Transforming Video Delivery

Annual Financial Report
At 31 December 2018

(Unless otherwise specified, all amounts listed in these notes are in €'000)

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Consolidated financial statements prepared in IFRS
for the financial year ended 31 December 2018 and 31 December 2017

Statement of financial position	Notes	31/12/2018 in €'000	31/12/2017* in €'000
ASSETS			
Goodwill			
Intangible assets	3	1,821	2,053
Property, plant and equipment	4	3,283	2,592
Other non-current financial assets	5	1,005	1,094
Deferred tax assets	20	647	625
Total non-current assets		6,757	6,364
Inventory	6	3,625	2,660
Trade receivables	7.1	21,865	23,538
Other receivables	7.2	5,774	3,763
Cash and cash equivalents	8	6,254	2,451
Total current assets		37,518	32,411
Total Assets		**44,275**	**38,775**
LIABILITIES			
Equity			
Share capital	10	1,457	1,439
Issue and transfer premiums	10	16,983	16,202
Translation reserve	10	118	141
Other comprehensive income	10	(73)	(167)
Reserves - Group share*	10	1,346	(2,644)
Income - Group Share	10	1,706	3,819
Equity, Group share		**21,537**	**18,791**
Non-current liabilities			
Staff commitments	13	607	565
Non-current financial liabilities	12	5,022	4,222
Non-current liabilities		**5,629**	**4,787**
Current liabilities			
Current financial liabilities	12	1,444	1,622
Provisions	14	11	56
Trade payables	15.1	8,738	6,722
Tax and social liabilities	15.2	2,197	2,599
Other current liabilities	15.3	4,718	4,199
Current liabilities		**17,108**	**15,197**
Total Liabilities		**44,275**	**38,775**

***includes the IFRS 9 impacts at opening**

Income statement	Notes	31/12/2018 12 months in €'000	31/12/2017 12 months in €'000
Sales revenue	16	56,487	48,599
Cost of Sales	16.1	(28,632)	(19,501)
Gross margin		**27,855**	**29,098**
Research and Development expenses	17.2	(7,246)	(6,158)
Marketing and Sales expenses	17.3	(16,745)	(15,633)
General and Administrative expenses	17.4	(2,542)	(2,416)
Income from operations		**1,323**	**4,890**
Financial expenses	19	(139)	(200)
Financial income	19	12	1
Exchange (losses) and gains	19	574	(1,325)
Income before tax		**1,771**	**3,366**
Tax expense / income	20	(64)	453
Net income		**1,706**	**3,819**
Group share		*1,706*	*3,819*
Non-controlling interests		*0*	*0*
Basic earnings per share (€ / share)	**21**	**0.16**	**0.38**
Diluted earnings per share (€ / share)	**21**	**0.16**	**0.36**

IFRS Consolidated statement of comprehensive income	31/12/2018 in €'000	31/12/2017 in €'000
Income for the year	1,706	3,819
Actuarial gains and losses	94	25
Items not recyclable	**94**	**25**
Consolidation translation differences	(23)	40
Items recyclable	**(23)**	**40**
Comprehensive income	**1,777**	**3,884**
Group share	*1,777*	*3,844*
Non-controlling interests	*0*	*0*

Change in equity

Change in consolidated equity	Share capital Number of shares	Share capital in €'000	Additional paid-in capital in €'000	Reserves and income in €'000	Translation differences in €'000	Actuarial gains and losses in €'000	Equity, Group share in €'000	Non-controlling interests in €'000	Equity in €'000
As at 31 December 2017	*10,275,289*	**1,439**	**16,202**	**1,301**	**141**	**(167)**	**18,917**	**0**	**18,917**
Impact of the application of IFRS 9(1)				(126)			(126)		(126)
Balance at 1 January 2018 after application of IFRS 9(1)	*10,275,289*	**1,439**	**16,202**	**1,175**	**142**	**(167)**	**18,791**	**0**	**18,791**
2018 Net income				1,706			1,706		1,706
Other comprehensive income				0	(23)	94	70		70
Comprehensive income				1,706	(23)	(94)	1,777		1,777
Issue of new shares									0
Definitive grant of bonus shares									0
Exercise of stock options	*130,115*	18	781				799		799
Cancellation of treasury shares arising from the liquidity agreement				(44)			(44)		(44)
Share-based payments				215			215		215
As at 31 December 2018	*10,405,404*	**1,457**	**16,983**	**3,052**	**118**	**(73)**	**21,537**	**0**	**21,537**

(1) The effects of the application of IFRS 9 are described in Note 2.3.

Consolidated statement of cash flows	Notes	31/12/2018 in €'000	31/12/2017 in €'000
Net income		**1,706**	**3,819**
(-) Elimination of amortisation of intangible assets	3	(786)	(792)
(-) Elimination of depreciation of property, plant and equipment	4	(1,457)	(1,111)
(-) Allocations for provisions	13-14	(79)	(72)
(-) Provision reversals	14	45	62
(-) Expense related to share-based payments	11	(215)	(360)
(-) Gross financial interest paid		75	(14)
(-) Capital loss from disposal of fixed assets	3-4	(249)	(6)
(-) Other		(52)	(96)
(-) Tax expense (including deferred tax)		(64)	453
Cash flow before net borrowing costs and taxes		**4,487**	**5,756**
(-) Change in working capital requirement (net of impairment of trade receivables and inventory)		(892)	6,607
Cash flow generated by operations		**5,379**	**(851)**
Acquisition of intangible assets	3	(192)	(71)
Capitalisation of development expenses	3	(534)	(607)
Acquisition of property, plant and equipment	4	(2,102)	(1,039)
Change in other non-current financial assets	5	(86)	(39)
Cash flow related to investment transactions		**(2,915)**	**(1,756)**
Exercise of stock options		799	905
Collection of new loans	12	2,094	1,700
Gross financial interest paid		(75)	(14)
Repayment of loans and conditional advances	12	(1,363)	(848)
Finance lease payments	12	(337)	(241)
Other financing flows (including factoring)	5	136	(523)
Cash flow related to financing transactions		**1,253**	**979**
Impact of changes in currency exchange rates		50	(27)
Increase (Decrease) in cash		**3,767**	**(1,656)**
Cash and cash equivalents at opening (including bank overdrafts)		2,439	4,095
Cash and cash equivalents at closing (including bank overdrafts)		6,206	2,439
Increase (Decrease in cash)		**3,767**	**(1,656)**

		31/12/2018	31/12/2017
Cash and cash equivalents	8	6,254	2,451
Bank overdrafts	12	(48)	(12)
Cash and cash equivalents at closing (including bank overdrafts)		**6,206**	**2,439**

Detailed analysis of the Working Capital Requirement (in €'000)	31/12/2018	31/12/2017
Inventory (net of inventory impairment)	959	(435)
Trade receivables (net of impairment of trade receivables)	(1,422)	10,704
Other receivables	1,942	649
Trade payables	(2,005)	(2,528)
Tax and social liabilities	401	(180)
Other current liabilities	(767)	(1,604)
Total changes	**(892)**	**6,607**

Note 1: Presentation of business and major events

The following information constitutes the Notes to the consolidated financial statements prepared in IFRS as an integral part of the financial statements presented for the financial years ended 31 December 2018 and 2017.
Each of these financial years shall be twelve months covering the period from 1 January to 31 December.

1.1 Information relating to the Company and its business

Created in June 1991, ATEME (a French public limited company) produces electronic and computer equipment and instruments for the acquisition, processing and transmission of information.

ATEME offers products and solutions to cover:

- Contribution: imbedded encoders in mobile production units, and decoders installed in studios,
- "File" and "Live" distribution: transcoding solution for broadcast on all types of screens to be able to monetise content.

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Versailles Trade and Companies Registry number: 382 231 991

ATEME and its subsidiaries are hereinafter referred to as the "Company", the "Group", or "ATEME". The Company is listed on Euronext Compartment B.

1.2 Highlights of the 2018 financial year

22 February 2018: ATEME enables Winter Games transmission of Industry First Next Gen TV Broadcast with the new broadcast television standard, ATSC 3.0

ATEME announced that WRAL-TV has successfully tested its TITAN compression solution to support the public demonstrations of the ATSC 3.0 broadcast television standard.
Broadcasting and technology partners worked together to broadcast superb 4K ultra-high definition videos using LDM (Layer Division Multiplexing) technology and presented new interactive applications to enhance the television viewer experience.

15 March 2018: **ATEME enables the launch and development of new Canal+ UHD services**

ATEME and the Canal+ Group, the leading pay-TV operator in France, extended their partnership to include new UHD premium services. Taking advantage of ATEME's continued research and innovation in image quality, the Canal+ Group's workflow can now process both SD, HD and UHD content.

22 March 2018: **ATEME provides the MBC Group with a high-quality, scalable and cost-effective solution**

ATEME announced it is strengthening its partnership with the MBC Group, the largest private multimedia company in the Middle East and North Africa. After a successful first deployment in 2017, ATEME now provides the MBC Group with a complete H.264 and HEVC live headend for multi-screen services.

27 March 2018: Higher **quality and increased efficiency for ATSC 1.0 and ATSC 3.0**

ATEME and Sinclair Broadcast Group, Inc. (NASDAQ: SBGI) ('Sinclair'), one of the largest US television groups, have announced their partnership to provide live video encoding solutions that will accelerate the transition from over-the-air delivery to ATSC 3.0 'NextGen' television services.

3 April 2018: **ATEME, the all CODECs video delivery leader introduces a new level in operating efficiency through the AV1 royalty-free codec standardised by the Alliance for Open Media**

ATEME presented a production ready AV1 CODEC, integrated into its TITAN video compression solution, at the NAB 2018. By using ATEME's TITAN solution and the Alliance for Open Media's AV1 CODEC, operators can deploy a royalty-free solution for both the video headend and the decoder-player.

5 April 2018: **BISS-CA: ATEME incorporates the new open EBU standard for encryption**

ATEME announced the integration of BISS-CA support (EBU Tech 3292-1) into its TITAN and Kyrion solutions. BISS-CA is an improved and secured standard of the BISS protocol, with dynamic rolling keys support; unlike other proprietary solutions, BISS-CA allows interoperability of any encoders/receivers that are compatible with the standard.

9 - 12 April 2018 at the NAB: The Convergence TV project demonstrates world first SHVC based HD/HD hybrid delivery

At NAB 2018, the Convergence TV project demonstrates the delivery of a full UHDTV service using an ATSC 3.0 broadcast path for distributing a regular HD service (2K + HDR) and an ATSC 3.0 broadband path for enhancing the service from HD to UHDTV (4K + HDR).

Convergence TV is a research project led by five innovative and high-tech French companies, including ATEME: TeamCast (ENENSYS Group, Project Coordinator), Broadpeak, Motion Spell, TDF and two prestigious research institutes: INSA Rennes and Telecom Paristech.

9 April 2018: **The Convergence TV project won the Technology Innovation Award at the 2018 edition of the NAB Show for its ATSC3 SHVC based HD/UHD hybrid delivery demonstration**

Every year, the National Association of Broadcasters (NAB) awards a prize for technological innovation to organisations that make a significant contribution to the world of broadcasting and are demonstrating advanced technology at the NAB.

The Convergence TV consortium received this award this year for 'Demonstrating ATSC 3.0 transmission of UHDTV using scalable coding over hybrid broadcast and broadband paths'

The Convergence TV project is a world first in the delivery of a full UHDTV service using an ATSC 3.0 broadcast path for distributing a regular HD service (2K + HDR) and an ATSC 3.0 broadband path for enhancing the service from HD to UHDTV (4K + HDR).

22 May 2018: ATEME provides Swisscom with a cost effective and innovative video headend

ATEME has announced that Swisscom, the leading telecommunications company and one of the leading IT companies in Switzerland, has chosen its TITAN virtual encoding solution as part of its innovative MediaCloud project. The project's goal is to build one of the industry first IPTV virtualized video headends, based on video transcoding to manage the many input formats. At the same time, Swisscom wants to adapt output video channels to the requirements of its consumers.

20 June 2018: ATEME supports NPO in developing its new UHD TV services: The Football World Cup in high-quality UHD and at very low bitrate

ATEME announced that NPO, the Dutch national broadcaster, has selected ATEME's TITAN virtual video processing solution to cover live Worldcup Football in 4K ultra high definition.

Leveraging ATEME's continuous research and innovation in picture and video quality, NPO workflow can now process both Live UHD content at the lower bitrate.

4 September 2018: ATEME at IBC 2018 - All Codec, Machine Learning, Full IP Video Delivery Orchestration

At the IBC international conference in Amsterdam, ATEME unveiled its latest innovations in video delivery optimisation to any screen

On 6 September 2018: ATEME's TITAN enhanced Kroton Educacional's online learning services and increased its profitability

ATEME announced the deployment of its TITAN and AMS solutions by Kroton Educacional. Kroton, one of the world's largest private education organisations, based in Brazil, will now be able to cost effectively expand combined IPTV and OTT services.

16 October 2018: ATEME enables CJ Hello to virtualise its hardware-based technology in order to increase the capacity of HD channels

ATEME announced the deployment of its TITAN solution by CJ Hello, Korea's number one cable operator and media sector leader, as part of its HD innovative project.
This deployment has enabled CJ Hello to virtualise its video headend and provide HD channels via terrestrial modulation without an external decoder, and to reach subscribers in 23 South Korean regions.

On 8 November 2018: ATEME enables VSTV K+ to optimise bandwidth savings and revenues

ATEME announced the deployment of its TITAN solution by Vietnam Satellite Digital Television (VSTV K+), Vietnam's largest satellite operator.

Thanks to ATEME's TITAN, the Vietnamese operator has achieved OPEX and outstanding bandwidth savings in MPEG-2 and H.264, resulting in significant satellite transponder usage. In addition, the TITAN solution offers VSTV K+ benefits in terms of flexibility, video quality and ease of operations.

29 November 2018: ATEME Solutions Enable Sky Racing HD Refresh and DTH Expansion: Higher Video Quality at Lower Latency; Increased Services Reach

ATEME announced that Australia's Sky Racing, the leading multi-channel and multi-site sport and horse racing broadcaster, has successfully deployed its video compression solution to update HD services and extend DTH services.

ATEME worked with its New Zealand/Australia-based distributor, Amber Technology, to design and deploy the Sky Racing system with Kyrion encoders. Sky Racing benefited from extremely low latency and superior video quality of content from and to race courses and their production facilities.

20 December 2018: Telia Estonia selects ATEME to support its next-generation OTT offering

ATEME announced that Telia Estonia, one of the largest telecommunication companies in the Baltics, selected ATEME's TITAN solution to encode its next-generation OTT offering.

The project aims at extending the scope of HD services throughout Estonia and introducing new packaging formats.

Through its OTT service offering, ATEME enables Telia Estonia to benefit from premium video experience, high density and improved operating efficiency.

1.3 Events subsequent to 2018 closing

26 February 2019: ATEME's TITAN software encoder enables testing of the ATSC 3.0 standard for Pearl TV and the 'Phoenix Model' market project

ATEME announced its collaboration with Pearl TV and the 'Phoenix Model' market project in real-world research of the ATSC 3.0 standard.

Using ATEME's TITAN software solution, Pearl TV is testing ATSC 3.0- multi-channel HEVC encoding, including advanced features such as ultra-high definition, high dynamic range video, immersive audio, digital rights management, next-generation emergency alerts, scalable high-efficiency video coding (SHVC) and digital ad insertion.

19 March 2019: ATEME's Kyrion enhanced Casablanca's live sport offering
ATEME announced that Casablanca Online, one of Brazil's leading live broadcast service providers, has chosen ATEME's Kyrion encoder and decoder to support growing demand for high-quality video processing. The Kyrion encoder and decoder are perfectly suited to broadcasting sports, with ultra-low latency.

26 March 2019: ATEME's TITAN enables Agile Contribution & Distribution High Quality, Low Latency, Full Software Flexibility

ATEME announced the upgrade of its TITAN software suite to lower contribution and distribution video transmission costs.
By implementing a fully modular architecture, TITAN can now be used as an universal receiver / gateway / transcoder with a low-latency and high-density software encoder / decoder on the same server. It supports all input formats, CODECs, all inputs / outputs (IP, L band, ASI, SDI, baseband on IP) and includes features, such as BISS-CA, the open standard from EBU Tech, that secure the content and manage in-band conditional access for high-value-media.

Note 2: Accounting principles, rules and methods

The financial statements are presented in €'000 unless otherwise stated.

2.1 Reporting principle

Declaration of compliance

ATEME established its consolidated financial statements, approved by the Board of Directors on 27 March 2019, in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union on the date of preparation of the financial statements, for all periods presented.

These standards, which are available on the European Commission's website, incorporate international accounting standards (IAS and IFRS), the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The accounting principles, methods and options used by the Company are described below. In some cases, IFRS give the choice between the application of a benchmark treatment or another allowed alternative treatment.

Principle of preparation of financial statements

The Group's financial statements have been prepared in accordance with the historical cost principle, with the exception of certain categories of assets and liabilities, in accordance with the provisions of IFRS. The categories concerned are mentioned in the following notes.

Business continuity

The assumption of business continuity over the next 12 months from 31 December 2018 was adopted by the Board of Directors on the basis of the growth assumptions for sales revenue and the gross margin.

Accounting policies

The following accounting policies have been applied consistently to all periods presented in the financial statements, after taking account of or making exceptions for the new standards and interpretations described below:

<u>Standards, amendments to standards and interpretations applicable for periods beginning on 1 January 2018</u>

The accounting policies applied are the same as those used to prepare the IFRS annual financial statements for the year ended 31 December 2017, with the exception of the application of the following new standards, amendments to standards and interpretations adopted by the European Union, whose application is mandatory for the Group as of 1 January 2018:

Standards, amendments and interpretations adopted by the European Union that are mandatory for periods beginning on or after 1 January 2018:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- Clarifications to IFRS 15
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 - Application of IFRS 9 with IFRS 4
- IFRS improvement (2014-2016 cycle)

IFRS 9 and IFRS 15 enter into force for periods beginning on or after 1 January 2018.

- IFRS 9 addresses, inter alia, the recognition of financial assets and liabilities, the impairment of financial assets (including expected losses on customers) and the recognition of hedging transactions.
- IFRS 15 sets out the principles for accounting for sales revenue based on an analysis in 5 successive stages (contract identification, identification of the various performance obligations, i.e. the list of goods or services that the seller has committed to provide to the buyer, determining the overall price of the contract, allocation of the overall price relating to each performance obligation, accounting for the sales revenue and the costs related to the completion of a performance obligation).

The application of these new standards and their impact on the financial statements for the financial year ended 31 December 2018 are described in Note 2.3 to the financial statements.

Standards, amendments to standards and interpretations not yet adopted by the Group

The Group has elected not to early adopt the standards, amendments and interpretations adopted by the European Union or not yet adopted by the European Union, but for which early application would have been possible, and which will enter into force after 31 December 2018. These are mainly the following standards and amendments, which are in force for financial years beginning on or after 1 January 2019, subject to their adoption by the European Union:

- IFRS 16 - Leases
- Annual improvement cycle 2015-2017 (a),
- Amendment to IFRS 9 (adopted in March 2018 by the European Union) - Early redemption clauses providing for negative compensation
- Amendment to IAS 19 (a)
- IFRIC 23 - Uncertain Tax Positions

(a) Adoption by the European Union at the end of 2018

The Group does not expect IFRIC 23 to have a material impact on opening equity.

The application of IFRS 16 will lead to a change in the presentation of the rental expense currently presented in the income statement (recognition of amortization of rights to use in recurring operating income and interest expense in financial profit or loss).

The expected impacts on the Group's consolidated financial statements as of 1 January 2019, using the simplified retrospective method, would be between €2.5 million and €3 million, the amounts applicable to financial assets or liabilities, and which mainly concern commercial leases. The terms used to measure leases under IFRS 16 may, in certain cases, differ from those used to measure off-balance sheet commitments, where only the firm commitment period was taken into account.

The Group does not intend to apply this standard in advance after it has been adopted. Information on operating leases (rents and outstanding rents) is provided in Note 6.1 to the financial statements.

Main Standards, amendments and interpretations not adopted by the European Union but not yet mandatory for periods beginning on or after 1 January 2018

There are no accounting principles contrary to the IFRS standards, which are mandatorily applicable for financial years beginning on or after 1 January 2018 and which have not yet been adopted at the European level, and which would have had a material impact on the financial statements for this financial year.

The analysis of the impact of IFRS 16 'Leases,' approved by the IASB with first-time application for financial years beginning on or after 1 January 2019 is described in the above section.

Change in accounting policies

- **IFRS 15 - Revenue from Contracts with Customers**

The Group adopted IFRS 15 as of 1 January 2018, the effective date within the European Union. With respect to the non-significant impacts identified, IFRS 15 was applied retrospectively to contracts in progress, using the simplified retrospective transition method.
The figures for the 2017 financial year presented for comparative purposes have not been adjusted and continue to be presented in accordance with the previous GAAP (IAS 8 'Revenue'). The application of this standard to the ATEME Group is described in Note 16 to the financial statements.

- **IFRS 9 - Financial Instruments**

As of 1 January 2018, the Group has applied IFRS 9 'Financial Instruments.' This standard sets out the procedures to be followed in recognising and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard supersedes IAS 39 'Financial Instruments': Recognition and measurement that has been applied up to 31 December 2017.

Phase I - Classification and measurement of financial assets

The classification and measurement requirements in IFRS 9 are based on the business model and the contractual characteristics of the financial assets. At the time of application of this standard, the Group reviewed the characteristics, notably the remuneration of its financial assets. As a result of the Group's practice in managing its financial assets and as the Group does not hold complex financial instruments, the conclusion was reached that all of the Group's financial assets complied with the 'Solely Payment of Principal and Interest' (SSPI) criterion as defined by IFRS 9. Financial assets accounted for at amortised cost in accordance with IAS 39 did not therefore experience a change in accounting method when IFRS 9 was first applied.

Loans and receivables are now classified as 'Financial assets at amortised cost,' and available-for-sale financial assets are classified as 'Equity instruments' and remain presented in the balance sheet under 'Other financial assets' (see details in Note 9, Fair value of financial assets and liabilities by accounting category). This new approach has no impact on the Group's consolidated financial statements.

Phase II - Impairment model for financial assets

The standard has also changed the way the Group's financial assets are impaired, since IFRS 9 requires a model now based on expected losses. An analysis of the trade and financial receivables portfolios was carried out at year end, leading to the recognition of an additional provision of €180 thousand at 1 January 2018. Deferred taxes amount to €(54) thousand.

The Group has opted for the simplified method of measuring impairment on its trade receivables.

Credit risk related to financial receivables and loans was measured according to the provisions of the comprehensive model under IFRS 9. No significant increase in credit risk has been identified in the two periods presented.

Phase III - Hedge accounting

The Group has not entered into any hedging contracts.

Consolidation principles

Fully consolidated companies

The consolidated financial statements comprise, by full consolidation, the accounts of subsidiaries over which the Group exercises exclusive control, whether directly or indirectly. The Group considers that it holds exclusive control over an entity when it has the capacity to govern the operational and financial policies of that entity in order to achieve economic benefits. Full consolidation allows for the inclusion, after elimination of the internal transactions and results, of all assets, liabilities, and elements of the income statements of the Companies concerned, the share of income and shareholders' equity attributable to the Group's Companies (Group share), distinguished from the interest of the other shareholders (Non-controlling interests). All significant transactions between consolidated Companies and consolidated internal income (including dividends) are eliminated.

Main Group Companies as at 31 December 2018

Subsidiaries

Subsidiaries are all entities for which the Company has the power to govern the financial and operating policies, this power generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which the Company acquires control. They are deconsolidated from the date on which control ceases.

Intragroup transactions and balances are eliminated. The financial statements of the subsidiary are prepared for the same reference period as those of the parent company, on the basis of uniform accounting policies.

As at 31 December 2018, five companies are fully consolidated. Directly owned companies are as follows:

Companies	Country	Group control in %	Interest in %
ATEME SA	France	Parent company	
ATEME USA Inc.	United States	100	100
ATEME Canada Inc.	Canada	100	100
ATEME Singapore	Singapore	100	100
ATEME Japan KK	Japan	100	100

2.2 Use of judgements and estimates

To prepare the financial statements in accordance with IFRS, Group management has made estimates, judgements and assumptions which may have affected the amounts reported for assets and liabilities, contingent liabilities at the date the financial statements were prepared, and the amounts reported for income and expenses for the period.

These estimates are based on the assumption of business continuity and the information available at the date of preparation. They are continuously assessed on the basis of past experience and various other factors deemed reasonable which are the basis for assessments of the carrying amount of assets and liabilities. Estimates may be revised if the circumstances on which they were based change or if further information is available. Actual results could differ significantly from these estimates according to different assumptions or conditions.

The major estimates or judgements made by the Company's management include the following:

- Allocation of stock options or subscription warrants for founders' shares to employees and executives
    - The determination of the fair value of share-based payments is based on the Black & Scholes pricing model that takes into account assumptions on complex and subjective variables. These variables include the value of the Company's securities, the expected volatility of the share price over the life of the instrument and the current and future behaviour of the holders of such instruments. There is a high inherent risk of subjectivity arising from the use of a pricing model in determining the fair value of share-based payments in accordance with IFRS 2.
    - The valuation assumptions used are presented in Note 11.
- Recognition of sales revenue
    - Certain perpetual license agreements include a maintenance component and a financing component contingent on the transfer of title. In this context, the Group may have to take comparable data into account in determining

the revenue to be recognised on each contract.
    - The accounting principles and the amounts of provisions are presented respectively in Note 16.

- Capitalisation of development expenses
    - The Company devotes significant efforts to research and development. In this context, the Company must make judgements and interpretations to determine the development expenses to be capitalised once all the six criteria defined in IAS 38 are met.
    - The accounting principles and capitalised costs are presented in Note 3.
- Impairment of inventory
    - The Group determines a provision for impairment of inventory based on an analysis of the probable net realisable value of its inventory, which is based on historical and projected data. In this context, the Company may be required to take into account assumptions (in particular in terms of technological changes in the different versions of the cards and the risk of obsolescence of such products).
    - The accounting principles and the amounts of provisions are presented respectively in Note 6.
- Provision for pension commitments
    - The Group uses assumptions related to turnover and salary increases based on historical data. For this purpose, the Group may have to take assumptions into account.
    - The accounting principles and the amounts of provisions are presented in Note 13.
- Impairment of trade receivables
    - The Group sets aside provisions for impairment of trade receivables on the basis of historical losses recorded on certain customer categories. In this context, the Group may have to take into account assumptions (particularly in terms of customer risk).
    - The accounting principles and the amounts of provisions are presented respectively in Note 7.

2.3 Functional reporting currency

The Group's financial statements are prepared in euros, the reporting and functional currency of ATEME SA.

2.4 Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company using the exchange rate applicable on the date of the transaction. Assets and liabilities denominated in foreign currency at the balance sheet date are translated into the functional currency using the exchange rate at that date.

Exchange gains and losses arising from the conversion of monetary items correspond to the difference between amortised cost denominated in the functional currency at the beginning of the period, adjusted for the impact of the effective interest rate and payments over the period, and the amortised cost denominated in the foreign currency translated to the functional currency at the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency using the exchange rate of the date on which fair value was determined. The exchange differences resulting from such translations shall be recognised in profit or loss, with the exception of the differences resulting from the translation of equity instruments available for sale, a financial liability designated as a hedge of a net investment in a foreign business, or instruments classified as cash flow hedges, which are recognised directly in equity.

Translation of foreign subsidiaries' financial statements

The euro, chosen as the reporting currency, is the currency in which most of the flows are generated within the Group. The functional currency of the Company is the euro and the functional currencies of its subsidiaries are as follows:

- Ateme SA Inc.: US Dollar
- Ateme Canada Inc.: Canadian Dollar
- Ateme Singapore: Singapore Dollar
- Ateme Japan KK: Yen

The accounts of Group entities whose functional currencies are different from the euro are translated into euros as follows:

- Assets and liabilities are translated at the closing exchange rate at 31 December 2018;
- The income and expenses of each income statement shall be translated at the average exchange rate for the period or financial year that is considered to reflect the applicable exchange rates on the effective date of the transactions.

Translation differences resulting from the application of these different rates are included in a specific equity item, ‘Translation differences’.

2.5 Current and non-current distinction

The Group applies a balance sheet presentation that distinguishes between the current and non-current elements of assets and liabilities.
The distinction between current items and non-current items has been made in accordance with the following rules:

- The assets and liabilities constituting the working capital requirement within the normal business cycle are classified as "current";
- The assets and liabilities outside of the normal operating cycle are presented in "current", on the one hand and in "non-current" on the other, depending on whether their maturity is more or less than one year or according to the application of the specific cases referred to in IAS 1.

2.6 Recoverable amount of non-current assets

Assets with a finite life are subject to impairment tests whenever there is an internal or external indication showing that the asset may have lost value.

As at 1 December 2018 and 2017, no non-current asset presents an internal or external indication of impairment.

2.7 Receivables and payables denominated in foreign currencies

Payables and receivables denominated in foreign currencies shall be accounted for at the exchange rate at the time of the original transaction. At the end of the financial year, the corresponding assets and liabilities are valued at the closing exchange rate.

2.8 Sector information

The Group operates in a single segment: The "marketing of professional video compression solutions."

The assets and operations presented are located in France. Sales revenue by geographical area is described in Note 16.

Research and Development costs, and most administrative costs are incurred in France. At this stage, these costs are not allocated to the geographical areas where these products are marketed.

Thus, the Company's performance is currently analysed at the level of the identified segment.

2.9 Other comprehensive income

The items of income and expenses for the period recognised directly in equity are presented, where applicable, under "Other comprehensive income".

Intangible assets consist mainly of licences, software development and development expenses.

Research and Development expenses

Research costs are systematically recognised as expenses.

In accordance with IAS 38, development expenses are recognised in intangible assets only if all of the following criteria are satisfied:

a) Technical feasibility necessary for the completion of the development project,
b) The Company's intention to complete the project,
c) Its ability to use this intangible asset,
d) Demonstrating the likelihood of future economic benefits attached to the asset,
e) Availability of technical, financial and other resources to complete the project, and
f) Reliable assessment of development expenses.

The costs which are directly attributable to the production of the asset include:

- The costs of the services used or consumed to generate the intangible asset;
- Salaries and staff expenses committed to generate the asset.

Expenses shall be capitalised only from the date on which the conditions for the capitalisation of the intangible asset are met. Expenses shall cease to be recognised in assets when the intangible asset is ready to be used and marketed.

Capitalised development costs are amortised on a straight-line basis between 1 and 4 years, depending on their useful life.

The amortisation allocation of capitalised development expenses is presented in the category "Research and Development expenses."

Software

The costs associated with the acquisition of software licences are recognised in assets on the basis of the costs incurred to acquire and implement the relevant software.

Other intangible assets

In accordance with IAS 38 criteria, intangible assets acquired are recognised on the asset side of the balance sheet at acquisition cost.

Period of amortisation and amortisation expenses

When they have a finite useful life, amortisation is calculated on a straight-line basis in order to break down the cost over their estimated useful life, as follows:

Elements	Amortisation periods
Development expenses	from 1 to 4 years
Software licences and software development	from 1 to 5 years

Note 3: Intangible assets

The amortisation expense of intangible assets related to software licences and software development is recognised in profit or loss and distributed according to their use in the categories: Cost of Sales, Marketing and Sales expenses, Research and Development expenses, and General and Administrative expenses.
The amortisation expense for intangible assets relating to capitalised development expenses are recognised in profit or loss in the category of Research and Development expenses.

GROSS VALUES OF INTANGIBLE ASSETS (amounts in €'000)	Software (finance leases)	Software	Development expenses	Work-in-progress	Total
Statement of financial position as at 31 December 2017	**68**	**648**	**5,120**	**464**	**6,300**
Capitalisation of development expenses				534	**534**
Acquisition		192		0	**192**
Disposal / Scrapping (1)		(38)	(954)	(172)	**(1,164)**
Statement of financial position as at 31 December 2018	**68**	**802**	**4,167**	**826**	**5,862**
AMORTISATION					
Statement of financial position as at 31 December 2017	**68**	**515**	**3,664**	**0**	**4,247**
Increase		190	597		**786**
Decrease		(38)	(954)		**(992)**
Statement of financial position as at 31 December 2018	**68**	**667**	**3,306**	**0**	**4,041**

NET CARRYING AMOUNT OF INTANGIBLE ASSETS (amounts in €'000)	Software (finance leases)	Software	Development expenses	Work-in-progress	Total
As at 31 December 2017	**0**	**132**	**1,457**	**464**	**2,053**
As at 31 December 2018	**0**	**135**	**860**	**826**	**1,821**

(1) Abandonment of the AMP VideoSwitch project in the first half of 2018

Projects whose development expenses were capitalised concern the Kyrion, TITAN File and TITAN Live projects for the years 2010 to 2018. Impairment losses in accordance with IAS 36 have not been recognised.

Property, plant and equipment are valued at acquisition cost (purchase price and incidental expenses) or at their cost of production by the Company.
The assets are subject to depreciation plans determined according to the actual duration of use of the asset.
The periods and methods of depreciation used are mainly as follows:

Technical installations, equipment and tooling	6 years - straight-line
General installations, fixtures and fittings	9 years - straight-line
Transport equipment	5 years - straight-line
Office equipment	4 years - straight-line
IT equipment	3 years - straight-line
Furniture	10 years - straight-line

The depreciation expense of property, plant and equipment is recognised in profit or loss and distributed according to their use in the following categories: Cost of Sales, Marketing and Sales expenses, Research and Development expenses, and General and Administrative expenses.

Note 4: Property, plant and equipment

GROSS VALUES OF PROPERTY, PLANT AND EQUIPMENT (amounts in €'000)	Fixtures and fittings	Office equipment, computer hardware, furniture	Office equipment, computer hardware and furniture (lease financing)	Transport equipment	Prepayments to suppliers of property and equipment	Work-in-progress	Total	*O/w Finance leases*
Value as at 31 December 2017	**755**	**4,810**	**1,820**	**7**	**0**	**36**	**7,428**	***1,820***
Acquisition	85	1,963	136			47	2,232	*136*
Disposal / Scrapping	(22)	(255)				(36)	(313)	
Exchange rate impact	1	18					19	
Value as at 31 December 2018	**819**	**6,536**	**1,957**	**7**	**0**	**47**	**9,366**	***1,957***
DEPRECIATION								
Value as at 31 December 2017	**379**	**3,488**	**963**	**7**	**0**	**0**	**4,836**	***963***
Increase	88	1,024	344				1,457	*344*
Decrease	(6)	(214)					(220)	
Exchange rate impact	1	9					10	
Value as at 31 December 2018	**461**	**4,307**	**1,307**	**7**	**0**	**0**	**6,082**	***1,307***
NET CARRYING AMOUNTS								
As at 31 December 2017	**376**	**1,322**	**857**	**0**	**0**	**36**	**2,592**	***857***
As at 31 December 2018	**358**	**2,229**	**649**	**0**	**0**	**47**	**3,283**	***649***

Property, plant and equipment mainly consists of computer hardware.

Impairment losses in accordance with IAS 36 have not been recognised in accordance with the rules described in the notes to the consolidated financial statements for the year ended 31 December 2018.

Note 5: Other non-current financial assets

The Company's financial assets are classified into two categories depending on their type and the intent to hold on to them:

- Financial assets at fair value through profit or loss,
- Loans and receivables.

All financial assets are initially recognised at the cost that corresponds to the fair value of the price paid plus acquisition costs.

Financial assets at fair value through profit or loss

This category represents assets held for trading purposes, i.e. assets acquired by the Company with a view to selling them in the short term. They are measured at fair value and changes in fair value are recognised in profit or loss. Some assets may also be subject to voluntary classification in this category.

Loans and receivables

This category includes other loans and receivables, as well as trade receivables.

Non-current financial assets include advances and collateral deposits given to third parties as well as term deposits not equivalent to cash equivalents. Advances and collateral deposits are non-derivative financial assets with fixed or determinable payments which are not listed on an active market.

Loans and receivables are now classified under 'Financial assets at amortized cost.'

Such assets are recognised at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired in accordance with IFRS 9.

OTHER FINANCIAL ASSETS (amounts in €'000)	31/12/2018	31/12/2017
Loans	238	202
Collateral deposits	225	174
Liquidity contract - Balance	84	123
Financing reserves Factoring guarantees	458	594
Total other non-current financial assets	**1,005**	**1,094**

Collateral deposits mainly concern deposits paid under the signed commercial leases.
The financing reserve and the guarantee related to factoring was allocated in other financial assets and represents the balance of the amounts due by the factor as at 31 December 2018.

Note 6: Inventory

Inventory is valued using the weighted average unit cost method.
Inventory is recognised at the cost of purchase or net realisable value, if this value is lower.
In the latter case, the impairment is recognised in profit or loss.

Composition of inventory
The inventory of raw materials consists mainly of electronic components used for the manufacture of Kyrion products.
Work-in-progress is individually identified by project codes that are linked to each outstanding customer order. They consist of design costs (engineering hours) and material costs.

Inventory of goods is mainly composed of finished products (encoders, decoders, transcoders and third-party equipment) and electronic components.

The provision for impairment of inventories relates to components or merchandise that are subject to internal lending, testing or repair. Components or goods whose technological advances are beginning to render inventories obsolete or with little or no movements during the year are scrapped

INVENTORY (amounts in €'000)	31/12/2018	31/12/2017
Inventory of raw materials	314	401
Work-in-progress Goods and Services	1,444	626
Inventory of goods	2,152	2,173
Gross total inventory	**3,910**	**3,201**
Impairment of inventory of raw materials	(7)	(212)
Impairment of inventory of goods	(278)	(330)
Total impairment of inventory	**(285)**	**(541)**
Total net inventory	**3,625**	**2,660**

Note 7: Receivables

Receivables are valued at their nominal value. They shall, where appropriate, be impaired on a case-by-case basis by means of a provision to take into account the difficulties they may encounter in terms of collection.
In accordance with IFRS 9, an analysis based on the expected losses on the trade receivable portfolios was carried out at year end and led to the recognition of an additional provision of €180 thousand at 1 January 2018.
The Group has opted for the simplified method of measuring impairment on its trade receivables.
Credit risk related to financial receivables and loans was measured according to the provisions of the comprehensive model under IFRS 9. No significant increase in credit risk has been identified in the two periods presented.

Trade receivables are partly subject to the assignment of receivables under factoring contracts or "Dailly" assignments regularly used as necessary.
In accordance with IFRS 9, these transfers do not result in recognition of the impact due to the Company retaining substantially all the risks and rewards of ownership of the transferred asset. Thus, the entire transferred asset is included in the trade receivables and a current financial debt is recognised for the net cash received.

Other receivables include the nominal value of the research tax credit which is recognised in assets during the financial year when the expenses are engaged which make the Company eligible for the tax credit.

7.1 Trade receivables

TRADE RECEIVABLES (amounts in €'000)	31/12/2018	31/12/2017
Trade receivables	22,248	23,770
Impairment of trade receivables*	(383)	(233)
Total net trade receivables	**21,865**	**23,538**

** At 1 January 2018, application of IFRS 9 generated an additional provision of €180 thousand*

Company products are sold to TV channels and on-demand video broadcasters. The risk of default was assessed as low.

The provision for impairment of individual client receivables is calculated on a case-by-case basis based on the estimated risk of non-payment and the statistical component determined in accordance with IFRS 9.

Allocation of trade receivables by maturity (amounts in €'000)	31/12/2018	31/12/2017
Portion not yet due	13,449	13,484
In arrears less than 90 days	5,006	5,673
In arrears between 90 days and six months	1,809	819
In arrears between six and twelve months	906	3,213
In arrears over twelve months	1,078	581
Total trade receivables	**22,248**	**23,770**

7.2 Other receivables

OTHER RECEIVABLES (amounts in €'000)	31/12/2018	31/12/2017
Research tax credit (1)	2,210	1,829
Other tax credits (2)	180	0
Value added tax (3)	1,434	822
Staff and related accounts	0	4
Debtor suppliers	78	59
State, other receivables (4)	763	171
Prepaid expenses (5)	770	869
Miscellaneous	339	9
Total other receivables	**5,774**	**3,763**

(1) **Research tax credit (*Crédit d'Impôt Recherche* - CIR) and Innovation tax credit (*Crédit d'Impôt Innovation* - CII)**

The Company benefits from the provisions of Articles 244 quater B and 49 septies F of the French General Tax Code for the research tax credit. In accordance with the principles described in Note 17, the research tax credit is recognized as a reduction of research expenses in the year to which the eligible research expenses relate.
It is presented as a subsidy to the "Research and Development expenses" category.

(2) **Other tax credits** consist solely of the French competitiveness and employment tax credit (*Crédit d'impôt pour la compétitivité et l'emploi* - 'CICE'). The amount for the 2018 financial year came to €82 thousand, compared to €103 thousand in 2017.
The CICE may be used for the payment of the corporate tax due in respect of expenses incurred in the financial year and the following three financial years or, where applicable, the remaining amount may be reimbursed.

(3) **VAT claims** relate mainly to deductible VAT as well as to the VAT refund requested.

(4) **State and other receivables** are mainly related to collections from operating subsidies, recognised in profit or loss (see Note 17.2).

(5) **Prepaid expenses** relate to current expenses and mainly correspond to rental expenses, maintenance contracts and component purchases.

In the absence of taxable income, the receivable from the French State relating to the research tax credit (*Crédit d'Impôt Recherche* - CIR) and the innovation tax credit (*Crédit d'Impôt Innovation* - CII) is refundable in the year following that of its recognition:

- CIR 2018: €2,093 thousand
- CIR 2017: €117 thousand not yet repaid

Note 8: Marketable securities and cash

Cash, Cash equivalents and Financial instruments

The cash balance recognised in the balance sheet includes cash in current accounts and cash on hand.

Cash equivalents are held for trading, readily convertible into a known cash amount and are subject to a negligible risk of change in value. They are measured at fair value and changes in value are recorded in financial profit or loss. They include term deposits corresponding to this impairment.

Bank overdrafts are included in current financial liabilities. In the cash flow statement, they are included in cash and cash equivalents.

Fair value of financial instruments

The fair value of trade receivables and trade payables is assimilated in their balance sheet value, taking into account the very short payment terms of these items. The same applies to other receivables and other current liabilities.

The Company has identified three categories of financial instruments depending on the impact of their characteristics on their valuation methods and uses this classification to present some of the information required by IFRS 7:

- Level 1 category: Financial instruments that are listed on an active market;
- Level 2 category: Financial instruments whose valuation uses techniques based on observable inputs
- Level 3 category: Financial instruments measured using valuation techniques based in whole or in part on unobservable inputs, with an unobservable input defined as a parameter, the value of which is derived from assumptions or correlations that are neither based on observable market transaction prices on the same instrument at the measurement date, nor observable market data available at the same date.

Only instruments designated as at fair value through profit or loss held by the Company are cash equivalents under level 1.

Cash and cash equivalents are analysed as follows:

CASH AND CASH EQUIVALENTS (amounts in €'000)	31/12/2018	31/12/2017
Bank accounts	6,254	2,451
Total cash and cash equivalents	**6,254**	**2,451**

Note 9: Financial assets and liabilities and effects on income

The assets and liabilities of the Company are valued as follows for each year:

(amounts in €'000)	31/12/2018		Value - statement of financial position in accordance with IFRS 9			Non-financial instruments
Balance sheet items	Value - statement of financial position	Fair value	Fair value through profit or loss	Loans and receivables	Liabilities at amortised cost	
Non-current financial assets	1,005	1,005		1,005		
Trade receivables	21,865	21,865		21,865		
Other receivables	78	78		78		
Cash and cash equivalents	6,254	6,254	6,254	0		
Total of asset items	**29,203**	**29,203**	**6,254**	**22,948**	**0**	**0**
Non-current financial liabilities	5,022	5,022			5,022	
Current financial liabilities	1,444	1,444			1,444	
Trade payables	8,738	8,738			8,738	
Other current liabilities	538	538			538	
Total of balance sheet items in liabilities	**15,742**	**15,742**	**0**	**0**	**15,742**	**0**

(amounts in €'000)	31/12/2017		Value - statement of financial position in accordance with IFRS 9			Non-financial instruments
Balance sheet items	Value - statement of financial position	Fair value	Fair value through profit or loss	Loans and receivables	Liabilities at amortised cost	
Non-current financial assets	1,094	1,094		1,094		
Trade receivables	23,718	23,718		23,718		
Other receivables	68	68		68		
Cash and cash equivalents	2,451	2,451	2,451	0		
Total of asset items	**27,330**	**27,330**	**2,451**	**24,879**	**0**	**0**
Non-current financial liabilities	4,222	4,222			4,222	
Current financial liabilities	1,622	1,622			1,622	
Trade payables	6,722	6,722			6,722	
Other current liabilities	1,188	1,188			1,188	
Total of balance sheet items in liabilities	**13,754**	**13,754**	**0**	**0**	**13,754**	**0**

(Amounts in €'000)	Impact on the income statement at 31 December 2017		Impact on the income statement at 31 December 2018	
	Interest	Change in fair value	Interest	Change in fair value
Liabilities				
Liabilities measured at amortised cost: loans with banks	94		78	
Liabilities measured at amortised cost: bonds				
Liabilities measured at amortised cost: advances	96		52	

Note 10: Capital

The classification in equity depends on the specific analysis of the characteristics of each instrument issued. Ordinary shares and preferred shares are classified as equity instruments.

Incidental costs directly attributable to the issue of shares or stock options are recognised as a deduction from equity.

Capital issued

The share capital is set at €1,456,757. It is divided into 10,405,404 ordinary shares fully subscribed and paid up with a nominal value of €0.14.

This number is understood to exclude Stock Options (SO) granted to certain individuals of the Group.

SHARE CAPITAL	31/12/2018	31/12/2017
Share capital (in €'000)	1,457	1,439
Number of shares	10,405,404	10,275,289
of which Ordinary shares	10,405,404	10,275,289
Nominal value (in €)	€0.14	€0.14

Exercise of stock options and allocation of bonus shares in the Company

In 2018, 130,115 Company stock options were exercised:

- The share capital increase corresponding to this transaction will be recorded by the Board of Directors within one month of the end of the 2018 financial year. From a legal point of view, the corresponding shares were however considered as issued upon exercise of the option;
- Each holder paid the share subscription price on exercise of the options for a total amount of €799 thousand, of which €781 thousand was charged to share premium.

The impact on earnings per share is presented in Note 21.

Capital management

The Company's policy is to maintain a solid capital base to preserve investor and creditor confidence and support the future development of the business.

Dividend distribution

The Company did not pay dividends for the financial years ended 31 December 2017 and 31 December 2018.

Note 11: Subscription warrants, stock options, and subscription warrants for founders' shares and bonus shares

Since its inception, the Company has set up a number of compensation plans that are settled in equity instruments in the form of stock options (SO) or subscription warrants for founders' shares (*Bons de Souscription de Parts de Créateur d'Entreprise* - 'BSPCE') awarded to employees, executives, and members of the Board of Directors.

In accordance with IFRS 2, the cost of transactions settled in equity instruments is recognised over the period in which the rights to equity instruments are acquired, in return for an increase in equity.

The Company has applied IFRS 2 to all equity instruments granted, since the Company's origin, to employees of the Company, the Group or members of the Board of Directors.

The fair value of the BSPCEs and stock options granted to employees is determined by application of the Black & Scholes option pricing model.
All the assumptions used for the valuation of the plans are described below.

Stock options (SO)

The table below summarises the data relating to the stock option plans issued as well as the assumptions used for the valuation according to IFRS 2:

Date	Type	Number of warrants issued	Number of expired options	Number of warrants exercised	Number of outstanding options	Maximum number of shares to be issued
Board of Directors' Meeting of 11 May 2011	SO 2011 1	42,000	2,000	40,000	0	0
Board of Directors' Meeting of 7 March 2013	SO 2011 3	92,400	27,000	47,400	18,000	18,000
Board of Directors' Meeting of 7 March 2013	SO 2013 1	117,500	67,500	33,403	16,597	16,597
Board of Directors' Meeting of 24 March 2014	SO 2013 2	92,500	20,594	23,281	48,625	48,625
Board of Directors' Meeting of 20 January 2016	SO 2014 1	80,000	30,000	34,375	15,625	15,625
Board of Directors' Meeting of 4 May 2016	SO 2014 2	30,000	5,625	13,125	11,250	11,250
Board of Directors' Meeting of 28 March 2017	SO 2014 3	106,500	4,625	28,017	73,858	73,858
Board of Directors' Meeting of 15 November 2018	SO 2017-1	69,000	0	0	69,000	69,000
Board of Directors' Meeting of 15 November 2018	BSA 2018	28,000	0	0	28,000	28,000
As at 31 December 2018		**657,900**	**157,344**	**219,601**	**280,955**	**280,955**

Assumptions used - fair value calculation in accordance with IFRS 2

Type	Subscription price per share in €	Period of exercise	Volatility	Risk-free rate	IFRS 2 total valuation (Black & Scholes) at the grant date
SO 2011 1	€5.60	7 years	52.22%	2.90%	€170,365
SO 2011 3	€5.60	7 years	47.75%	1.00%	€336,439
SO 2013 1	€5.60	7 years	47.75%	1.00%	€427,831
SO 2013 2	€5.60	7 years	46.15%	1.00%	€329,640
SO 2014 1	€4.00	8 years	35.50%	0.95%	€104,958
SO 2014 2	€3.75	8 years	35.50%	0.54%	€39,871
SO 2014 3	€9.45	8 years	34.86%	-0.13%	€413,029
SO 2017-1	€10.80	8 years	41.60%	0.00%	€257,000
BSA 2018	€10.80	8 years	41.60%	0.00%	€104,290

The exercise rights are vested to 1/4 of the stock options granted to the holder after a period of 12 months and then to 6.25% of the stock options awarded every 3 months for three years.

Bonus shares

The table below summarises the data relating to the option plans issued as well as the assumptions used for the valuation according to IFRS 2:

Date	Type	Number of warrants issued	Number of expired options	Number of bonus shares vested	Number of outstanding bonus shares	Maximum number of shares to be issued	Total initial valuation
Board of Directors' Meeting of 26 July 2016	Bonus Share Award 2016-01	29,500	0	29,500	0	0	€118,000
Board of Directors' Meeting of 28 July 2017	Bonus Share Award 2016-02	8,000	1,500	0	6,500	6,500	€142,240
Board of Directors' Meeting of 15 November 2018	Bonus Share Award 2016-03	33,000	0	0	33,000	33,000	€368,280
As at 31 December 2018		**70,500**	**1,500**	**29,500**	**39,500**	**39,500**	**€628,520**

Following the authorisation granted by the Shareholders' Meeting of 9 June 2016 for the issue of 500,000 bonus shares:

- The Board of Directors' Meeting of 26 July 2016 granted 29,500 bonus shares to the Company's employees. They have been definitively acquired one year later on condition of continuous employment with the Company.
- The Board of Directors' Meeting of 28 July 2017 granted 8,000 bonus shares to the Company's employees. They have been definitively acquired one year later on condition of continuous employment with the Company.
- The Board of Directors' Meeting of 5 November 2018 granted 33,000 bonus shares to the Company's employees. They will be definitively acquired one year later on condition of continuous employment with the Company.

Methods for assessing the value of stock options and bonus shares

The fair value of the options was determined using the Black & Scholes valuation model. The valuation methods used to estimate the fair value of the options are specified below:

- The price of the share chosen is equal to the investor's subscription price or by reference to internal valuations;
- The risk-free rate is determined from the average life of the instruments;
- The volatility was determined on the basis of a sample of listed companies operating in the same business sector at the date of subscription of the instruments and over a period equivalent to the life of the option.
- For bonus share allocation plans, the fair value of the benefit granted on the basis of the share price at the grant date is adjusted for all specific conditions that may have an impact on fair value (e.g. dividends). As specified above, no dividends were taken into account during the valuation.

Details of the expense recognised in accordance with IFRS 2 in respect of the two reference periods

		31/12/2017					31/12/2018				
Date	Type	Number of outstanding options	Probabilised cost of the plan adjusted for lapsed options	Cumulative expense at opening	Expense for the period	Cumulative expense as at 31/12/2017	Number of outstanding options	Probabilised cost of the plan adjusted for lapsed options	Cumulative expense at opening	Expense for the period	Cumulative expense as at 31/12/2018
Board of Directors' Meeting of 4 May 2010*	SO$_{2010}$	0	€568,551	€568,551	€0	€568,551	0	€632,822	€568,551	€0	€568,551
Board of Directors' Meeting of 11 May 2011	SO$_{2011\ 1}$	25,500	€170,365	€170,365	€0	€170,365	0	€170,365	€170,365	€0	€170,365
Board of Directors' Meeting of 7 March 2013	SO$_{2011\ 3}$	25,500	€289,462	€285,586	€3,876	€289,462	18,000	€289,462	€289,462	€0	€289,462
Board of Directors' Meeting of 7 March 2013	SO$_{2013\ 1}$	43,400	€323,149	€320,315	€2,834	€323,149	16,597	€323,149	€323,149	€0	€323,149
Board of Directors' Meeting of 24 March 2014	SO$_{2013\ 2}$	61,594	€249,988	€223,947	€22,400	€246,347	48,625	€249,988	€246,347	€3,641	€249,988
Board of Directors' Meeting of 20 January 2016	SO$_{2014\ 1}$	28,125	€65,599	€52,551	-€1,944	€50,607	15,625	€65,599	€50,607	€9,042	€59,649
Board of Directors' Meeting of 4 May 2016	SO$_{2014\ 2}$	25,625	€39,871	€16,843	€13,702	€30,545	11,250	€39,871	€30,545	€5,389	€35,934
Board of Directors' Meeting of 28 March 2017	SO$_{2014\ 3}$	105,000	€395,411	€0	€189,315	€189,315	73,858	€395,411	€189,315	€118,111	€307,426
Board of Directors' Meeting of 15 November 2018	SO$_{2017\ 1}$	0	€0	€0	€0	€0	69,000	€257,000	€0	€17,522	€17,522
Board of Directors' Meeting of 15 November 2018	BSA$_{2018}$	0	€0	€0	€0	€0	28,000	€104,290	€0	€7,110	€7,110
Total - SO - BSA		**314,744**	**€2,166,667**	**€1,638,159**	**€230,183**	**€1,868,342**	**280,955**	**€2,527,957**	**€1,868,342**	**€160,815**	**€2,029,157**

		31/12/2017					31/12/2018				
Date	Type	Number of outstanding options	Likely cost of the plan	Cumulative expense at opening	Expense for the period	Cumulative expense as at 31/12/2017	Number of outstanding options	Probabilised cost of the plan adjusted for lapsed options	Cumulative expense at opening	Expense for the period	Cumulative expense as at 31/12/2018
Board of Directors' Meeting of 26 July 2016	Bonus Share Award 2016-01	29,500	118,000	€49,166	€68,834	€118,000	€0	€118,000	€118,000	€0	€118,000
Board of Directors' Meeting of 28 July 2017	Bonus Share Award 2016-02	8,000	142,240	€0	€60,793	€60,793	€6,500	€98,581	€60,793	€23,484	€84,277
Board of Directors' Meeting of 15 November 2018	Bonus Share Award 2016-03	0	0	€0	€0	€0	€33,000	€368,280	€0	€30,390	€30,390
Total - Bonus Share Awards		**37,500**	**€260,240**	**€49,166**	**€129,627**	**€178,793**	**39,500**	**€584,861**	**€178,793**	**€53,874**	**€232,667**

Note 12: Borrowings and financial debts

Financial liabilities are classified in one category: Financial liabilities recognised at amortised cost.

Financial liabilities recognised at amortised cost

Borrowings and other financial liabilities, such as conditional advances, are recorded at amortised cost calculated using the effective interest rate. The portion of financial liabilities with maturity of less than one year is presented in "Current financial liabilities."

Conditional advances

The Company benefits from a number of public aid programmes, in the form of subsidies or conditional advances. The details of these aid programmes are provided in Note 12.3.

They have been accounted for in accordance with IAS 20. With respect to financial advances, made at interest rates below the market rate, they are valued according to IFRS 9 at amortised cost:

- The rate advantage is determined using a discount rate corresponding to a market rate at the date of the grant. The amount resulting from the rate advantage obtained when granting repayable advances not bearing interest is considered a subsidy recorded as income in the statement of comprehensive income.
- The financial cost of repayable advances calculated at the market rate is then recorded in financial expenses.

Subsidies are presented at the level of the category:

- "Research and Development" for aid for innovation and financing of research activities,
- "Marketing and Sales" for prospection in new geographical areas.

These advances are recorded in "Non-current financial liabilities" and "Current financial liabilities" according to their maturity. Once a statement for unsuccessful conciliation proceedings has been issued, the write-off of the receivable is recognised in subsidies.

Finance leases

Assets financed by finance leases within the meaning of IAS 17, which in substance transfer the risks and rewards of ownership to ATEME, are recognised on the assets side of the balance sheet. The corresponding debt is recorded on the liabilities side in 'Financial liabilities'.

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (amounts in €'000)	31/12/2018	31/12/2017
Financial liabilities - Finance leases	386	571
Repayable advance	1,476	2,041
Borrowing from credit institutions	3,160	1,610
Non-current financial liabilities	**5,022**	**4,222**
Financial liabilities - Finance leases	306	315
Repayable advance	548	758
Borrowing from credit institutions	541	538
Bank overdrafts	48	12
Current financial liabilities	**1,444**	**1,622**
Total financial liabilities	**6,466**	**5,844**

Breakdown of financial liabilities by maturity

The maturity of financial liabilities is as follows during the financial years presented:

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES IN REPAYMENT VALUE (amounts in €'000)	31/12/2018			
	Gross amount	Share at less than one year	From 1 to 5 years	More than 5 years
Financial liabilities - Finance leases	692	306	386	
Repayable advances	2,150	600	1,550	
Borrowing from credit institutions	3,701	541	2,460	700
Bank overdrafts	48	48	0	
Total financial liabilities	**6,591**	**1,495**	**4,396**	**700**

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES IN REPAYMENT VALUE (amounts in €'000)	31/12/2017			
	Gross amount	Share at less than one year	From 1 to 5 years	More than 5 years
Financial liabilities - Finance leases	886	315	571	
Repayable advances	2,976	751	2,225	
Borrowing from credit institutions	2,148	538	1,456	154
Bank overdrafts	12	12	0	
Total financial liabilities	**6,022**	**1,616**	**4,252**	**154**

Reconciliation between balance sheet value and repayment value

RECONCILIATION BALANCE SHEET VALUE / REPAYMENT VALUE (amounts in €'000)	Repayment value 31/12/2018	Fair value	Carrying value
Financial liabilities - Finance leases	692		692
Repayable advances	2,150	(126)	2,024
Borrowing from credit institutions	3,701		3,701
Bank overdrafts	48		48
Total financial liabilities	**6,591**	**(126)**	**6,466**

RECONCILIATION BALANCE SHEET VALUE / REPAYMENT VALUE (amounts in €'000)	Repayment value 31/12/2017	Fair value	Carrying value
Financial liabilities - Finance leases	886		886
Repayable advances	2,976	(178)	2,798
Borrowing from credit institutions	2,148		2,148
Bank overdrafts	12		12
Total financial liabilities	**6,022**	**(178)**	**5,844**

12.1 Liabilities to credit institutions

CHANGE IN BORROWING FROM CREDIT INSTITUTIONS (amounts in €'000)	Borrowing from credit institutions
As at 31 December 2017	**2,148**
(+) Borrowing	2,094
(-) Repayment	(541)
(+/-) Other movements	0
As at 31 December 2018	**3,701**

Loans taken out during the financial year

- **BPI France**

On 3 July 2018, ATEME SA obtained two bank loans of €1,000 thousand each from Bpifrance with the same purpose and under the same conditions. These loans have been taken out as part of the operating cycle financing, their duration is 7 years, without deferred amortisation, and the fixed rate applied is 1.70% per annum (excluding insurance).

Available credit lines

The Company benefits from the following available credit lines:

- Credit facilities with its banking partners, up to €150 thousand, which had not been drawn at 31 December 2018;
- A "Dailly" funding line of €400 thousand, not used at the close of the financial year.

12.2 Financial liabilities - Finance leases

EVOLUTION OF FINANCIAL LIABILITIES - FINANCE LEASES (amounts in €'000)	Financial liabilities - Finance leases	Current share	Non-current share	
			from 1 to 5 years	over 5 years
As at 31 December 2017	**886**	315	571	0
(+) Leases entered into	136			
(-) Repayment	(337)			
Translation differences	7			
As at 31 December 2018	**692**	306	386	0

12.3 Repayable advances

The table below shows the evolution of repayable advances:

EVOLUTION OF REPAYABLE ADVANCES AND SUBSIDIES (amounts in €'000)	PTZI (Zero percent interest rate loan for innovation)	EIF	COFACE Argentina	Bpifrance Innovation	Total
As at 31 December 2017	**1,308**	**979**	**51**	**461**	**2,798**
(+) Borrowing					0
(-) Repayment	(375)	(200)	(51)	(200)	(826)
Subsidies	0	0	0	0	0
Financial expenses	45	7	1	0	52
(+/-) Other movements					
As at 31 December 2018	**977**	**786**	**0**	**261**	**2,024**
Share at less than one year	266	194	0	87	548
Share from 1 to 5 years	712	592	0	172	1,476
Share at over 5 years	0	0	0	0	0
Repayable advances					

The share of advances received with a maturity of more than one year is recorded as "Non-current financial liabilities"; while the share with maturity of less than one year is recorded as "Current financial liabilities."

In IFRS, the fact that the repayable advance does not include payment of an annual interest is to consider that the Company has benefited from a zero interest rate loan, which is more favourable than market conditions. The difference between the amount of the advance at the historical cost and that of the discounted advance at a market rate is considered to be a subsidy received from the State.

EIF (European Investment Fund) innovation loan

The Company has obtained an EIF innovation loan from Bpifrance for an amount of €1,000 thousand for soft expenses linked to the industrial and commercial launch of an innovation. This loan is repayable in 28 quarterly payments, the first 8 quarters of which are deferred to a fixed rate of 3.52%. The loan was collected in November 2015.

- This loan has been received under the PPI (*Prêt pour innovation*, or loan for innovation) fund for 30% of the principal.
- This loan was subject to collateral pledged to the InnovFin programme of the European Investment Fund for 50% of the principal.

The repayment value of the debt's balance was €800 thousand at 31 December 2018, compared to €1,000 thousand at 31 December 2017.

Bpifrance zero percent interest rate loan for innovation ("PTZI")

The Company obtained a zero percent interest rate loan for innovation (PTZI) from Bpifrance on 1 October 2015 for the amount of €1,500 thousand, repayable in 20 straight-line quarterly payments starting on 30 September 2017.

The fair value of this advance was determined on the basis of the interest rate of the EIF's innovation loan, i.e. 3.52% per annum.
As at 31 December 2018, the repayment value of the debt's balance was €1,050 thousand, compared to €1,425 thousand as at 31 December 2017.

The Company obtained a zero percent interest rate innovation loan from Bpifrance of €500 thousand for the development of an HD HEVC contribution encoder. The repayment started on 31 March 2017, for a period of 5 years, with an annual payment of €100 thousand. The loan was received by the Company on 16 May 2014. The fair value of this advance was determined on the basis of an estimated interest rate of 4.85% per annum. The repayment value of the debt's balance was €300 thousand at 31 December 2018, compared to €425 thousand at 31 December 2017.

COFACE advances

ATEME obtained COFACE's repayable advances under a
"prospecting insurance" contract, covering the geographical areas of Russia, Asia and Argentina. ATEME has a coverage period of 3 to 4 years, during which its expenditure on prospecting is guaranteed within a defined budget. At the end of this phase, a payback phase of 4 to 6 years will begin, during which ATEME repays the advance obtained on the basis of a percentage of sales revenue in the geographical areas concerned (7% of sales revenue in goods and 14% of sales revenue in services).
At 31 December 2018 repayable advances are fully repaid.

Note 13: Staff commitments

French employees of the Company benefit from the pension plans provided for by law in France:

- Obtaining retirement indemnities paid by the Company on retirement (defined benefit plan);
- Payment of pensions by social security bodies, which are financed by contributions from businesses and employees (defined contribution plan).

Pension schemes, similar compensation and other social benefits which are analysed as defined benefit plans (scheme in which the Company undertakes to guarantee an amount or a defined benefit level) are recognised on the balance sheet on the basis of an actuarial valuation of the commitments at the balance sheet date, less the fair value of the related plan assets.

This evaluation is based on the use of the projected unit credit method, taking into account staff turnover and mortality probabilities. Any actuarial gains and losses are recognised in equity, in "Other comprehensive income."
Payments by the Company for defined contribution plans are recognised as expenses in the income statement of the period to which they apply.

The Group's US employees are members of a 401k defined-contribution plan.

Staff commitments shall consist of the provision for end-of-career allowances, assessed on the basis of the provisions of the applicable collective agreement, namely the SYNTEC collective agreement.

This liability relates only to employees under French law. The main actuarial assumptions used to assess retirement benefits are as follows:

ACTUARIAL ASSUMPTIONS	31/12/2018		31/12/2017	
	Management	Non-management	Management	Non-management
Retirement Age	Voluntary departure (65-67 years of age)			
Collective agreements	SYNTEC			
Discount rate	1.83%		1.68%	
Mortality Table	INSEE 2017			
Salary adjustment rates	2.00%			
Turnover rate	Strong (see details below)			
Social security rate	47%	43%	47%	43%

The turnover rate was determined from a study carried out by INSEE on the entries and exits by age groups in correlation with the average turnover of the Company.

The rates used can be summarised as follows:

- From 20 to 30 years of age: declining rate from 18.30% to 10.90%
- From 30 to 40 years of age: declining rate from 10.90% to 6.30%
- From 40 to 50 years of age: declining rate from 6.30% to 4.20%
- From 50 to 60 years of age: declining rate from 4.20% to 1%
- From 60 to 67 years of age: declining rate from 1% to 0%

The provision for pension commitments has evolved as follows:

amounts in €'000	Pension commitments
As at 31 December 2017	**565**
Past service costs	70
Financial costs	9
Actuarial gains and losses	(36)
As at 31 December 2018	**607**

Sensitivity analysis

Sensitivity tests on the value of commitments at 31 December 2018 to the main assumptions were made below:

(amounts in €'000)		Discount rate	
Sensitivity test	**1.33%**	**Assumption used: 1.83%**	**2.33%**
Value of the provision	662	**607**	558
		Increase in wages	
Sensitivity test	**1%**	**Assumption used: 2%**	**3%**
Value of the provision	514	**607**	721
		Turnover	
Sensitivity test	**Assumption used: Strong**	**-1 pt**	**-2 pts**
Value of the provision	**607**	716	800

Note 14: Provisions

Provisions reflect liabilities arising from various litigation and risks, for which the date of resolution and the amount are uncertain, that the Company may face as part of its business.

A provision is recorded when the Company has an obligation to a third party resulting from a past event which is likely to result in an outflow of resources for the benefit of that third party, without consideration at least equivalent to its expected cash flow and that future cash outflows can be estimated reliably. The amount recognised in provision is the estimate of the expenditure required to extinguish the obligation, updated if necessary at the balance sheet date.

PROVISIONS (amounts in €'000)	31/12/2018				
	Amount at the beginning of the financial year	Allocations	Reversals	Reversals of provisions that are no longer required	Amount at the end of the financial year
Provisions for charges	56		(45)	0	11
Total provisions for risks and charges	**56**	**0**	**(45)**	**0**	**11**

PROVISIONS (amounts in €'000)	31/12/2017				
	Amount at the beginning of the financial year	Allocations	Reversals	Reversals of provisions that are no longer required	Amount at the end of the financial year
Provisions for labour disputes	62		(62)		0
Provisions for charges	31	25			56
Total provisions for risks and charges	**93**	**25**	**(62)**	**0**	**56**

Litigation and liabilities

The Company may be involved in legal, administrative or regulatory proceedings in the normal course of its business. A provision is registered by the Company where there is sufficient probability that such disputes will cause costs to be borne by the Company.

Labour disputes

The amounts provisioned are assessed on a case-by-case basis based on the estimated risks incurred by the Company on the basis of requests, legal obligations and lawyers' positions.

Note 15: Suppliers and other current liabilities

15.1 Trade payables

There was no discount rate applied to trade payables, as the amounts did not represent periods over one year at the end of each financial year concerned.

TRADE PAYABLES (amounts in €'000)	31/12/2018	31/12/2017
Trade payables	7,818	5,834
Uninvoiced payables	920	888
Total trade payables	**8,738**	**6,722**

15.2 Tax and social liabilities

Tax and social liabilities are as follows:

TAX AND SOCIAL LIABILITIES (amounts in €'000)	31/12/2018	31/12/2017
Staff and related accounts	970	1,229
Social security and other social organisations	1,209	1,288
Other taxes, levies and similar payments	18	82
Total tax and social liabilities	**2,197**	**2,599**

15.3 Other current liabilities

OTHER CURRENT LIABILITIES (amounts in €'000)	31/12/2018	31/12/2017
Advances and advance payments - returns, rebates, and discounts	42	576
Deferred income (1)	4,180	3,010
Other liabilities	447	514
Corporate tax	6	48
Current accounts	44	50
Total other current liabilities	**4,718**	**4,199**

(1) Deferred income relates to customer contract liabilities and are detailed in Note 16.

Note 16: Sales revenue

The Group's income stems from the sale of professional video compression solutions, contracts for maintenance and for services.

Multi-element service contracts

The Group enters into multiple element service contracts for a combination of various services or goods deliveries. Revenue is recognised separately for each individual item when it is separately identifiable and the customer can benefit from it separately.

When these activities transfer to the customer the control of a separate service or good from which the customer may benefit independently of the recurring services, they are treated separately and revenue is recognised without waiting for the recurring services phase.

Where a contract contains more than one performance obligation, the price is allocated to each obligation on the basis of its individual sale price. The selling price is determined based on the 'catalogue' price

Recognition of revenues at a given date over time or on a continuous basis

Revenue is recognised when the Group transfers control of the goods or services sold to the customer, either on a specific date over time or on a continuous basis.

For recurring services, revenue is recognized continuously insofar as the customer immediately benefits from the services provided as soon as they are rendered by the Group.

When the Group has a right to charge the customer, which directly corresponds to the performance obligation met on the date, revenue is recognized for this amount.

Intellectual property licenses

These licenses transfer to the customer:
- A right to use intellectual property as it exists at the specific time the licence is granted (static licence),
- Or a right of access to intellectual property as exists throughout the period covered by the licence (dynamic licence).

Revenue is recognised when the promised service obligation under the contract is satisfied (static licence) or as it is satisfied (dynamic licence), i.e. when the seller has transferred the risks and rewards associated with the right to use / access intellectual property and the customer has obtained control over the use of / access to the licence.
The company currently only markets static licences.

The Group's sales revenue is essentially made up of the marketing of products (decoders, encoders, etc.), solutions for the acquisition, processing and transmission of information, and contracts for maintenance and service.

Sales revenue by geographical area for the last 2 financial years ended 31 December 2018 and 2017 are as follows:

SALES REVENUE BY GEOGRAPHICAL AREA (amounts in €'000)	31/12/2018	31/12/2017
France	4,841	3,432
Rest of the world	51,648	45,167
Total sales revenue	**56,489**	**48,599**

SALES REVENUE BY GEOGRAPHICAL AREA (amounts in €'000)	31/12/2018	31/12/2017
EMEA	20,621	18,593
USA Canada	18,524	15,700
Latin America	6,602	7,995
Asia Pacific	10,743	6,311
Total	**56,489**	**48,599**

The Group's largest customer, its top five customers and its top ten customers, respectively, represented 7.4%, 25.3% and 37.4% of its consolidated sales revenue for the 2018 financial year, and 6.5%, 23.4% and 35% of its consolidated sales revenue for the 2017 financial year.

The Group has a fairly balanced division of revenue among its main customers and thus believes that it is facing only limited risk of dependence on its customers.

The Group's revenue recognition rate was as follows:

Category of sales (amounts in €'000)	Recognition method according to IFRS 15	31/12/2018	31/12/2017
Static licences, equipment	Immediately	50,489	44,464
Maintenance	Step by step	6,000	4,135
Total		**56,489**	**48,599**

Net assets and liabilities arising from customer contracts
The timing of revenue recognition may differ from the timing of invoicing to our customers.
Trade receivables presented in the consolidated statement of financial position represent an unconditional right to the counterparty (essentially collection), i.e. the services or goods promised to the customer have been provided.
Contract liabilities represent amounts for which the customer has made a payment to ATEME prior to obtaining the goods and / or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and collected for goods or services that remain to be supplied, for example, for maintenance services (deferred income).
Customer contract assets and liabilities are presented in current assets and current liabilities, respectively, as they are part of the Group's normal business activities.

Customer contract liabilities (deferred income) evolved over the period as follows:

Change in customer contract liabilities (amounts in €'000)	31/12/2018	31/12/2017
Opening balance	**3,010**	**1,639**
Amount recognised in sales over the period	(2,553)	(1,481)
Amount to be recognised in future periods	3,724	2,852
Translation differences	1	0
Closing balance	**4,180**	**3,010**

Note 17: Details of expenses and income by function

The Company presents its statement of profit and loss by function.

Impairment of trade receivables and inventory

Impairment of trade receivables is presented in "Marketing and Sales" expenses.
Impairment of inventory is recorded in the "Cost of Sales" category.

Operating leases

Payments for these operating leases, net of any incentive measures, are recognised as an expense in the income statement on a straight-line basis over the term of the contract.

Subsidies

The subsidies received shall be recorded as soon as the corresponding claim becomes certain, taking into account the conditions laid down in the attribution of the subsidy. Operating subsidies shall be recorded in current income, taking into account, where appropriate, the pace of the corresponding expenses.

Research tax credit (*Crédit d'Impôt Recherche* - CIR)

Research tax credits are granted to companies by the French State in order to encourage them to carry out technical and scientific research. Businesses with expenses that meet the criteria benefit from a tax credit which may be used for the payment of the corporate tax due for the financial year in which the expenses are incurred, and the following three financial years or, where applicable, the remaining amount may be reimbursed.

The research tax credit is presented in the statement of comprehensive income as a subsidy for Research and Development expenses based on the origin of the expense.
The share of the research tax credit related to capitalised development expenses is recorded as a deduction from assets.

The Company has received the research tax credit since 1996.

Innovation tax credit (*Crédit d'Impôt Innovation* - 'CII')

The innovation tax credit (*Crédit d'Impôt Innovation* - 'CII') is a French tax measure for SMEs. These businesses can benefit from a 20% tax credit for the design of prototypes or pilot facilities for new products. The base is capped at €400,000. The declaration shall be carried out with the same file and in the same manner as the research tax credit (Crédit d'Impôt Recherche - CIR). SMEs can benefit from the early repayment of their CII.

The innovation tax credit is presented in the statement of comprehensive income as a subsidy in the Research and Development expenses based on the origin of the expense.

The Company has received the innovation tax credit since 2013.

The Company must request reimbursement in the same manner as for the research tax credit.

17.1 Cost of Sales

COST OF SALES (amounts in €'000)	31/12/2018	31/12/2017
Purchases of goods	(23,048)	(14,755)
Staff expenses	(3,269)	(2,361)
Indirect production expenses	(1,720)	(1,852)
Transport expenses	(594)	(532)
Cost of Sales	**(28,632)**	**(19,501)**

Indirect production expenses include a share of general expenses, production expenses, and impairment of goods in inventory.

17.2 Research and Development expenses

Subsidies

Subsidies amounting to €1,278 thousand, included in the income statement, correspond to operating subsidies whose main characteristics are:

- The subsidy on the **4EVER2** project awarded by MINEFI for €542 thousand. Income recognised in profit or loss amounted to €71 thousand.
- The grant for the **Live 360 TV** project granted by MINEFI for a total amount spread over several years of €548 thousand. Income recognised in profit or loss during the financial year amounted to €84 thousand.
- The subsidy on the **EFIGI** project granted by the Ile de France region for €487 thousand. Income recognised in profit or loss amounted to €167 thousand over the period.
- The subsidy on the **TVSND** project awarded by MINEFI for €480 thousand. Income recognised in profit or loss amounted to €240 thousand over the period.
- The subsidy on the **CONVERGENCE TV** project awarded by MINEFI for €426 thousand. Income recognised in profit or loss amounted to €234 thousand over the period.
- The subsidy on the **TITANEDGE** project granted by the Ile de France region for €563 thousand. Income recognised in profit or loss amounted to €483 thousand over the period.

RESEARCH AND DEVELOPMENT (amounts in €'000)	31/12/2018	31/12/2017
Staff expenses	(8,160)	(6,504)
Miscellaneous	(174)	(408)
Amortisation of capitalised R & D expenses	(597)	(684)
Fees	(31)	(72)
Depreciation, amortisation and provisions	(1,019)	(726)
Taxes and training	(168)	(152)
Rentals	(530)	(139)
Purchases not held in inventory	(166)	(168)
Travel, Missions and Reception	(133)	(192)
Share-based payment	(2)	(12)
Capitalisation of R & D expenses net of outflows	362	607
Research and Development expenses	**(10,617)**	**(8,450)**
Research tax credit (Crédit d'Impôt Recherche - CIR) and innovation tax credit (Crédit d'Impôt Innovation - CII)	2,093	1,829
Subsidies	1,278	463
Subsidies	**3,372**	**2,292**
Research and Development expenses	**(7,246)**	**(6,158)**

17.3 Marketing and Sales expenses

MARKETING AND SALES EXPENSES (amounts in €'000)	31/12/2018	31/12/2017
Staff expenses	(12,011)	(10,957)
Travel expenses	(1,899)	(1,827)
Miscellaneous	(377)	(1,049)
Conferences	(820)	(638)
Depreciation, amortisation and provisions	(164)	(242)
Taxes and training	(306)	(279)
Rentals	(1,009)	(427)
Share-based payment	(159)	(215)
Marketing and Sales expenses	**(16,745)**	**(15,633)**

17.4 General and Administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (amounts in €'000)	31/12/2018	31/12/2017
Staff expenses	(1,313)	(1,194)
Fees	(785)	(716)
Travel expenses	(54)	(52)
Depreciation, amortisation and provisions	(68)	(60)
Rentals	(112)	(41)
Miscellaneous	(155)	(220)
Share-based payment	(54)	(132)
General and Administrative expenses	**(2,542)**	**(2,416)**

Note 18: Group Workforce

The workforce for the Group at the close of each financial year in the last two financial years was as follows:

WORKFORCE as at 31 December	Financial year 2018	Financial year 2017
Cost of Sales	43	38
Research and Development	102	80
Marketing and Sales	89	87
General expenses	18	17
Total workforce as at 31 December	**252**	**222**
of which Suppliers	65	52

Note 19: Financial income and expenses, net

Financial profit or loss includes:

- Expenses related to the financing of the Company: Interest payments and unwinding of the discount on repayable advances and financial liabilities (see Note 12).
- Interest income.

Any foreign exchange gains or losses are also recognised in financial profit or loss.

FINANCIAL INCOME AND EXPENSES (amounts in €'000)	31/12/2018	31/12/2017
Amortised cost of borrowing	(130)	(190)
Other financial expenses	(9)	(10)
Financial income	12	1
Exchange (losses) and gains	574	(1,325)
Total financial income and expenses	**448**	**(1,524)**

Other financial expenses consist mainly of discounts given.

Financial expenses primarily correspond to the unwinding of discounting adjustments to refundable advances and interest on finance leases.
Foreign exchange gains and losses are mainly explained by sales in USD.

Note 20: Income taxes

The tax assets and liabilities for the financial year and previous financial years are valued at the amount that is expected to be recovered from or payable to the tax authorities.
The tax rates and tax regulations used to determine these amounts are those that were adopted or were almost adopted at the balance sheet date.
Deferred taxes are recognised, using the balance sheet method and variable deferral, for all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount on the balance sheet, as well as for tax loss carryforwards.

Deferred tax assets are recognised in respect of tax loss carryforwards, where it is probable that the Company will have future taxable profits to which such unused tax losses can be charged. The determination of the amount of deferred tax assets that may be recognised requires that management make estimates of both the period of consumption of tax loss carryforwards and the level of future taxable profits in relation to tax management strategies.

The amount of tax losses that can be carried forward indefinitely, attributable to the Company as at 31 December 2018 is:

- €27,006 thousand for ATEME SA, that can be carried forward indefinitely in France with the application of the ceiling of €1 million and 50% of positive results

The tax rate applicable to the Company is the applicable rate in France as at 31 December 2018, i.e. 28% up to €500,000 of profit, and 33.33% beyond that. This rate will gradually decrease, to reach 25% in 2022.

At 31 December 2018, the temporary tax was taken into account. Deferred tax was recognised as a result of the prospects for taxable income estimated conservatively over a short period (3 years). The Group recognised part of its tax losses over the period for a deferred tax amount of €900 thousand. This assessment will be reviewed at each balance sheet date on the basis of future results. The total amount of tax loss carryforwards in France was €27,006 thousand.

In the income statement, income taxes consist of the following amounts:

INCOME TAX EXPENSE (amounts in €'000)	31/12/2018	31/12/2017
Current taxes	(28)	(151)
Deferred taxes	(35)	605
Income tax expense	**(64)**	**453**

In the balance sheet, changes in the net amount of deferred tax assets and liabilities are as follows:

DEFERRED TAX (amounts in €'000)	
Statement of financial position as at 31 December 2017	**571**
Effect of deferred taxes on application of IFRS 9	54
Statement of financial position as at 1 January 2018	**625**
Deferred tax (expense) / income	(35)
Changes in deferred taxes on actuarial gains and losses recognised in accordance with IAS 19	57
Statement of financial position as at 31 December 2018	**647**

Reconciliation between theoretical tax and effective tax

TAX PROOF (amounts in €'000)	31/12/2018	31/12/2017
Net income	1,706	3,819
Consolidated tax	(64)	453
Income before tax	**1,771**	**3,366**
Current tax rate in France	33.33%	33.33%
Theoretical tax at the current rate in France	**(590)**	**(1,122)**
Permanent differences	760	615
Share-based payment	72	120
Unrecognised deferred taxes	351	342
Tax losses recognised during the period	0	489
Differences in tax rates	45	9
Group tax (expense) / income	**(64)**	**453**
Effective tax rate	*-3.6%*	*-13.5%*

The permanent differences mainly correspond to the impact of the research tax credit (operating income that is not taxable).

Type of deferred taxes

TYPE OF DEFERRED TAXES (amounts in €'000)	31/12/2018	31/12/2017
Temporary differences	293	222
Tax loss carryforwards	903	1,310
DT in accordance with IFRS 9		54
Total elements of deferred tax assets	**1,196**	**1,586**
Temporary differences	549	961
Total elements of deferred tax liabilities	**549**	**961**
Total net deferred tax	**647**	**625**

Note 21: Earnings per share

The basic earnings per share are calculated by dividing the income attributable to the holders of shares in the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the income attributable to ordinary shares and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares.

BASIC EARNINGS PER SHARE (amounts in €'000)	31/12/2018	31/12/2017
Income for the year (in €'000)	1,706	3,819
Weighted average number of shares outstanding	10,472,558	10,144,449
Basic earnings per share (€ / share)	**0.16**	**0.38**
Weighted average number of shares outstanding	10,472,558	10,144,449
Stock options	280,955	314,744
Bonus shares	39,500	8,000
Number of shares	10,793,013	10,467,193
Diluted earnings per share (€ / share)	**0.16**	**0.36**

Basic earnings per share are calculated by dividing net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Note 22: Related parties

22.1 Related-party transactions

The Company has entered into a support and service agreement with SEREITRA, and Michel Artières is the Managing Director.

Transactions with related companies continued on the same basis as in 2017, with no significant change.

Remuneration paid to this company is mentioned in section 22.2

22.2 Management remuneration

No post-employment benefit is granted to members of the Board of Directors.
The remuneration paid to members of the Board of Directors is analysed as follows (in €'000):

Compensation of corporate officers (including tax)	31/12/2018	31/12/2017
Fixed remuneration	241	308
Exceptional remuneration	70	59
Attendance fees	54	62
Share-based payment	6	0
TOTAL	**371**	**429**

The methods for allocating variable remuneration are based on performance criteria.

The methods for assessing the benefit of share-based payments are presented in Note 11.

Note 23: Off-balance sheet commitments

23.1 Commercial leases

Property leases

In the context of its business, the Company has concluded property leases:

Type of contract	Address	Nature of premises	Start Date	End Date
Commercial lease	6-8 rue Dewoitine, 78140 Vélizy-**Villacoublay**, France	Offices	1 December 2014	30 November 2020
Commercial lease	12 Rue du Patis Tatelin, 35700 **Rennes**, France	Offices	15 September 2016	14 November 2026
Commercial lease	3400 Coral Way, **Miami,** FL 33145, USA	Offices	21 September 2015	20 September 2018
Commercial lease	3131 S. Vaughn Way - Suite 134, **Aurora**, CO 80014, USA	Offices	1 August 2016	1 September 2019
Commercial lease	750 West Hampden Avenue, Suite 290, **Englewood**, Colorado, 80110, USA	Offices	1 June 2018	28 May 2021
Commercial lease	Rua Paulo Orozimbo, 260 Aclimaçao, São Paulo 01530-010, Brazil	Offices	1 March 2017	20 June 2019
Commercial lease	Keppel Towers 1 # 10 Hoe Chiang Rd, **Singapore**	Offices	7 March 2017	6 March 2019
Commercial lease	Av. Insurgentes Sur 688, Col Del Valle Centro, **Mexico City**, Mexico	Offices	1 June 2017	31 May 2018
Commercial lease	Suite 22, Devonshire Business Centre, **Basingstoke** RG24 8PE, United Kingdom	Offices	13 June 2017	12 June 2018
Commercial lease	International House, Southampton International, Business Park, **Southampton,** United Kingdom	Offices	1 April 2018	31 March 2020

Durations

The property leases granted to the Company in France have a duration of nine full and consecutive years with the possibility for the Company to exit the lease after 6 years for the premises located at Vélizy-Villacoublay.

The amount of rent recorded at the end of 2018 and the commitments to the next possible exit period are detailed in Note 23.2

		Commitments until the next termination period		
Type of lease	**Expenses as at 31/12/2018**	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**
Commercial leases	568	583	1,746	295

23.2 Operating leasing commitments

The Company has entered into contracts for leasing vehicles and photocopiers. After analysis, they were considered to be operating leases under IAS 17.
These amounts are non-material at Group level.

23.3 Obligations under other contracts

Having outsourced several important functions (production), the Company is required, as part of current operations, to enter into subcontracting contracts with different third parties, in France and abroad, which contain various customary obligations in these circumstances.

The contracts or specifications shall also determine the conditions for the validation of manufacturing processes, control procedures, treatment of non-compliant products and intellectual property rights.

No reciprocal commitment shall be binding on the Company and its subcontractors in terms of quantity or production capacity.

23.4 Other financial commitments

Letters of credit and documentary collections

The Company may put in place letters of credit or documentary collections on certain markets.
No letters of credit are present as at 31 December 2018.

Commercial pledge

- July 2015: commercial pledge by ATEME SA of €667 thousand in favour of Société Générale. This pledge is subject to a counter-guarantee by Bpifrance for 60%.
- October 2015: commercial pledge by ATEME SA of €600 thousand in favour of HSBC. This pledge is subject to a counter-guarantee by Bpifrance for 50%.
- July 2017: commercial pledge by ATEME SA of €805 thousand in favour of Société Générale. This pledge is subject to a counter-guarantee by Bpifrance for 50%.
- July 2017: commercial pledge by ATEME SA of €600 thousand in favour of HSBC. This pledge is subject to a counter-guarantee by Bpifrance for 40%.
- November 2017: commercial pledge by ATEME SA of €600 thousand in favour of HSBC. This pledge is subject to a counter-guarantee by Bpifrance for 40%.

Signed commitment undertaken by Société Générale

Société Générale has undertaken a financial guarantee amounting to €80 thousand in favour of Société Internationale Immobilier Institut GMBH for the rental of offices located at Vélizy-Villacoublay.

Note 24: Financial risk management and assessment

ATEME may be exposed to different types of financial risks: market risk, credit risk and liquidity risk. Where applicable, ATEME implements simple and proportionate means to minimise the potential adverse effects of these risks on financial performance. ATEME's policy is not to underwrite financial instruments for speculation. ATEME does not use financial derivative instruments.

Interest rate risk

ATEME has no significant exposure to interest rate risk, insofar as:

- marketable securities consist of short-term money market funds,
- cash includes term deposits,
- no variable rate debt has been taken on.

Credit risk

Credit risk is associated with deposits (bank accounts and term deposits) with banks and financial institutions. ATEME relies on leading financial institutions for cash investments and therefore its cash does not bear a significant credit risk.

It has established policies to ensure that its customers have an appropriate credit risk history.

Currency risk

The main risks associated with foreign exchange impacts of sales and purchases carried out in foreign currency mainly concern sales of goods and expenses in US dollars and the financing of subsidiaries in their local currencies.

The Company has not, at its development stage, made a hedging provision to protect its business against fluctuations in exchange rates. On the other hand, the Company cannot exclude that a significant increase in its business could force it to have greater exposure to currency risk. The Company will then consider using a suitable hedging policy to cover these risks.

Equity risk

The Company does not hold investments or marketable securities on a regulated market.

Note 25: Statutory Auditors' fees

STATUTORY AUDITORS' FEES (amounts in €'000)	Financial year 2018				Financial year 2017			
	Ernst & Young		Benoit Lahaye Audit et Associés		Ernst & Young		Benoit Lahaye Audit et Associés	
	Amount excluding tax	%	Amount excluding tax	%	Amount excluding tax	%	Amount excluding tax	%
Audit, certification, review of the individual and consolidated financial statements	78	93.4	48	100%	70	88%	44	100%
Services other than certification of the financial statements*	5	6.6%	0	0%	10	12%	0	0%
Total fees	**83**	**100%**	**48**	**100%**	**79**	**100%**	**44**	**100%**

*Fees related to services other than certification of accounts relate to the fees related to the achievement of certifications.