Creation of Claranova Development

On January 22, 2019, Claranova SE created a new structure, Claranova Development, incorporated in Luxembourg and dedicated to the Group's development. This subsidiary is wholly owned by Claranova SE and its main purpose is to acquire and manage investments in all types of company, create companies and acquire and manage a portfolio of patents and other intellectual property rights, as well as financing.

1.4 Share buybacks

Confident in its growth prospects, on September 10, 2018, Claranova SE announced the continued implementation of its share buyback program, launched pursuant to the Management Board's decision of June 28, 2018. Under this program, Claranova SE signed an agreement with an investment services provider to buy back the Company's shares. Under the terms of this agreement, the service provider may purchase a maximum of 7 million shares at a maximum unit price of €1 with the total amount capped at €5 million, at the dates it considers appropriate and in accordance with applicable regulations,.

During fiscal year 2018-2019, the Company bought back 2,226,460 shares for €1,940 thousand. The share buyback program ended on May 29, 2019.

1.5 Conversion to a European Company

The Extraordinary General Shareholders' Meeting of June 11, 2019 approved the conversion of the Company's legal form to a European Company. This new legal form is recognized in all European Union countries and has already been adopted by numerous major groups. It better reflects Claranova group's true position and its strong European and international base where it generates the majority of its revenue and strengthens its international image and its attractiveness for all stakeholders.

1.6 Issue of a €20 million bond

On June 27, 2019, Claranova SE announced the completion of its first Euro PP private bond placement with European institutional investors for a total amount of €19,655 thousand, comprising 19,655 bonds each with a nominal value of €1,000.

The proceeds from this issue will be used primarily to contribute to the financing of the acquisition of the Adaware, SodaPDF and Upclick businesses. As planned, this financing was set up within 12 months of the transaction that was completed in July 2018.

The 5-year bonds bearing 6% annual interest will be redeemable on maturity on June 27, 2024. They have been admitted for trading, as of today, on the Euronext Access market under the ISIN code FR0013430725.

1.7 Claranova reverse stock split

On June 20, 2019, Claranova SE announced the implementation conditions of a reverse stock split of 1 new share for 10 existing shares. This transaction was unanimously approved by Company shareholders at the Extraordinary General Shareholders' Meeting of June 11, 2019. The par value of the Claranova share was increased in proportion to the exchange parity from €0.10 to €1. The reverse stock split commenced on July 1, 2019 in accordance with the terms of the reverse stock split notice published in the French Legal Gazette (BALO) on June 14, 2019. The former Claranova shares (ISIN code: FR0004026714) were delisted from the Euronext market on July 31, 2019 and replaced by the new Claranova shares (ISIN code: FR0013426004) on August 1, 2019. The ticker symbol (CLA) is unchanged.

Note 2 Accounting principles, rules and methods

The annual financial statements have been prepared in euros in accordance with the provisions of French law and with generally accepted accounting principles in France. Information is expressed in thousands of euros, unless otherwise noted.

General accounting conventions have been applied, in accordance with the principle of prudence, based on the basic assumptions of:

- going concern;
- consistency of accounting policies;
- independence of fiscal years; and
- in accordance with the general rules for the preparation and presentation of annual financial statements recommended in the French chart of accounts and in French Accounting Standards Board (ANC) notice 2016-07.

ANC Regulation 2018-01 of April 20, 2018 on changes in accounting method did not alter the presentation of the Company's financial statements.

Items recorded in the accounts are measured using the historical cost method.

2.1 Intangible assets

Purchased software packages and technologies are measured at acquisition cost and amortized on a straight-line basis over their useful lives, not exceeding five years.

2.2 Property, plant and equipment

2.2.1 Measurement

Property, plant and equipment are measured at acquisition cost (purchase price plus related costs).

2.2.2 Amortization

Economically justified amortization is determined based on the estimated useful life. Amortization periods are as follows:

- fixtures and fittings, straight-line: 10 years;
- office furniture, straight-line: 7 and 10 years;
- computer hardware, straight-line: 3, 4 and 5 years.

Additional impairment is booked in the event of a loss in value or a change in the useful life.

2.3 Long-term financial assets

2.3.1 Equity interests and receivables from equity interests, including subsidiary current accounts

Equity interests are measured at acquisition or contribution value. Long-term financial asset acquisition costs are recognized in expenses.

The value of equity interests, receivables from equity interests and current accounts is reconciled with their estimated value in use at the reporting date.

This value in use is reviewed on an annual basis in light of:

- equity;
- unrealized capital gains;
- return on investment;
- forward-looking information;
- utility for the Company;
- market value.

When the value in use calculated in this way is lower than the acquisition value (including receivables from equity interests), an impairment is booked for the amount of the difference.

2.3.2 Other long-term financial assets

These items are measured at acquisition value and primarily comprise deposits and sureties and receivables from equity interests.

2.4 Receivables

Receivables are measured at nominal value. Where relevant, a provision for impairment is recognized to take account of collection difficulties that may arise.

2.5 Transactions denominated in foreign currencies

Income and expenditure denominated in foreign currencies are recorded at their euro equivalent using the exchange rate applicable in the month prior to the transaction date. Foreign currency bank accounts are translated at the prevailing rate at the reporting date.

Translation gains and losses are recorded depending on the type of risk hedged using the matching principle, in accordance with ANC Regulation ANC 2015-05. Translation differences on receivables and commercial debt are recognized in Net income from operations, under “Other income” and “Other expenses”.

At the reporting date, translation differences resulting from the translation of foreign currency-denominated receivables or payables at the year-end exchange rate are recorded in accruals and deferred income. A provision is recognized in respect of unrealized foreign exchange losses.

2.6 Marketable securities

Marketable securities are measured at acquisition price, on a first in, first out (FIFO) basis.

Where relevant, a provision for impairment is recognized to take account of any loss in value that may arise at the reporting date.

2.7 Provisions

Provisions for charges are intended to cover probable or certain expenses that the Company will incur in the future. Provisions are recorded, reviewed and adjusted to reflect the Company's best estimate of the expense at the reporting date. They consist of restructuring provisions.

2.8 Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE)

The ORNANE bonds were issued at par and will be redeemable at par. They are therefore recorded in "Other bond issues".

The issue costs were capitalized and spread over the loan term.

Accrued interest is recognized at the period-end.

2.9 Euro Private Placement (Euro PP) bond issue

This borrowing, in the form of a bond issue, comprises 19,655 bonds with a nominal value of €1,000.

The issue costs were capitalized and spread over the loan term.

Accrued interest is recognized at the period-end.

2.10 Revenue recognition

Revenue comprises the sale of administrative assistance and development strategy services to Group subsidiaries as part of Claranova's coordination activity. Revenue is recognized based on the nature of services. In the case of administrative services, revenue is recognized when the service is performed.

For specific development or strategy projects, revenue is recognized on project completion.

Note 3 Main judgments and estimates used in preparing the annual financial statements

The 2018-2019 annual financial statements were approved by the Board of Directors on September 30, 2019.

The financial statements were prepared on a going concern basis. The conditions underlying this principle are presented in Note 19.7 to the individual financial statements, on liquidity risk.

In preparing the Company's financial statements, management uses judgments, estimates, and assumptions that have an impact on the amounts recognized in the financial statements as assets, liabilities, income and expenses.

The Company's management regularly reviews its estimates and assessments based on past experience and other factors it considers reasonable, which constitute the basis for its assessments of the carrying amount of assets and liabilities. These estimates are prepared using information available at the time of preparation. The estimates can be revised if new information becomes available. Actual results may differ from these estimates if actual experience or conditions are different from the assumptions made.

The main assumptions and estimates used in preparing the financial statements for the year ended June 30, 2019 concern the valuation of equity interests.

Notes to the Income Statement

Note 4 Revenue

Breakdown by region *(in € thousand)*	**Amount**
France	1,532
United States	246
TOTAL	**1,778**

Note 5 Analysis of net financial income (expense)

The net financial expense is €1.7 million, compared to net financial income of €1.9 million last year.

The net financial expense of the year mainly comprises bond interest of €1.5 million.

Note 6 Analysis of net exceptional items

Net exceptional items show a net expense of €0.4 million, compared to a net expense of €0.6 million last year.

Exceptional items mainly comprise:

- financial and operating restructuring costs (€0.3 million);
- a provision for treasury shares (€0.1 million).

Note 7 Sumptuary costs and expenses (Article 39-4 of the French General Tax Code)

Claranova SE's individual financial statements show no costs or expenses covered by Article 39, Section 4, of the French General Tax Code, corresponding to a zero theoretical tax expense.

Note 8 Add-back of overheads in taxable profits (Articles 39-5 and 223 *quinquies* of the French General Tax Code)

To comply with legal requirements, during the fiscal year ended June 30, 2019, our Company did not incur any non-tax deductible costs and expenses within the meaning of Article 39-5 of the French General Tax Code.

Note 9 Income tax

As Claranova SE reported a tax loss, a tax expense was not recorded. The tax income recognized corresponds to the Family Tax Credit.

Notes to balance sheet assets

Note 10 Long-term financial assets

(in € thousand)	Gross 7/1/2018	Acquisitions	Mergers, disposals, transfers between line items	Gross 6/30/2019	Amortization and provisions 6/30/2019	Net 6/30/2019	Net 6/30/2018
Equity interests	87,653	300		87,953	148	87,805	87,505
Receivables from equity interests	1,415	18,287	355	19,347		19,347	1,415
Loans	93			93		93	93
Loans, other long-term financial assets	1	2	1	2		2	1
TOTAL	**89,162**	**18,589**	**356**	**107,395**	**148**	**107,247**	**89,014**

The increase in “equity interests” reflects the creation of the subsidiary, Claranova Development.

The increase of “Receivables from equity interests” was generated in part by a loan of €15,009 thousand to Avanquest Software SAS to contribute to the Avanquest Canada Holdings share capital increase and by a loan of €2,786 thousand to Avanquest America Inc., which participated in myDevices’ share capital increase through its subsidiary, Avanquest America Holdings.

In accordance with the principles set out in Note 2 to the individual financial statements, the Company analyzed the recoverable value of equity interests and receivables from equity interests, including current accounts with subsidiaries. This review confirmed the values recorded in the balance sheet.

The “Loans” item refers to the French housing levy contribution (known as the *effort construction*). From 2014, the Company opted for a contribution in the form of a loan and made a minimum five-year commitment.

The item “Loans, other long-term financial assets” corresponds to a security deposit.

Note 11 Amortization and impairment

Amortization

No amortization is applied.

Impairment

(in € thousand)	Provisions 7/1/2018	Provision	Reversal	Provisions 6/30/2019
Intangible assets				
Licenses, patents	0			0
Long-term financial assets				
Equity interests	148			148
TOTAL	**148**	**0**	**0**	**148**

Note 12 Breakdown of other receivables

(in € thousand)	As of 6/30/2019
Employees & social welfare bodies	15
Income tax[1]	459
Value added tax	866
Other taxes, duties and similar payments	14
Group and associate current accounts	2,130
Amounts receivable on disposals[2]	167
Miscellaneous	50
TOTAL OTHER RECEIVABLES	**3,701**

(1) The "income tax" line comprises the 2016-2017 French research tax credits (CIR), the 2016-2017-2018 competitiveness and employment tax credits (CICE) and the 2017-2018 Family Tax Credit.

(2) Amounts receivable on disposals comprise the earn-out to be received on the disposal of the subsidiary, Avanquest Publishing Software Ltd. Note that €167 thousand are due within one year.

Note 13 Receivables maturity schedule

(in € thousand)	As of 6/30/2019	Less than one year	More than one year
Non-current receivables			
Receivables from equity interests	19,347		19,347
Loans and other long-term financial assets	94		94
Current receivables			
Trade receivables	3,860	3,523	337
Social security and other social welfare bodies	15	15	
State and other public bodies	1,340	1,340	
Group and associates	2,130	2,130	
Miscellaneous	217	217	
Prepaid expenses	160	160	
TOTAL	**27,163**	**7,385**	**19,778**

Note 14 Breakdown of accrued income

(in € thousand)	As of 6/30/2019
Long-term financial assets	
Receivables from equity interests	9
Trade receivables	
Sales invoice accruals	337
Other receivables	
VAT receivable	42
Other receivables	93
Marketable securities	
Interest receivable	26
TOTAL	**507**

Note 15 Breakdown of prepaid expenses

(in € thousand)	As of 6/30/2019
Maintenance	10
Fees	77
Contributions/subscriptions	72
Other	2
TOTAL PREPAID EXPENSES	**161**

Note 16 Breakdown of deferred charges

(in € thousand)	Net amount as of 7/1/2018	Increase	Amortization during the fiscal year	Net amount as of 6/30/2019
Debt issue costs	1,250	653	260	1,643

This item comprises loan issue costs for the ORNANE and EURO PP bond issues. The costs are spread on a straight-line basis over the loan terms, namely from June 19, 2018 to July 1, 2023 and from June 27, 2019 to June 27, 2024.

Notes to balance sheet liabilities

Note 17 Equity

17.1 Share capital

As of June 30, 2019, the share capital of Claranova SE was made up of 394,428,788 shares with a par value of €0.1 each, all of the same class.

17.2 Changes in the number of shares and share capital

	Number of shares	Amount in €
As of June 30, 2018	**393,613,788**	**39,361,378.80**
Stock options exercised	240,000	24,000.00
Free shares	575,000	57,500.00
As of June 30, 2019	**394,428,788**	**39,442,878.80**

The number of treasury shares changed as follows:

	Number of shares
As of June 30, 2018	**194,791**
Share buyback program	2,226,460
As of June 30, 2019	**2,421,251**

17.3 Other securities granting access to the share capital

Dilution information presented in this note is before the reverse stock split.

Free share plan

Making use of authorizations granted by the General Shareholders' Meeting of June 7, 2017, the Management Board approved the implementation of a free share plan on November 13, 2017, assigning 18,760,000 shares.

To accompany the Group's future, Pierre Cesarini, Chairman of the Management Board and Sébastien Martin, member of the Management Board, at the time of the grant, decided, with the agreement of the Supervisory Board meeting of October 18, 2018, to waive the allocation of the 18,185,000 free shares reserved for them.

As the vesting conditions for the free shares were satisfied, *i.e.* continued presence of the beneficiaries and stock market performance, the Board of Directors took due note on February 20, 2019, of the grant of 575,000 shares under the plan.

Stock option plan

On November 30, 2015, Claranova's General Shareholders' Meeting authorized the Management Board to implement a grant plan for options to subscribe for or purchase new or existing shares of Claranova SE and its subsidiaries.

As of June 30, 2019, 440,694 subscription options were still outstanding.

Share subscription warrant plans

Share subscription warrants plan of June 7, 2017

On June 7, 2017, Claranova's General Shareholders' Meeting authorized the Management Board to implement a grant plan for warrants to subscribe for, or purchase, new or existing shares of Claranova SE and its subsidiaries.

On November 13, 2017, the Management Board set up a subscription warrant plan, assigning 3,752,224 shares to members of Claranova's Management Board and Supervisory Board. Each warrant may be purchased for a value of €0.36 and gives entitlement to purchase one Claranova share for €0.61, during a period of 10 years from the date of grant, namely until November 12, 2027.

As of June 30, 2019, no subscription warrants had been exercised by beneficiaries.

Share subscription warrants plan of December 24, 2018

The Board of Directors' meeting of December 24, 2018, using the delegation of authority granted by the Combined Shareholders' Meeting of December 13, 2018, authorized the grant of a maximum of 3,936,138 Claranova share subscription warrants, conferring entitlement to 3,936,138 new ordinary shares, to members of the Board of Directors, certain consultants and the management team.

On expiry of the plan on February 11, 2019, 3,097,776 subscription warrants had been subscribed. Warrants may be converted during a two-year conversion period commencing the grant date.

240,000 share subscription warrants were converted to ordinary shares in fiscal year 2018-2019.

Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE)

On June 19, 2018, Claranova SE issued 26,363,636 Net Share-Settled Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (ORNANE), maturing on July 1, 2023. As of June 30, 2019, no ORNANE bonds had been converted early.

On December 28, 2018, Claranova SE bought back 455,000 ORNANE bonds.

Assuming that all the rights attached to the options and free shares become exercisable and are exercised, Claranova's share capital would increase by €705,069.40.

This number does not take into account the June 2018 ORNANE bond issue, as the Company had not yet decided the method of redeeming these bonds at the date of this document.

The share capital would therefore increase from €39,442,878.80 to €40,147,948.20, without taking account of the reverse stock split on August 1, 2019, an increase of 1.79%, spread over the period from 2019 to 2027.

	6/30/2019
Number of shares existing as of June 30, 2019	394,428,788
Treasury shares	2,421,251
Average number of shares outsanding	392,007,537
Dilutive effect of stock options	440,694
Dilutive effect of warrants	6,610,000
Dilutive effect of free shares	
THEORICAL WEIGHTED AVERAGE NUMBER OF SHARES	**399,058,231**

17.4 Change in equity

(in € thousand)	As of 6/30/2019
Equity as of 6/30/2018	79,400
Share capital increase and issue premium	480
Net loss for the period	(5,270)
EQUITY AS OF 6/30/2019	**74,610**

Note 18 Provisions

(in € thousand)	Provisions 6/30/2018	Operating provision	Financial provision	Exceptional provision	Operating reversal	Financial reversal	Exceptional reversal	Used	Provisions 6/30/2019
Provisions for foreign exchange risk	517	1	356	-	-	517	-	156	357
Provision for charges	2,989	-	-	93	2,989	-	-	114	93
TOTAL	**3,506**	**1**	**356**	**93**	**2,989**	**517**	**0**	**270**	**450**

Opening charge provisions concern employer social security contributions on free share grants. This provision is reversed through wages and salaries in accordance with French accounting recommendations.

The exceptional charge concerns the provision for unoccupied offices.

Note 19 Financial liabilities

As of June 30, 2019, financial liabilities fall due as follows:

(in € thousand)	As of 6/30/2019	Less than one year	One to five years
Other bond issues	48,668		48,668
Other financial liabilities	43	43	
Bank account overdrafts	0		
Financial instruments – Liabilities	0		
Accrued interest not yet due	2	2	
TOTAL	**48,713**	**45**	**48,668**

19.1 Bond issues

ORNANE – June 2018

Claranova SE issued €29,000 thousand in bonds in June 2018, with the option for redemption in cash and/or new shares and/or existing shares on maturity on July 1, 2023.

The bonds bear interest at a fixed rate of 5% payable annually and have a nominal value of €1.10.

They are intended, firstly, to finance the takeover of the group hosting the Adaware, SodaPDF and Upclick businesses by the Avanquest division, and secondly, to cover Claranova SE's future financing requirements.

Euro PP – June 2019

In June 2019, Claranova SE successfully launched a Euro PP bond issue for €19,655 thousand, comprising 19,655 bonds with a nominal value of €1,000.

The 5-year bonds bearing 6% annual interest will be redeemed on maturity.

The proceeds from this issue will be used primarily to finance the acquisition balance for the Adaware, SodaPDF and Upclick businesses.

19.2 Credit facilities

Claranova SE has not taken out any bank loans.

19.3 Other financial liabilities

Other financial liabilities of €43 thousand are entirely made up of current accounts.

19.4 Foreign currency risk

The Company's exposure to foreign currency risk relates mainly to current accounts denominated in foreign currencies and to sales of services to its subsidiaries in dollars in the United States and in pounds in the United Kingdom, minus expenses and investments or the repayment of loans denominated in these currencies.

The Company may have foreign exchange hedge facilities. When it prepares its budget each year, the Company may use hedging instruments, primarily comprising forward sales intended to at least hedge the budget exchange rate. No hedging instruments were in place as of June 30, 2019.

19.5 Interest rate risk

The Company is not exposed to interest rate fluctuations as the two bond loans are fixed-rate.

As of June 30, 2019, the Company was not exposed to interest rate risk.

19.6 Equity risk

Equity risk is limited to the Company's own ORNANE bonds and shares that it holds. The Company's cash is mainly invested in risk-free money market investments.

Claranova share price trends are presented in Chapter 5.7.2. Portfolio securities as of June 30, 2019 are presented in Note 32 to these individual financial statements.

19.7 Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through appropriate credit facilities.

Amounts available immediately or almost immediately are largely sufficient to cover borrowing repayments and operating requirements during the next 12 months.

In June 2019, Claranova SE performed a Euro PP bond issue, redeemable on maturity, to optimize its cash flows and meet its payment commitments for the acquisition balance for the Canadian businesses. Covenants are presented in Note 26.2.

Note 20 Debt maturity schedule

Debt falling due in less than one year totals €2,902 thousand and debt falling due in more than one year totals €48,668 thousand. Long-term debt consists of bond issues.

Note 21 Payment period disclosures

In accordance with the provisions of Article L. 441-6-1 of the French Commercial Code, the following tables provide a breakdown of trade payables and trade receivables by maturity as of June 30, 2019 and June 30, 2018.

21.1 Trade payables as of June 30, 2019

	Article D. 441 I.-1°: Invoices received and not paid at the fiscal year end, and past due					
(Amount in €)	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**
(A) LATE PAYMENT PERIOD						
Number of invoices concerned	42	31	2	1	32	66
Total amount of invoices concerned (incl. tax)	553,498.96	348,459.40	447.86	652.23	36,277.55	385,837.04
Percentage of the total amount of purchases for the fiscal year (incl. tax)	8.24%	5.19%	0.01%	0.01%	0.54%	5.75%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED LIABILITIES AND RECEIVABLES						
Number of invoices						0

Trade payables as of June 30, 2018

(Amount in €)	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over**	**Total (1 day and over)**
(A) LATE PAYMENT PERIOD						
Number of invoices concerned	33	27	4	7	16	54
Total amount of invoices concerned (incl. tax)	362,071.75	50,823.89	150,141.06	68,794.96	16,919.93	286,679.84
Percentage of the total amount of purchases for the fiscal year (incl. tax)	4.58%	0.64%	1.90%	0.87%	0.21%	3.63%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED LIABILITIES AND RECEIVABLES						
Number of invoices						0

21.2 Trade receivables as of June 30, 2019

	Article D. 441 I.-1°: Invoices issued and not paid at the fiscal year end, and past due					
(Amount in €)	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) LATE PAYMENT PERIOD						
Number of invoices concerned	7	7	2	2	19	30
Total amount of invoices concerned (incl. tax)	1,556,226.05	48,696.00	50,513.89	14,231.40	1,853,247.30	1,966,688.59
Percentage of revenue for the fiscal year (incl. tax)	37.48%	1.17%	1.22%	0.34%	44.63%	47.36%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED LIABILITIES AND RECEIVABLES						
Number of invoices						0

Trade receivables as of June 30, 2018

(Amount in €)	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) LATE PAYMENT PERIOD						
Number of invoices concerned	1	0	0	0	7	7
Total amount of invoices concerned (incl. tax)	1,766.42				94,719.45	94,719.45
Percentage of revenue for the fiscal year (incl. tax)	0.05%				2.42%	2.42%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED LIABILITIES AND RECEIVABLES						
Number of invoices						0

Revenue for the fiscal year (including VAT) used for comparison purposes above includes transfers of expenses. These solely concern inter-company receivables.

Note 22 Breakdown of accrued expenses

(in € thousand)	As of 6/30/2019
Other bond issues	
Accrued interest	13
Loans and borrowings	
Accrued interest	45
Trade payables	
Purchase invoice accruals	1,368
Tax & employee-related liabilities	52
Other payables	18
TOTAL	**1,496**

Note 23 Translation adjustments on receivables and liabilities denominated in foreign currencies

Type of difference *(in € thousand)*	Asset – unrealized loss	Offset by forex hedges	Provisions for foreign exchange losses	Liability – unrealized gain
On non-financial assets				
On long-term financial assets	355		355	
On receivables	1		1	30
On financial liabilities				
On operating liabilities	1		1	1
On fixed asset liabilities				
TOTAL	**357**		**357**	**31**

Note 24 Expense transfers

Expense transfers mainly comprise the expenses paid by Claranova SE on behalf of its subsidiaries and rebilled as part of the Group's operations.

Note 25 Other payables

Other payables mainly comprise research tax credits (*crédit impôt recherche* – CIR) and competitiveness and employment tax credits (*crédit d'impôt pour la compétitivité et l'emploi* – CICE) for 2016 and the period from January 1 to May 31,2017 to be repaid to Avanquest Software (€446 thousand) upon collection or on offset against income tax, as part of the partial transfer of assets.

Note 26 Off-balance sheet commitments

26.1 Earn-out clauses on acquisitions and equity interests

There are no earn-out clauses relating to acquisitions in prior periods applicable as of June 30, 2019 for Claranova SE.

26.2 Off-balance sheet commitments given

Beneficiary	Date	Type	Amount	Limits	Period
Arvixe LLC	10/31/2014	Asset transfer agreement	Indemnity guarantee related to the amount and type of damages: Maximum: €22,000,000 Minimum: €3,300,000	• Breach of representations or warranties (other than "fundamental representations"): 15% of the transfer price; • breach of seller's obligations: 50% of the transfer price; • breach of "fundamental representations" pertaining to exclusion of liability and assets and tax receivables: the transfer price. In the event the buyer is entitled to equitable compensation or in the event of fraud: no ceiling. Transfer price = €22,000,000	Guarantee in respect of "fundamental representations": 5 years from the closing date, *i.e.* until 10/31/2019.
ProcessFlows (UK) Ltd	5/29/2015	Share transfer agreement	Minimum: €4,000,000 Maximum: €5,350,000 + interest on a maximum of €350,000	Price paid to the seller, except in the event of a claim relating to tax or employee-related receivables or insolvency (in the absence of compulsory administration or liquidation proceedings or an application to appoint a liquidator). In the latter case, the maximum amount is £2,500,000. Floor: £50,000 (except in the event of fraud).	Tax receivable: 7 years from the transaction completion date, *i.e.* until 5/29/2022.
Avanquest Software Publishing Ltd	4/30/2016	Share transfer agreement	Guarantee granted for the amount of losses, guarantees, costs and expenses provided for in some cases by the transfer agreement.	£750,000, plus the amount of the earn-out clause. Floor: • £2,500 if called for a single claim; • £25,000 if called for several clams.	Tax receivable: 7 years from the transaction completion date, *i.e.* until 4/30/2023.
Avanquest Software SAS	6/1/2017	Bank guarantee	• Joint and several guarantee under the Lease Agreement dated 4/1/2016 transferred to Avanquest Software SAS; • guarantee in the amount of rent, rental expenses, indemnities, insurance, taxes and duties, *etc.*	Up to a maximum of 3 months' rent (incl. taxes) or a fixed amount of €123,500.34.	3 years from 6/1/2017 and up to 5/31/2020.

Beneficiary	Date	Type	Amount	Limits	Period
Holders of EuroPP bonds	6/25/2019	Claranova commitments to maintain the annual consolidated net financial debt/EBITDA ratio strictly below 3.5 and annual EBITDA above zero	In the event of non-compliance with its financial commitments, bond holders could demand early repayment.	Bond issue of €19,655,000.	For as long as the Bonds are outstanding, *i.e.* until 6/27/2024.

26.3 Pledges granted

There were no pledges granted as of June 30, 2019.

26.4 Lease financing commitments

Claranova SE has no lease financing commitments.

26.5 Retirement termination benefits

On retirement, Company employees are entitled to benefits calculated according to the relevant collective bargaining agreement.

Post-employment obligations, calculated using the retrospective method (projected unit credit method), amounted to €36 thousand as of June 30, 2019. The Company does not recognize a provision for theoretical earned entitlement. Instead it expenses the actual cost of retirement termination benefits in the fiscal year of retirement.

Retirement benefits are provided in full in the consolidated financial statements. The impact in the consolidated financial statements of the fiscal year is an expense of €14 thousand consisting of the current service cost. The actuarial assumptions used are:

- discount rate: 0.85%;
- retirement age: 65 years;
- rate of salary increase: 2%-5%, depending on age.

A discount rate of 1.55% was applied as of June 30, 2018. The other assumptions are unchanged.

26.6 Off-balance sheet commitments and guarantees received

The shareholders of Micro Application Europe provided Claranova SE with a guarantee covering the assets and liabilities in the financial statements of the company and its subsidiaries as of February 11, 2011. This guarantee is currently only valid for tax claims for which the legal limitation period is longer than five years.

The earn-out for the sale of Avanquest Software Publishing Ltd, based on future profits, has not been included in the calculation of the capital loss, and will be recorded in income in the event the profit is realized. This earn-out is calculated on each anniversary date for three years until April 30, 2019, and on July 1, 2019 for the last time. Profits were insufficient to generate an earn-out.

Claranova SE waived an aggregate amount of $15 million (€13.3 million) in debt for its subsidiary Avanquest North America. The debt waiver is subject to a financial recovery clause based on profitability or disposal criteria for the physical subsidiary.

As part of the disposal of Mediaclip securities in March 2017, the buyer agreed to pay an earn-out to Claranova SE if all Mediaclip shares are sold within three years. This earn-out cannot, in any event, exceed CAN$98,536.

Note 27 Fees paid to the Statutory Auditors

Claranova group publishes consolidated financial statements. Please see the information presented in the 2018-2019 Registration Document in Chapter 7.3.

Note 28 Information on associates and companies in which the Company has an equity interest

(in € thousand)	Associates as of 6/30/2019	Equity interests as of 6/30/19
Net long-term financial assets	107,152	-
Net receivables	5,990	-
Liabilities	1,720	-
Prepaid expenses	1	-
Financial income	192	-
Financial expenses	-	-

Note 29 Subsidiaries and equity interests

Company	Share capital	Equity excluding share capital and before net income	Share of dividends	Gross value of securities Net value of securities	Loans, advances, sureties	Revenue	Net income
Avanquest America Inc. 2711 Centerville Road, Suite 400 Wilmington, DE 19808 – USA	23,985,690	(11,561,824)	100%	59,824,459 59,824,459	4,338,555 -	179,301,646(1)	6,629,445(1)
Avanquest Software SAS 89/91, bd National 92250 La Garenne-Colombes – France	25,840,490	(3,205,942)	100%	27,680,848 27,680,848	16,130,724 123,500	84,153,728(2)	(39,369,408)(2)
Claranova Development SA 47 Côte d'Eich 1450 Luxembourg	300,000	-	100%	300,000 300,000	355,551 -	1,165,535	428,626
EQUITY INTERESTS							
Antvoice SAS 28, rue du Sentier 75002 Paris – France	NA		1.7%	148,000 -			

(1) Consolidated data integrating the companies PlanetArt UK Ltd, PlanetArt LLC, FreePrints India Ltd, Avanquest China Ltd, myDevices Inc. and Avanquest America Holdings, LLC. Aggregate data for revenue and net income.
(2) Consolidated data integrating the companies Avanquest North America Inc., Avanquest Deutschland GmbH, Avanquest Iberica SL, Avanquest UK Ltd, PC Helpsoft, Avanquest Canada Inc., Avanquest Canada Holding Inc., EMME Deutschland GmbH and the Canadian subsidiaries carrying the Adaware, SodaPDF and Upclick businesses. Aggregate data for revenue and net income.

Claranova SE is the consolidating entity of the Claranova group.

Note 30 Income tax

30.1 Deferred tax

(in € thousand)	As of 6/30/2019	Income tax and corresponding contributions*
Unrealized foreign exchange gains	31	9
Tax losses available for carry forward	11,432	3,201
NET DEFERRED TAX ASSET	**11,463**	**3,210**

** Income tax rate applied: 28%.*

Following the partial transfer of assets, an application for the transfer of software business-related losses of €56.1 million to Avanquest Software SAS was filed and is still ongoing.

30.2 Competitiveness and employment tax credit (CICE)

Claranova SE booked a €447 competitiveness and employment tax credit (CICE) for the 2018 calendar year, deducted from employee expenses. The CICE will be used by the Company in accordance with the relevant rules of the Tax Code: to fund investment, research, innovation, training, recruitment, and to replenish working capital.

30.3 Family Tax Credit

Claranova SE booked a family tax credit of €10 thousand in respect of the 2018 calendar year.

Note 31 Legal proceedings and disputes

There are no pending or potential government, legal or arbitration proceedings, including any proceedings of which the Company has knowledge, which may have or have had a material impact during the past 12 months on the Company's financial position or profitability.

Note 32 Portfolio securities

2,226,460 treasury shares were acquired in the period from July 1, 2018 to June 30, 2019 under the share buyback program and the liquidity contract.

Type of security	Quantity as of 6/30/2019	Total purchase value in € thousand	Market value in € thousand as of 6/30/2019
Treasury shares	2,421,251	2,002	1,888
Claranova ORNANE bonds	455,000	432	569
TOTAL	**2,876,251**	**2,434**	**2,457**

Note 33 Events after the reporting period

Claranova reverse stock split

On June 20, 2019, Claranova SE announced the implementation conditions of a reverse stock split of 1 new share for 10 existing shares. This transaction was unanimously approved by Company shareholders at the Extraordinary General Shareholders' Meeting of June 11, 2019. The par value of the Claranova share was increased in proportion to the exchange parity from €0.10 to €1.

The reverse stock split commenced on July 1, 2019 in accordance with the terms of the reverse stock split notice published in the French Legal Gazette (BALO) on June 14, 2019.

The former Claranova shares (ISIN code: FR0004026714) were delisted from the Euronext market on July 31, 2019 and replaced by the new Claranova shares (ISIN code: FR0013426004) on August 1, 2019. The ticker symbol (CLA) is unchanged.

Pursuant to the provisions of Articles L. 225-149-1 and R. 225-133 of the French Commercial Code, all of the Company's share subscription warrants, options and ORNANE bonds were suspended from July 20 to July 31, 2019, inclusive.

Following the reverse stock split, the Company's share capital now comprises 39,442,878 ordinary shares, including 242,125 treasury shares.

Note 34 Other information

34.1 Workforce

The Company had an average of 6 employees during the fiscal year, compared to 5.5 employees in 2017-2018. The breakdown by employee category is as follows:

White collar workers	0
Engineers and managers	5
Executives	1
TOTAL	**6**

34.2 Compensation of senior management

Total compensation, benefits in kind, and fees paid to the members of Claranova SE's executive and management bodies for the performance of their duties amounted to €3,204 thousand.

Compensation of €144 thousand was paid to members of governance bodies during the course of the fiscal year. Compensation granted is paid quarterly.

34.3 Related-party transactions

Other than the compensation paid to the members of the executive and management bodies and off-balance sheet commitments, there are no other transactions with related parties.

8.5 Statutory Auditors' report on the annual financial statements

Year ended June 30, 2019

To the General Shareholders' Meeting of Claranova SE,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meetings, we have audited the accompanying financial statements of Claranova SE for the year ended June 30, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of June 30, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements section* of this report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from July 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*code de déontologie*) for statutory auditors.

Justification of our assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the financial statements.

Valuation of equity interests and related receivables

Risk identified	Our response
As of June 30, 2019, the net value of equity interests and related receivables was €107,152 thousand. As indicated in Note 2.3 “Long-term financial assets” of the section “Accounting principles, rules and methods,” equity interests are valued at their acquisition cost or their contribution value. On the balance sheet date, the value of equity interests, related receivables, and current accounts are reconciled with an estimated value in use. When the value in use is lower than the acquisition value (including receivables from equity interests), an allowance for impairment is booked for the amount of the difference. The value in use may be estimated by taking into account equity, unrealized capital gains, forecast items, etc. The valuation of equity interests and related receivables therefore requires the exercise of management’s judgment in its choice of the items to be considered according to the relevant interests. In our opinion, therefore, the proper valuation of equity interests and related receivables constituted a key audit matter.	Our audit procedures consisted in verifying the value in use of the main components of the securities portfolio. Accordingly, our work consisted of: • obtaining external documentary evidence of the value in use, where available, such as external valuation reports or investor contracts that document a market value; • comparing the assumptions used with the assumptions that we expected, taking into account market values when available; • verifying the calculation formulas used.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information presented in the management report and other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors’ management report and in the other documents provided to shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, mentioned in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors’ report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information relating to items your Company considers likely to have an impact in the event of a public tender offer or public exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have verified its compliance with the source documents communicated to us. Based on this work, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Claranova SE by the General Shareholders' Meeting held on February 12, 1998 for APLITEC and on November 29, 2018 for ERNST & YOUNG Audit.

As of June 30, 2019, APLITEC and ERNST & YOUNG Audit were in the 21st year and 1st year of total uninterrupted engagement, respectively.

ERNST & YOUNG Audit previously served as Statutory Auditor from 2006 to 2012 and ERNST & YOUNG et Autres previously served as Statutory Auditor from 2013 to 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La-Défense, October 11, 2019

The Statutory Auditors

APLITEC	ERNST & YOUNG Audit
Stéphane Lambert	Jean-Christophe Pernet

8.6 Results for the past five fiscal years

Fiscal year ended	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Length of fiscal year	12 months	12 months	12 months	12 months	12 months	12 months
Share capital at end of fiscal year						
Share capital *(in €)*	39,442,879	39,361,379	37,531,856	37,531,856	37,498,256	27,354,441
Number of shares:						
• ordinary	394,428,788	393,613,788	375,318,555	375,318,555	374,982,555	27,354,441
• preferred						
Maximum number of new shares to be issued						
• by converting bonds	26,363,636	26,363,636	-	-	-	867,335
• by exercising subscription rights	7,050,694	22,952,918	19,395,927	915,000	4,300,167	4,936,667
Transactions and results *(in €)*						
Revenue (excel. taxes)	1,777,820	1,197,318	14,446,085	18,235,344	26,741,425	28,528,645
Net income before income tax, profit-sharing, depreciation, amortization and provisions	(4,972,569)	(13,685,554)	(5,367,984)	(19,796,678)	(37,237,144)	(8,337,662)
Income tax	(9,602)	(6,937)	(208,470)	(260,993)	(205,876)	(262,172)
Employee profit-sharing	-	-	-	-	-	-
Depreciation, amortization and provisions	307,250	(9,074,282)	(58,409,973)	(4,157,557)	(37,004,079)	27,036,015
Net income	(5,270,217)	(4,604,335)	53,250,459	(15,378,128)	(27,189)	(35,111,505)
Dividend distribution						-
Earnings per share *(in €)*						
Net income after income tax and profit-sharing but before depreciation, amortization and provisions	(0.01)	(0.03)	(0.01)	(0.05)	(0.1)	(0.3)
Net income after income tax, profit-sharing depreciation, amortization and provisions	(0.01)	(0.01)	0.14	(0.04)	0	(0.3)
Dividends paid	-	-	-	-	-	-
Employees						
Average workforce	6	6	51	70	86	96
Payroll *(in €)*	2,534,487	1,195,590	3,710,465	3,681,625	3,915,700	4,965,985
Total employee benefits *(in €)* (social security, other employee welfare payments)	(2,233,957)	3,571,959	2,070,375	1,824,908	1,966,522	2,446,671

Cross-reference tables

Cross-reference table with Universal Registration Document (URD) 2018-2019

The purpose of the following cross-reference table is to identify the information required by Annexes 1 and 2 of Delegated Regulation (EU) 2019/980 of March 14, 2019 in accordance with the URD model.

Annexes 1 and 2 of Delegated Regulation (EU) 2019/980 of March 14, 2019		Universal Registration Document 2018-2019 Chapter	Page
6	**Organizational structure**	1.6	**24 and** *seq.*
6.1	Brief description of the Group	1.2 and 1.6	11 and 24
6.2	List of significant subsidiaries	1.6 and 2.5 Note 2	24 and 36
7	**Operating and financial review**		
7.1	Financial condition	1.1	8
7.1.1	Development and performance of the issuer's business and of its position including financial and, where appropriate, non-financial Key Performance Indicators	1.1 and 1.2	8 and 11
7.1.2	Likely future development and activities in the field of research and development	1.2, 1.5 and 2.5 Note 32.3	21, 23 and 69
7.2	Operating results	1.1 and 1.2	8 and 11
7.2.1	Significant factors, unusual or infrequent events or new developments	1.2, 1.5 and 2.5 note 32.3	11, 23, 69
7.2.2	Reasons for material changes in net sales or revenues	1.2 and 2.5 Note 3.15	11, 42
8	**Capital resources**		
8.1	Information concerning capital resources	5	109
8.2	Cash flows	2.3 and 2.5 Note 29	32 and 64
8.3	Borrowing requirements and funding structure	2.5 Note 24	60
8.4	Restrictions on the use of capital resources	1.4.3 and 5.2.3	23 and 111
8.5	Anticipated sources of funds	1.4.4	23
9	**Regulatory environment**		
9.1	Description of the regulatory environment that may affect the issuer's business	4.3	107
10	**Trend information**		
10.1	Description of the most significant trends and any significant change in the financial performance of the Group since the end of the last fiscal year	1.5	23
10.2	Events that are likely to have a material effect on the issuer's prospects	1.5 and 2.5 Note 31	23 and 68
11	**Profit forecasts or estimates**		
11.1	Published profit forecasts or profit estimates	1.5 and 2.5 Note 4	23 and 45
11.2	Statement setting out the principal forecast assumptions	1.5	23
11.3	Statement of comparability with historical financial information and consistency with accounting policies	2.5 Note 3	38
12	**Administrative, management and supervisory bodies and senior management**	**3**	**75**
12.1	Information concerning members	3.1	76
12.2	Conflicts of interests	3.1.1	76
13	**Remuneration and benefits**	**3.3.4**	**88**
13. 1	Remuneration paid and benefits in kind	3.3.4 to 3.3.5	88 and *seq.*
13.2	Provisions for pension, retirement or similar benefits	3.3.6	92
14	**Board practices**	**3**	**75**
14.1	Date of expiration of terms of office	3.1.1	76
14.2	Members of the administrative, management or supervisory bodies' service contracts with the issuer	3.4.1 and 3.5	93 and 98
14.3	Information about the Audit Committee and Remuneration Committee	3.1.3.3 and 3.1.3.4	83 and 84
14.4	Statement of compliance with the applicable corporate governance regime	3.1.3.2	81
14.5	Potential future impacts on the corporate governance	n.a.	

Annexes 1 and 2 of Delegated Regulation (EU) 2019/980 of March 14, 2019		Universal Registration Document 2018-2019 Chapter	Page
15	**Employees**		
15.1	Number of employees	2.5 Note 32.1 and 8.4 Note 34.1	71, 160
15.2	Shareholdings and stock options	2.5 Note 22.2 and 22.3 and 5.3	55 and *seq.*, 113 and *seq.*
15.3	Arrangements for involving the employees in the capital of the issuer	5.3.8	118
16	**Major shareholders**		
16.1	Shareholders with over 5% of capital as at the date of the Registration Document	5.4.1 and 5.2.6	119 and 114
16.2	Existence of different voting rights	5.2.3	111
16.3	Control over the issuer	5.4.2	112
16.4	Arrangements, the operation of which may result in a change in control	n.a.	
17	**Related-party transactions**	**8.4 Note 28**	**156**
18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
18.1	Historical financial information	1.1, 1.6, 2.1 to 2.4 and 8.1 to 8.3	8, 24, 30 to 33, 138 to 140
18.1.1	Audited historical financial information covering the latest three fiscal years and the audit report in respect of each year	1.1, 2.6 and 8.5	8, 70, 159
18.1.2	Change of accounting reference date	n.a.	
18.1.3	Accounting standards	2.5 Note 3 and 8.4 Note 2	38 and *seq.*, 143 and *seq.*
18.1.4	Accounting framework	2.5 Note 3 and 8.4 Note 2	38 and *seq.*, 143 and *seq.*
18.1.5	Balance sheet, income statement, statement of changes in equity, cash flow statement, accounting policies and explanatory notes	2 and 8.1 to 8.3	29 and *seq.*, 138 and *seq.*
18.1.6	Consolidated financial statements	2	29 and *seq.*
18.1.7	Age of financial information	2	29 and *seq.*
18.2	Interim and other financial information	Half year financial report of December 2018	
18.2.1	Published quarterly or half-yearly financial information	Half year financial report of December 2018 And Press Release for Quarter Net sales	
18.3	Auditing of historical annual financial information	2	29 and *seq.*
18.3.1	Independent auditing of historical annual financial information	n.a.	
18.3.2	Other audited information	n.a.	
18.3.3	Non-audited financial information	n.a.	

Annexes 1 and 2 of Delegated Regulation (EU) 2019/980 of March 14, 2019		Universal Registration Document 2018-2019 Chapter	Page
18.4	*Pro forma* financial information	1.3	22
18.5	Dividend policy	5.5	118
18.5.1	Description of the policy on dividend distributions and any restrictions thereon	5.5 and 5.2.3	118 and 111
18.5.2	Amount of the dividend per share	n.a.	
18.6	Administrative, legal and arbitration proceedings	2.5 Note 23 and 8.4 Note 31	59 and 157
18.7	Significant change in the issuer's financial position	2.5 Note 31	68 and *seq.*
19	**Additional information**		
19.1	Share capital	5.3	113
19.1.1	Amount of subscribed capital, number of shares issued and fully paid and par value per share, number of authorized shares	5.3 and 2.5 Note 22	113 and 55
19.1.2	Information on shares not representing capital	2.5 Note 22 and 30.1	55 and 66
19.1.3	Number, book value and face value of shares held by the issuer	5.3.7.3	116
19.1.4	Information on convertible securities, exchangeable securities or securities with warrants	2.5 Note 22	55
19.1.5	Information about and terms of any acquisition rights and or obligations oversubscribed but unpaid capital or an undertaking to increase the capital	2.5 Note 22 and 30.1	55 and 66
19.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options	5.3.6	115
19.1.7	History of share capital	5.3.1	113
19.2	Memorandum and Articles of Association	5.2	111
19.2.1	Register and corporate purpose	5.2.1	111
19.2.2	Rights, preferences and restrictions attaching to each class of share	5.2.3	111
19.2.3	Provisions that would have an effect of delaying, deferring or preventing a change in control	5.2.5	112
20	**Material contracts**	**7.5**	**135**
21	**Documents available**	**7.6**	**135**

Cross-reference table with the management report

The purpose of the following cross-reference table is to identify the information contained in the annual management report as defined by Articles L. 225-100 et seq. of the French Commercial Code.

		Universal Registration Document 2018-2019	
Sections		**Chapter**	**Page**
1	**Information on the issuer's business**		
1.1	Review of the business and performance of the issuer, its subsidiaries and the companies it controls by sector of activity	Business review and 1.1 to 1.2	4 and 8 and *seq.*
1.2	Review of the issuer's financial position	1.1 to 1.2, 2.5 Note 1 and 8.4 Note 1	8, 34, 141
1.3	Likely development of the issuer and/or Group	1.5 and 2.5 Note 32.2	23, 69
1.4	Post-closing events of the issuer and/or Group	2.5 Note 31 and 8.4 Note 33	68, 158
1.5	Activities in the field of research and development of the issuer and the Group	2.5 Note 32.3	69
1.6	Analysis of the development and performance of the issuer's business and its position with regard to the size and complexity of the business of the issuer and the Group	1.1 to 1.2 and 2.5 Note 32.2	8 and *seq.*, 69
1.7	Financial and non-financial Key Performance Indicators (including information relating to environmental and employee matters) of the issuer and the Group	1 and 6.1 and 6.3	7 and 124 and *seq.*
1.8	Main risks and uncertainties faced by the issuer	4	103
1.9	Financial risks linked to the effects of climate change and presentation of measures taken to reduce them	6.3.2	128
1.10	Main features of internal control and risk management procedures relating to the preparation and processing of accounting and financial information	3.2.2	85
1.11	Information on the use of financial instruments, including price, credit, liquidity and cash flow risks of the issuer and the Group	2.5 Note 3.27, 11, 29.3 and 4.1	45, 50, 64 and 105
2	**Legal, financial and tax information of the issuer**		
2.1	Identity of natural or legal persons holding, directly or indirectly, more than one 20th, one 10th, three twentieths, one 5th, one 1/4, one 1/3, half, 2/3 or eighteen or nineteen twentieths of the share capital or voting rights at General Shareholders' Meetings	5.2.6 and 5.4.1	112, 117
2.2	Employee profit-sharing	2.5 Note 22.2 and 22.3 and 5.3	55 and 113
2.3	Significant investments in companies with their head office in France	2.5 Note 1 and Note 2	34 and *seq.*
2.4	Acquisition and disposal by the issuer of its treasury shares (share buyback program)	2.5 Note 24.4 and 5.3.7 and 8.4 Note 32	61 and 115 and 157
2.5	Injunctions or monetary penalties for anti-competitive practices	n.a.	
2.6	Possible adjustments for securities giving access to capital in the event of repurchase of shares or financial transactions	n.a.	
2.7	Dividends distributed in the last three fiscal years	5.5	118
2.8	Conditions for the lifting and retention of options by Executive Corporate Officers	2.5 Note 22.3	56
2.9	Conditions for the conservation of free shares allocated to managers executive corporate officers	2.5 Note 22.3	56
2.10	Company's results over the past three fiscal years	8.6	163
3	**Issuer CSR information**	**6**	**121**
3.1	Non-financial performance statement and consolidated non-financial performance statement	6.5	130
3.2	Attestation of an independent third party on the information presented in the non-financial performance statement	n.a.	

Cross-reference table with the report on corporate governance

The purpose of the following cross-reference table is to identify in this URD the information contained in the report on corporate governance as defined by Articles L. 225-37 and L. 225-37-2 of the French Commercial Code.

		Universal Registration Document 2018-2019	
Sections		**Chapter**	**Page**
1	**Information on the remuneration policy**		75
1.1	Principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of total compensation and benefits of any kind for corporate officers	3.3	86
1.2	Presentation of draft resolutions relating to the compensation of corporate officers	3.4	93
1.3	Reference that the payment of variable and exceptional compensation is subject to the approval of a General Shareholders' Meeting under the conditions set forth in Article L. 225-100 of the French Commercial Code	3.3.4	88
2	**Information on compensation and benefits granted**		
2.1	Total compensation and benefits of any kind paid by the issuer to corporate officers	3.3.4	88
2.2	Fixed, variable and exceptional compensation components paid by the issuer to corporate officers	3.3	86
2.3	Commitments of any kind undertaken by the issuer on behalf of its corporate officers	3.3.4, 3.3.6, 3.3.7	88, 92
2.4	Compensation of the Chairman of the Board of Directors, the Chief Executive Officer and each executive officer in relation to (i) the full-time equivalent average compensation and (ii) the full-time equivalent median compensation of the issuer's employees, other than corporate officers, and trends in this ratio over the past five years, presented together and for comparative purposes	3.3.4	88
3	**Information on governance**		
3.1	Offices and positions held in any company by each corporate officer during the fiscal year	3.1	76
3.2	Agreements entered into between a corporate officer or major shareholder with a subsidiary of the issuer (except agreements relating to day-to-day operations and entered into at arm's length)	3.4	93
3.3	Procedure set up by the issuer pursuant to section 2 of Article L. 225 39 of the French Commercial Code on regulated agreements and its implementation	3.4.1	93
3.4	Summary table of current authorizations granted by the General Shareholders' Meeting concerning capital increases with information on how such authorizations were used during the fiscal year	3.4.3	95
3.5	Means of exercising executive management in the event of a change	3.1.3.1	81
3.6	Composition of the Board of Directors and conditions in which the Board's work is prepared and organized	3.1.3.2	81
3.7	Reference to the application of the principle of equal representation for women and men on the Board	3.1.3.2	81
3.8	Any limits on the powers of the Chief Executive Officer imposed by the Board of Directors	3.1.3.2	81
3.9	Provisions of the Afep-Medef Code or any other Code to which the Company refers that were not followed and the reasons why	3.1.3.2	81
3.10	Specific means of attendance for shareholders at General Shareholders' Meetings or the provisions in the articles of association that set forth such means	3.4.2	94

Sections		Universal Registration Document 2018-2019 Chapter	Page
4	**Information likely to have an impact in the event of a takeover bid or public exchange offer**		
4.1	Issuer's capital structure	5.3	113
4.2	Restrictions in the articles of association on the exercise of voting rights and share transfers	5.2.3	111
4.3	Direct or indirect interests in the issuer's capital	2.5 Note 24.4 and 5.3.7 and 8.4 Note 32	61, 115, 157
4.4	List of holders of securities with special rights and a description of such rights	2.5 Note 22.3 and 5.3.6	56, 115
4.5	Control mechanisms provided for in the event of an employee shareholding system, when the control rights are not exercised by the latter	5.3.8	116
4.6	Agreements between shareholders that could result in restrictions on share transfers and the exercise of voting rights	5.4.3	118
4.7	Rules applicable to the appointment and replacement of members of the Board of Directors and amendments to the articles of association of the issuer	3.1.3.2	81
4.8	Powers of the Board of Directors	3.1.3.2	81
4.9	Agreements entered into by the issuer that are amended or terminated in the event of a change in control over the issuer, unless such disclosure would seriously violate its interests (excluding legal disclosure obligations)	5.2.5 and 5.6	112, 118
4.10	Agreements providing for compensation for members of the Board of Directors or employees, should they be dismissed for no just cause or their employment be terminated due to a takeover bid or public exchange offer	5.6	118

Cross-reference table with the annual financial report

This URD incorporates the items contained in the annual financial report mentioned in Article L. 451-1-2 of the French Monetary and Financial Code and Articles 222-3 and 222-9 of the AMF General Regulations. The purpose of the following cross-reference table is to identify the information contained in the annual financial report in this Registration Document.

		Universal Registration Document 2018-2019	
Sections		**Chapter**	**Page**
1	**Statement of the person assuming responsibility for the information contained in the financial report**	**7.1.2**	**132**
2	**Parent company financial statements**	**8**	**137**
3	**Consolidated financial statements**	**2**	**29**
4	**Management report**	**Cross Reference Tables**	**165**
5	**Report on corporate governance**	**3**	**75**
6	**Statutory Auditors' report on the corporate governance report**	**2.6**	**70**
7	**Statutory Auditors' report on the parent company financial statements**	**8.5**	**141**
8	**Statutory Auditors' report on the consolidated financial statements**	**2.6**	**70**
9	**Description of share buyback program**	**2.5 Note 24.4 and 5.3.7 and 8.4 Note 32**	**61, 115 and 157**
10	**Additional information required for the preparation of the annual report**	**7**	**131**
10.1	Supplier payment period disclosures	8.4 Note 21.1	151
10.2	Amount of loans granted to companies with which the Company has economic links	8.4 Note 29	156
10.3	Vigilance plan drawn up by the parent companies in accordance with their duty of vigilance	3	75
10.4	Amounts of dividends that were distributed for the three previous fiscal years	5.5	118
10.5	Summary of transactions carried out by management on the issuer's securities	5.4.1	117
10.6	Crossing of thresholds and distribution of share capital	5.2.6 and 5.4.1	112 and 117
10.7	Description of Seveso facilities	n.a.	
10.8	Chairman's report on government payments	n.a.	
10.9	Table for the past five fiscal years	8.6	163

Glossary

5G:

5G is the fifth generation of mobile network technology. It succeeds 4G and is designed to respond to the huge growth in data transfers linked in particular to the growth of smartphones and connected objects. This new standard should make it possible to offer higher flows and a reduction in the latency time, the transit time of a given data between the time it is issued and the time it is received.

AIP:

Annual Improvement Project. Amendment to IFRS.

AMF:

The French Securities Regulator (AMF – *Autorité des marchés financiers*) is an independent public authority which has the status of a financially independent legal entity, tasked with protecting savings invested in financial instruments, informing investors and ensuring the proper functioning of the financial instruments markets in France.

Artificial Intelligence:

Artificial Intelligence (AI) refers to techniques designed to enable machines to imitate human cognitive processes (reasoning, learning, *etc*.) through the development of complex computer programs used for various applications (medical diagnostics, personal assistants, autonomous cars, *etc*.).

Black Friday:

Name given in the United States on the Friday following the celebration of Thanksgiving at the approach of Christmas and which historically represents the day of the year when the commercial activity is the most important. A large part of merchants take advantage of this moment to propose large balances.

Black-Scholes Evaluation Model:

The Black-Scholes Option Evaluation Model is a model used in financial mathematics to theoretically estimate the value of a financial option, of the European option type.

Bond issue type Euro PP:

Euro Private Placement, a private financing transaction between a listed or unlisted company and a limited number of institutional investors through the issuance of euro-denominated bonds.

BtoB:

Business-to-Business, qualifies a commercial activity between two companies.

Build-up strategy:

Qualifies a strategy of growth by successive acquisitions of companies positioned in the same sector of activity.

Business Intelligence:

(BI) or Business Intelligence is the set of tools and methods to analyze data to help businesses make strategic decisions.

Cash flow from operations:

All the internal resources generated by the Company in the course of its activity that enable it to finance.

CEO:

Chief Executive Officer.

Claranova SE:

A European SE company or European undertaking is a company which may carry on its activities in all the Member States of the European Union in a single legal form common to all these States, as defined by Community law.

Cloud:

(Or cloud computing) is an IT infrastructure in which computing power and storage are managed by remote servers to which users connect *via* a secure Internet link and a physical access point (desktop, smartphone, tablet, connected object).

Code AFEP-MEDEF:

The AFED-MEDEF Code is the governance reference code for listed companies.

Directors' fees:

Fees collected by the directors of a company (members of the Board of Directors or the Supervisory Board, depending on the type of company).

Discount rate:

This is the rate used to calculate the present value of a future flow.

Discounted cash flow:

The discounted cash flow (DCF) method updates future revenues to estimate the value of the business.

DPO:

Data Protection Officer, the person responsible for the physical data protection policy.

Earn-out:

In the context of the sale of a company, an earn-out clause allows to determine part of the acquisition price based on the Company's future performance.

EBITDA:

Earnings Before Interest, Taxes, Depreciation, and Amortization, refers to the Company's earnings before the deduction of interest, taxes and duties, depreciation, (but after provisions associated with inventory and trade receivables), amortization and share-based payments, including related social security expenses.

Effective interest rate:

The effective interest rate represents the annual rate capitalized annually equivalent to the nominal interest rate of a loan or financial product.

EU:
European Union.

Euronext Paris – Eurolist Compartment B:
Euronext Paris is a regulated market that hosts the trading of shares, bonds, warrants and trackers. It is divided into four compartments according to the market capitalisation of the issuer and which fall under different admission and trading rules. Compartment B: companies valued between €150 million and €1 billion.

Fintech:
The term Fintech combines the terms "finance" and "technology" and refers to innovative companies developing services and products that use technology to rethink financial and banking services. Fintech is also used to describe the economic sector encompassing these innovative companies.

GAFA:
Acronym for the Four Web Giants: Google, Apple, Facebook and Amazon.

Goodwill (GW):
Difference between the acquisition cost paid by the buyer, in the event of a takeover or a merger, and the buyer's share of the fair value of the identifiable assets and liabilities.

Hospitality:
In the field of hospitality, hospitality refers to the quality of services to treat guests as guests (individual services, setting up tools to automate tasks that keep staff away from customers…).

IAS (International Accounting Standards):
Abbreviation for International Accounting Standards. IAS was the former name given to international accounting standards. New international standards issued from April 1, 2001 are known as IFRS.

IFRIC:
International Financial Reporting Interpretations Committee (IFRIC) develops interpretations of IFRS International Accounting Standards to ensure consistent application, clarification and practical solutions.

IFRS (International Financial Reporting Standards):
Abbreviation for International Financial Reporting Standards. IFRS are the international standards used to report on financial information, which seek to standardize the presentation of accounting data worldwide.

IoT:
Internet of Things, global infrastructure for the Information Society, which provides advanced services by interconnecting objects (physical or virtual) through existing or evolving interoperable information and communication technologies (definition of the International Telecommunication Union).

ISIN:
International Securities Identification Numbers corresponds to the identification code of a stock exchange value.

LEI:
Legal Entity Identification Number, a unique identification number for entities trading in financial markets.

LoRa™:
Wireless long-distance telecommunication technology deployed *via* a Low-Power Wide-Area Network (LoRaWAN) as part of the Internet of Things.

Method Cox Ross Rubinstein:
The Cox, Ross and Rubinstein (CRC) model is a model for evaluating options.

MiddleNext:
Independent French association representing listed SMEs and midcaps. It exclusively represents companies from all different sectors that are listed on Euronext and Alternext.

Mobile app:
Software package for mobile phones.

Mobile-to-Print:
A generic term for all mobile intermediation applications linking printers to buyers of printed products.

Model "fabless":
A term used to refer to an economic model based on outsourcing production to third-party partners.

Monetization of traffic on Internet:
Valuation of the audience of a website or mobile application by turning it into revenue through a fee for the application or to get access to the content of a website, the introduction of the freemium model, affiliate schemes, advertising, or any other means that enable generation of income.

OPCVM:
Organisme de placement collectif en valeurs mobilières, undertakings for collective investments in transferable securities (UCITS), an assets portfolio invested in securities or other financial instruments.

Operating income:
Income calculated on the basis of recurring operating income less other non-current operating income and expenses.

Organic growth:

Business development of a group (usually by measuring revenue growth) achieved by acquiring new customers, as opposed to an acquisitions process, which results in changes to the Company's scope of consolidation.

ORNANE:

(*Obligation remboursable en numéraire et en actions nouvelles et existantes*), Redeemable bond in cash and in new and existing shares, means a form of convertible bond offering its holder the possibility of being redeemed in cash or in shares.

PaaS:

Platform as a Service, is a cloud computing model aimed primarily at professionals and especially developers. This cloud computing model integrates the hardware infrastructure and software tools to design, test and deploy online applications and services from the cloud.

PCI-DSS:

Payment Card Industry – Data Security Standard, a payment card industry security standard.

PDF:

Portable document format. Electronic document exchange format that allows the transmission of documents containing text, graphics, images and color.

Preferred shares:

Preference shares are securities which differs from ordinary shares by the prerogatives attached to them. Such actions may confer on their holders special rights at several levels, in particular as regards the right to vote and the right to benefit.

Premium offer:

Means an offer of a product or service sold more expensive than the basic service, or the paid version of an offer of a product or service free of charge. The price difference is usually accompanied by an improved version of the basic product or service.

Pricing models:

Rate of return expected by the market for a financial asset based on its systematic risk.

Proof of concept :

Demonstration of feasibility.

Recurring operating income:

Income calculated on the basis of revenue plus other recurring operating income, less current operating expenses.

Related-party:

Within the meaning of IFRS, for an enterprise: any legal person shareholder exercising significant control or influence over the company, shareholders having a significant voting right, associated companies or co-shareholderscontrolled, any company having a common officer/agent with the company, members of the supervisory and management bodies.

RGPD:

Règlement Général de Protection des Données (RGPD), General Data Protection Regulation, a European regulatory framework for data processing.

Royalties:

Payments that repeatedly occur in exchange of operating rights (licenses, copyrights, trademarks) or the rights to use a service.

RSE:

Responsabilité sociétale des entreprises, Corporate Social Responsibility means that companies take into account the stakes, social and ethical issues in their activities.

Say on pay:

The remuneration of the executive officers of the listed companies is voted by the shareholders at the General Meeting.

Scalability:

Refers to an activity's ability to scale.

Sigfox:

Low power wide-reaching signal telecommunications network used to send small amounts of data between objects without a cell phone.

Smartphone:

Mobile phone with advanced features similar to those of a computer (internet browsing, video playback, office tools, *etc.*).

Software:

All programs, processes and instructions for computer hardware to execute.

SSII:

Société de service et d'ingénierie en informatique, Company of service and engineering in informatics, means a company specialized in the field of new technologies and computer science.

Stock option:

Right granted to an employee enabling him/her to buy shares from his/her company at a predetermined price (strike price) that includes a discount compared to the stock market price at the time of the grant and within a specific time frame.

Stock warrants:

A financial security that allows you to subscribe to a share for a specified period of time, at a fixed price in advance.

Techno push:

The concept of “techno push” considers that innovation generates demand, unlike the concept of “demand pull”, which considers that innovation is the result of market demand.

Telecom operators:

A telecommunications operator is an entity whose activity is to provide remote communication services (mobile telephone or mobile Internet access service).

Treasury shares:

Refers to the share of the Company’s capital held by the Company itself.

Web-to-Print:

A generic term for all web-based intermediation applications linking printers to buyers of printed products.

White label:

A white label is a service or product designed by a company that other companies, such as distributors, take over and market under their own brand.

Working capital:

The amount required for the business to pay its current expenses while waiting to receive the payment due from its customers.

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