2018-2019

consolidated financial statements

claranova™

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2018-2019

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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.

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 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**

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
Cash flow from operations		**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
Net cash flow from operating activities		**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.

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**

5 Notes to the consolidated financial statements

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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

Company	Country	% control	% interest	Consolidation method
Avanquest UK Ltd International House, George Curl Way Southampton – Hampshire SO18 2RZ	United Kingdom	100.00%	100.00%*	Full consolidation
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

Company	Country	% control	% interest	Consolidation method
Proreach Software Holdings (C 45983) 48/4 Amery Street, Sliema, SLM 1701	Malta	100.00%	50.01%*	Full consolidation
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. 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.

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:

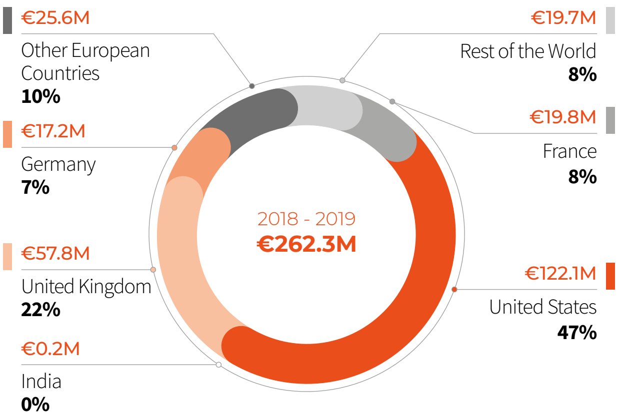
- Internet segment Avanquest (software publishing and distribution, monetization of traffic);
- Mobile segment PlanetArt (personalized printing, *via* its FreePrints applications, and websites);
- IoT segment myDevices (management of connected devices).

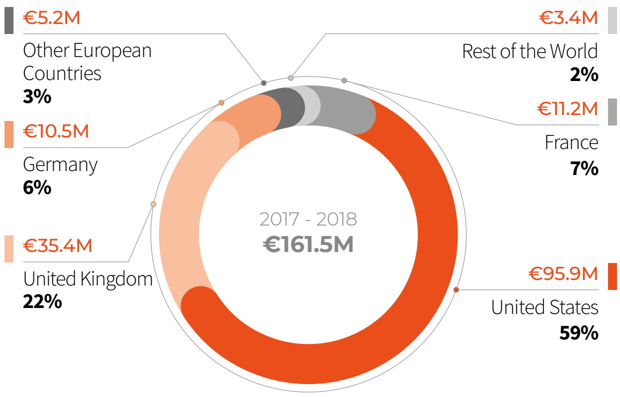
BREAKDOWN OF REVENUE BY SEGMENT

(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:

(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.

(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:

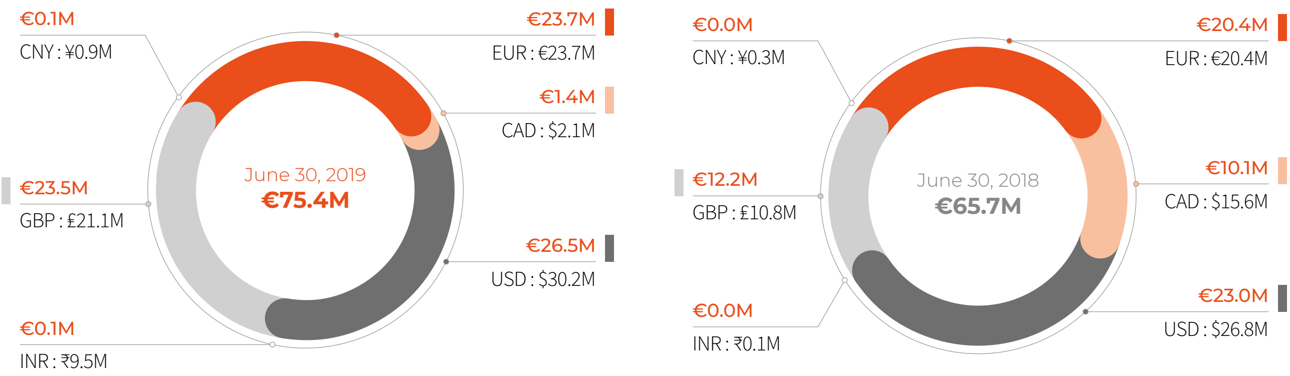
- prepaid royalties on revenue generated by externally purchased traffic for Adaware's activities of €1.8 million;
- a €1.0 million increase in tax receivables tied to an increase in VAT credit accounts in the French subsidiaries of €1.0 million;
- contract assets relating to the restatement of deferred 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 July 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 29.4)

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.

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

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