2024 Half-Year Financial Report

VusionGroup

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This half-year financial report is a translation in English of the official version of the half-year financial report in French filed with the AMF on September 27 , 2024 and available on our website https://s203.q4cdn.com/882900163/files/doc_financials/2024/q2/VusionGroup_Rapport_Semestriel_2024.pdf.

Introduction and presentation of the Group's activities

About VusionGroup

Global leader* in digitalization solutions for commerce

VusionGroup invents IoT and digital technologies that create a positive impact on society by enabling sustainable and human-centered commerce.

VusionGroup is the global leader in digitalization solutions for commerce.

The Group counts among its clients over 350 food and specialty retailers across Europe, Asia, and North America.

* Based on the Group's revenue as of December 31, 2023, and the revenue published by the main players in the ESL market over the same period.

Key figures[1]

Founded in

1992

18

subsidiaries and sales offices worldwide

900+

employees

45 000+

stores

450 million

smart labels

350 customers

in more than 60 countries

€802 M

of revenue in 2023

[1] Figures at the end of June 2024.

Vision & Mission

Technology supporting retailers, consumers and brands

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

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

As the world's leading physical retail technology player, **VusionGroup's primary objective is to help retailers to achieve their digital transformation.**

2024 H1 highlights

At the start of 2024, SES-imagotag became VusionGroup, a new brand identity designed to embody the different product lines and solutions which have enriched the Group over the years, and which contribute to the digitalization of commerce.

The first half of the year was also marked by the acceleration of the deployment of EdgeSense and VusionCloud solutions as part of the contract with Walmart US, with orders of approximately €1 billion.

In Europe, the Group recorded numerous successes in the first six months of the year, in several markets such as France, the United Kingdom, Germany, Scandinavia and Portugal, covering a multitude of food and non-food segments:

- strengthening of the partnership with Sonae in Portugal for the digitization of more than 80 stores, following a successful first phase of deployment of 160 points of sale;
- adoption of the Group’s digital solutions by Match, with the deployment of more than 1.5 million smart labels in 75 stores;
- deployment in 550 Netto Denmark discount stores to improve the experience of customers and in-store teams;
- deployment in 130 Blakemore Retail convenience stores in the United Kingdom, the first British retailer to choose the multi-color label technology developed by VusionGroup.

Several partnerships were also formed and strengthened in the first half of the year (Microsoft, Google, Blue Yonder, etc.), thus increasing the potential and benefits of the platform and the solutions developed by the Group.

Lastly, the VusionCloud platform reached the milestone of 100 million labels and 20,000 connected stores during the half year, symbolizing the dynamism and growing adoption of this technology by retailers.

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2024 H1 audited results

The condensed half-yearly consolidated financial statements as of June 30, 2024, have been prepared in accordance with IFRS, as adopted by the European Union. The Statutory Auditors report on the Group's half-yearly consolidated financial statements for the period ended June 30, 2024 is appended to this report.

In €M	**H1 2024**	IFRS 15 adjustment[1]	H1 2024 adjusted[1]	H1 2023	Change adjusted	Change IFRS
Revenue	**408.9**	**(22.2)**	**431.1**	**380.7**	**+13%**	**+7%**
Variable costs margin	**98.3**	**(22.2)**	**120.5**	**92.2**	**+31%**	**+7%**
% of revenue	*24.0%*		*28.0%*	*24.2%*	*+3.8 pts*	*-0.2 pt*
Operating costs	(61.4)		(61.4)	(48.7)	+26%	+26%
% of revenue	*15.0%*		*14.3%*	*12.8%*	*+1.5 pt*	*+2.2 pt*
EBITDA	**36.9**	**(22.2)**	**59.1**	**43.5**	**+36%**	**-5 %**
% of revenue	*9.0%*		*13.7%*	*11.4%*	*+2.3 pts*	*-2.4 pts*
Depreciation and amortization expense	(26.0)		(26.0)	(15.5)	+68%	+68%
Non-recurring items/non-cash items	(9.3)		(9.3)	(5.3)	+75%	+75%
EBIT	**1.6**	**(22.2)**	**23.8**	**22.7**	**+5%**	**-93 %**
% of revenue	*0.4%*		*5.5 %*	*6.0 %*	*-0.5 pt*	*-5.4 pts*
Net financial income (expense) before revaluation of the fair value of the warrants	(10.0)		(10.0)	(0.5)	N/A	N/A
Tax	(3,1)	2.8	(5.9)	(7.1)	(17 %)	(56 %)
Net profit (loss) for the period after revaluation of the fair value of the warrants	**(11.4)**	**(19.4)**	**8.0**	**15.1**	**(53%)**	
Revaluation of the fair value of the warrants*	(13.0)	(13.0)	0.0	76.4		
Net profit/(loss)	**(24.4)**	**(32.4)**	**8.0**	**91.5**	**(91) %**	**(127) %**
% of revenue			*1.8%*	*24%*	*+1.3pt*	*-30pts*

* The revaluation of the fair value of the warrants granted to Walmart had a positive impact in H1 2023 of €76.4 million whereas in H1 2024, it had a negative impact of -€13.0 million according to IFRS rules.

1.1 Comments on financial results for the period ending June 30, 2024

Revenue

Revenues in €M	**H1 2024**	H1 2023	Changes
Europe and MEA	238.4	317.8	-25%
Asia and the Americas	192.7	62.9	206%
Group total revenues	**431.1**	**380.7**	**13%**

Revenue growth supported by record level in order intake.

The Group's IFRS revenue reached €409 million in the first half, and €431 million on an adjusted basis[1], up by 13% compared to the first half of 2023 and in line with the guidance communicated when the 2023 annual results were presented.

In terms of geography, growth was driven by North America. In accordance with the forecasts announced, the breakdown of revenue in the first half is:

- 55% for EMEA, or €238 million, down 25% due to the planned and announced completion of the deployment phase of a major European customer. This cyclical effect will only be temporary in 2024 as the many contracts signed in recent months in Europe will generate robust growth again in 2025. Excluding the effect of this roll-out in the finalization phase, the EMEA zone grew in the first half of the year. In addition, order intake increased in the region in the first half of the year, which reinforces our scenario of a rebound in activity in Europe from the second half of 2024.

(1) Adjusted figures reflect the reported financials before adjusting for certain non-cash IFRS restatements related to the Walmart U.S. contract, which began in Q4 2023. These restatements only affected the Americas and Asia-Pacific zones.

- 45% for Americas and Asia-Pacific, or €193 million on an adjusted basis, up 206%, mainly driven by the United States, which will become the Group's largest market in 2024. Growth is expected to continue at a sustained pace in the coming quarters. This excellent momentum is driven by the acceleration of the pace of deployment at Walmart but also by the ongoing conclusion of several major new contracts.

Global order entries increased by 38% to €714 million in the first half of the year, and the level of orders reached a level of €1,146 million at the end of the 1st half on a 12-month rolling basis. This record figure is explained by the strong momentum of new contract signings in both Europe and the United States.

VAS activities[2]

Revenue from software and recurring services[3] reached €26.1 million in the first half of the year, up sharply (+28% compared to H1 2023). It represents nearly 60% of the total VAS revenues, the total amount of which stands at €44 million (-17% compared to H1 2023).

Non-recurring services[4] declined due to a difficult economic context where retailers slowed down certain projects or internalized certain services.

Our cloud installed base grew rapidly in the first half of the year to more than 21,000 stores and 110 million labels. This dynamic will accelerate in the coming quarters

Ongoing profitability improvement driven by growth in the variable cost margin

Continuing the trend observed in 2023, the Group's profitability increased significantly in the first half of 2024 with an adjusted EBITDA of €59.1 million at 13.7% of sales, an improvement of 2.3 points of adjusted EBITDA margin compared to the first half of the previous year. This improvement comes from the improvement in the Variable Cost Margin (VCM).

The variable cost margin (VCM) thus amounted to €98.3 million in the first half of 2024, for a margin rate of 24% of turnover. On an adjusted basis[1], the VCM reached €120.5 million, compared to €92.2 million in the first half of 2023, an increase of +31%, and a VCM rate of 28.0% of revenue in the first half of 2024 compared to 24.2% in the first half of 2023, i.e. an increase of 3.8 points.

This improvement in the VCM rate is mainly the result of the Group's investments in R&D to develop innovative solutions with high added value and better profitability. The improvement also comes from the Group's strong growth which generates economies of scale.

Operating expenses amounted to €61.4 million in the first half of 2024 compared to €48.7 million in the first half of 2023. As a percentage of turnover, operating expenses represent 14.3% of total revenue in the first half of 2024 compared to 12.8% in the first half of 2023. This increase is mainly linked to significant recruitment underway in central functions and to support the strong growth in the United States.

Adjusted EBITDA[1] or adjusted operating profit before depreciation of fixed assets and before other non-recurring or non-cash items, amounts to €59.1 million in the first half of 2024, an increase of +36% vs. €43.5 million in the first half of 2023.

The adjusted EBITDA[1] margin reached 13.7% of turnover in the first half of 2024 compared to 11.4% of turnover in the first half of 2023, an improvement of 2.3 points, mainly driven by the improvement of the VCM.

Depreciation and amortization expenses increased by +58% between the first half of 2023 and 2024, reaching €26.0 million (vs. €15.5 million in the first half of 2023). This increase is directly linked to the significant level of investments in R&D and innovation made by the Group, and particularly the amortization of the development costs for the new EdgeSense solution

The non-recurring or non-cash items represent an expense of €9.3 million in the first half of 2024 compared to an expense of €5.3 million in the first half of 2023. In the first half of 2023 and 2024, these items mainly consist of, for respectively €4.4 million and €8.0 million, of the non-cash IFRS 2 expense related to the performance share plans allocated to the Group's employees between mid-2021 and mid-2024. We observe an almost doubling of this IFRS 2 charge due to a higher number of performance shares distributed as well as a higher share price.

Operating result

Operating profit (loss) amounts to €1.6 million in the first half of 2024 and €23.8 million on an adjusted basis[1], an increase of 5% compared to the first half of 2023 at €22.7 million. Despite a strong increase in EBITDA, operating income was negatively impacted over the period by the increase in depreciation and amortization and the non-monetary expense for performance share plans.

(2) VAS: Software, services, and non-ESL (Electronic shelf label) solutions.
(3) "Recurring VAS" revenue includes revenue generated by subscriptions to VusionCloud and its SaaS Computer vision (Captana and Belive) and Data Analytics (Markethub and Memory) solutions, as well as contracts for recurring services.
(4) "Non-recurring VAS" revenue includes the revenue generated by installation and non-recurring professional services; the sale of equipment such as Captana cameras, video rails and other screens used for retail media (Engage), as well as the sale of industrial and logistical solutions (PDidigital).

Net financial result

The net financial income (expense) for the first half of 2024 was a loss of €23.0 million. As in the accounts for the first half of 2023, the financial result under IFRS standard includes the effect of the revaluation of the fair value of the stocks warrants granted, under specific conditions, to Walmart.

Excluding the effect of the revaluation of the fair value of the warrants, the financial result for the first half of 2024 is a loss of €10.0 million and that of the first half of 2023 a loss of €0.5 million. The financial interest related to the Group's debt amounted to €6 million in the first half of 2024 compared to €4.5 million in the first half of 2023. The balance consists of foreign exchange losses in 2024 and foreign exchange gains in 2023.

Net result

VusionGroup's net income for the first half of 2024 is a loss of €24.4 million. Adjusted net profit(1) stands at +€8.0 million compared to +€15.1 million in the first half of 2023. This temporary decrease is mainly linked to the increase in depreciation and amortization expenses, a consequence of significant past investments made by the Group to develop innovative solutions, and particularly EdgeSense, the depreciation of which began at the end of 2023.

1.2 Capital expenditure

R&D expenditure accounted for most of VusionGroup's capital expenditure. 2023 was the year during which the Group launched EdgeSense, a system that is set to revolutionize ESLs and the digitalization of shelves. The Group also launched VusionOX, the new secure IoT Cloud platform, based on the Bluetooth protocol. These major innovations, developed over several years, were critical to signing the Walmart contract. The powerful functionalities they provide retailers, consumers, and suppliers will profoundly change the market in the years to come.

The Group will continue investing in order to launch innovative solutions allowing it to differentiate itself and attract new customers by offering best-in-class solutions on the market.

Capital expenditure (CAPEX) in €M	**H1 2024**	H1 2023
R&D and IT expenditure	15.6	44.9
of which EdgeSense (HW)		*30.8*
Industrial investments	59.4	1.6
of which EdgeSense production lines, financed by customers	*54.5*	*0.0*
Other	2.9	1.6
TOTAL CAPEX	**77.9**	**48.0**
Customer financing of production lines	54.5	
Self-financed CAPEX	**23.4**	**48.0**
In % adjusted revenue	*5.4%*	*12.6%*

The other main investment item lies in industrial production lines, particularly for the new EdgeSense range, entirely pre-financed by customers.

In the first half of 2024, the Group's capital expenditure reached €77.9 million compared to €48.0 million in the first half of 2023.

Within this €77.9 million, €54.5 million was capitalized for production lines and fully pre-financed.

Self-financed capital expenditure thus amounted to €23.4 million over the first half of 2024, or 5.4% of revenue, in line with the Group's guidance for a ratio in a range of 5% to 7% through 2027.

1.3 The Group's cash and debt for the period ending June 30, 2024

The Group ended the first half of 2024 with a net cash position of €215 million, delivering an improvement of €188 million compared to the net cash position at year-end 2023.

For the third consecutive semester, VusionGroup generated positive free cash flow. Over the first half of 2024, it amounted to €203 million thanks to improved profitability, control of capital expenditure and stable operating working capital requirements at 15% of turnover as on December 31, 2023.

This cash generation was supported in the first half by down payments received from our customers and particularly as part of the 100% pre-financing of production lines.

Excluding Capex financing by customers and downpayments received, the strong pro forma free cash generation reached approximately €24 million, or around 6% of turnover with an EBITDA to cash conversion rate of 41%.

Consolidated statement of cash flows

In €M	**H1 2024**	H1 2023	
Adjusted EBITDA	59.1	43.5	
Impact of IFRS 16	(1.8)	(1.5)	
Capex	(77.9)	(48)	
Change in Working Capital	225.9	128.8	
Tax	(2.3)	(0.9)	
Free Cash flow	***203***	***121.9***	
Net financial expense	(8.9)	(1.1)	
Acquisitions	(1.5)	(91.5)	
Impact of the changes in consolidation scope	0.0	4.7	
Dividends	(4.8)	0.0	
Other	(0.1)	0.6	FY 2023 recall
Change in Net Debt (before IFRS 16 and IFRS 9)	**187.7**	**34.5**	**67.7**
Net Cash/(Debt) (before IFRS 16 and IFRS 9)	**214.9**	**(40.5)**	**27.2**
Cash	379.5	33.9	199.9
Debt (before impact of IFRS 16 & IFRS 9)	(164.6)	(74.4)	(172.7)

1.4 Main performance indicators

The Group uses EBITDA as its main performance indicator.

EBITDA is not a standardized accounting aggregate that meets a single, generally accepted definition. It should not be considered a substitute for operating profit (loss), net profit (loss), cash flows from operating activities or a measurement of liquidity. Other companies could calculate EBITDA differently from the breakdown below used by the Group.

For the Group, this is a performance indicator that presents operating income before the depreciation and amortization of fixed assets restated for the few items for the period that are detrimental to comparisons with previous fiscal years. It also represents a good approximation of the cash flow generated by operating activities before taking into account investments and changes in working capital. Consequently, restatements include significant non-recurring items or items that will never lead to a cash disbursement.

The Variable Cost Margin consists in deducting the cost of goods sold as well as installations costs and transportation costs, from the total revenue.

Bridge between operating result and EBITDA is as follows:

In €M	H1 2024
EBITDA	**36.9**
- Earn-out	(1.3)
- Share-based payments (IFRS 2)	(8)
- Depreciation and amortization expense of property, plant and equipment and intangible assets	(26)
= Operating income	**1.6**

Net debt/net cash

These indicators define, respectively, the Group's net financial debt or net cash position, calculated based on the following consolidated balance sheet items: (-) Loans (-) Current and non-current lease liabilities (IFRS 16) (+) Cash and cash equivalents.

If the result is negative, the level of long term loans and lease liabilities exceeds the level of cash and cash equivalents, and is therefore considered net debt or net financial debt. If, however, the result is positive, then the level of loans and lease liabilities is lower than the level of cash and cash equivalents and is considered a net cash surplus.

Working Capital Requirement

Change in working capital is calculated based on the following items from the consolidated balance sheet: (+) Trade receivables (gross value, before depreciation) (+) inventory and work-in-progress (gross value, before depreciation) (-) trade payables (+) current taxes (+) other current receivables (-) other debt and accrual accounts.

The operating working capital requirement only takes into consideration the aggregates of inventories and work-in-progress, trade receivables and trade payables.

Order entries

Order entries represent the year-to-date cumulative value of ESL orders received from customers. These orders are valued based on negotiated selling prices, i.e. before any impact of IFRS 15. Order intake also includes year-to-date VAS revenues.

Free Cash Flow

Free Cash Flow is an indicator measuring cash generation over a period. It corresponds to the cash generated by the operation of activities taking into account investments and independently of any financing structure. It is calculated based on the following aggregates: (+) Adjusted EBITDA before IFRS 16 (-) capital expenditure (CAPEX) (+) change in working capital requirement (-) taxes paid.

1.5 Post-closing events

On July 30, 2024, VusionGroup decided to launch a share buyback program and thus entrusted an investment services provider with a mandate to buy back shares for a maximum amount of €5 million over a period beginning on July 30, 2024 and ending on August 9, 2024.

1.6 2024 outlook

With an order book at an all-time high, VusionGroup confidently reiterates its objective of crossing the €1 billion mark in revenue on an adjusted basis, and to pursue a strong growth trajectory in 2025.

As expected, the Group's revenue growth will be more weighted towards the second half of the year.

Regarding the geographic distribution of annual sales, VusionGroup targets 50 to 60% of revenue to be generated in EMEA and 40 to 50% in Americas and APAC. The momentum of the latter should be supported by the strong growth expected in the United States this year.

Total annual VAS revenue is anticipated to reach around €120 million. This target includes an amount of €60 million in recurring revenue for software and services.

After a significant improvement in its adjusted variable cost margin in the first half (+380 basis points), the Group confirms that it expects this trend to continue in the second half of 2024.

VusionGroup also confirms the continued improvement in its profitability with an adjusted EBITDA[(1)] margin now expected to increase by 100 to 200 basis points over the whole year (compared to 50 to 100 basis points previously).

After generating positive free cash flow in the first half, the Group confirms its ambition to continue on this positive trajectory in the second half.

Finally, VusionGroup expects continued robust growth in its order intake, which is expected to reach an all-time high for the full year.

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Risk factors and uncertainties

2.1 Risk factors and associated risk management measures

The Global Management Board regularly monitors:

- the identification of the Company's risks that could have an impact on its business, image and financial results;
- actions to reduce or control them.

Twice a year, during the half-yearly and annual financial statements, the Audit Committee reviews and assesses:

- significant risks that could affect the Group's activities;
- the appropriateness of the procedures implemented to deal with them.

The Audit Committee's findings and conclusions are presented to the Board of Directors, which approves the main risk factors included in this half year report.

Pursuant to European Regulation No. 2017/1129 of June 14, 2017, the risk factors are:

- presented by type (strategic, operational, etc.);
- assessed on a net criticality basis after assessing their severity and probability of occurrence, and taking into account the action plans put in place (see "Risk management").

Within each risk category, the risk factors that the Company deems the most significant and the most critical at the date of this half year report are mentioned first.

Summary of the main risk factors

No risks or uncertainties other than those presented in VusionGroup's 2023 Universal Registration Document are anticipated. As a reminder, these elements are presented below.

The following table classifies the main and specific risks to which VusionGroup is exposed into three categories:

(1) strategic risks;

(2) operational risks; and

(3) legal, financial, and compliance-related risks.

For each category, the risks are indicated in decreasing order of importance, according to a four-level scale: critical, high, moderate and low.

Risk categories	Risk factors	Identified risks	Net criticality
Risks associated with the Group strategy	Market competitiveness	Loss of price competitiveness of our products	High
	Economic environment	Slower growth in our main markets (decrease in consumption)	Moderate
	Geopolitical tensions	Industrial and logistical reorganization due to geopolitical tensions	Moderate
	Climate and decarbonization	Adaptation to climate change and evolution of the business model (decarbonization)	Low
	Products and services	Delayed deployment of new services/solutions for our customers	Moderate
	Technological disruption	Major technological disruption in one of our products or solutions	Moderate
Operational risks	Cyber attacks	Cyber attacks and data theft	High
	Component sourcing	Supply chain failure Failure of significant suppliers	High
	Quality	Quality of products or services: manufacturing or functional defects	High
	Customer dependency	Growth and dependence on major clients	High
	Technology skills attraction	Attracting and retaining technical/technological skills	Low
	Commercial forecasts	Impairment of inventories due to innovation or erroneous sales forecasts	Moderate
	Key personnel	Loss of key personnel	Moderate
	Ethics and compliance	Corruption: non-compliant internal or third-party behavior	Moderate
	Health crisis	Health crises and consequences for the organization	Moderate
Legal, financial, and compliance related risks	Intellectual property	Patent/trademark infringement by third parties	High
	Disputes	Litigation and investigations	Moderate
	Currency	Risks related to exchange rate	Moderate
	Liquidity	Liquidity risk	Moderate

The main risks specific to the VusionGroup, as well as their negative impacts and the measures implemented to manage them, are described below.

2.1.1 Strategic risks

2.1.1.1 Loss of competitiveness of our products

The Group faces intense competition from international players, mainly from Asia, seeking to acquire market share by charging very competitive prices.

The Group must remain at the forefront of innovation in terms of product design and components with the best quality/cost ratio.

In this context of significant technological change, the Group's business and financial results could suffer substantially from the absence or inadequacy of the financial resources or skills necessary to preserve the differentiation and added value of its products.

These competitive pressures, affecting, in particular, the selling prices of equipment, could erode the Group's sales and profitability and undermine its outlook.

Consolidation of the various market players, particularly among industrial assemblers or component suppliers, could change the competitive landscape of the electronic shelf label industry and lead to pressure on prices, costs and margins.

Competitive risk management

The Group applies a strategy to prevent these risks based on several key areas:

- active and global competitive monitoring: ongoing efforts to improve industrial competitiveness and reduce costs have been made, based in particular on strong purchasing expertise and a leadership strategy regarding market share maximizing economies of scale;
- significant investments in R&D and innovation (see section 2.1.1.6) that aim to establish strong differentiation and add value, reinforced by an active policy in terms of filing and defending the Group's intellectual property;
- support from Chinese subcontractors, in addition to the Group's European, American and Taiwanese R&D centers to be as close as possible to the ecosystem of Chinese suppliers (product design);
- focus on targeted markets where our differentiation strategy through services can play out favorably and where we aim at a significant market leadership and market share;
- lastly, the Group is developing close ties, along with capital ownership, with key players in the value chain (BOE technology, E Ink group...), in order to deepen its cooperation and converge its interests with these key players.

2.1.1.2 Slower growth in our main markets

According to the forecasts of the International Monetary Fund in January 2024, global growth is expected to slow for the third consecutive year, going from 2.6% last year to 2.4% in 2024.

Growing geopolitical tensions could create new risks in the short term. The medium-term outlook has worsened for many developing countries due to:

- slower growth in most major economies;
- the sluggishness of global retail;
- more restrictive financial conditions for decades.

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

Changes in demand for products offered by the Group are generally linked to changes in macroeconomic conditions, in particular changes in gross domestic product in the countries where the Group markets its products and services. Periods of recession or deflation, potential increases in customs barriers and other trade restrictions by certain countries may dampen demand, the growth of the global economy and, consequently, the Group's business.

Moreover, insofar as a significant portion of the Group's products are assembled by an External Manufacturing Services (EMS) located in China, the increase in customs barriers could lead to a contraction in exports of the Group's products to certain regions of the world.

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

The strategy of having a geographically diversified portfolio proved its relevance during the health crisis, with some regions remaining very dynamic while others were severely affected by the crisis, enabling the Group to maintain strong overall growth.

The Group was able to record revenue growth of 13% during the first half of 2024.

In order to reduce its exposure to risk, in particular when regional dependence becomes significant, since 2023 the Group has undertaken a regional rebalancing of activity between the Americas and Europe, seeking to limit the risk of exposure to the global economic slowdown due to:

- a better macroeconomic situation in the USA than in the rest of the world;
- the very low penetration rate of IoT solutions in American stores;
- the recent winning of major contracts with American retail leaders, thus launching a strong equipment dynamic.

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Economic risk management

- Monitoring the global economic environment and in particular the countries in which the Group markets its products and services.
- Geographical diversification of the business portfolio.
- Establishment of a global network of specialized correspondents (lawyers, tax specialists) to monitor regulatory changes in trade restrictions.
- Supply Chain diversification strategy in Asia (China and Vietnam) and the Americas (Mexico), minimizing the impact of customs duties applied in the United States on products manufactured in China.

2.1.1.3 Industrial and logistical reorganization due to geopolitical tensions

Major geopolitical events can generate:

- adverse effects on the safety of our activities;
- significant economic disruptions;
- failures in our organization.

The criticality of these disruptions depends on the location of the geopolitical events.

The identified subjects for consideration are:

- the safety of the Group's employees;
- supply and logistics scheduling difficulties, both in terms of available capacities and available transport routes;
- cyber risks (see 2.1.2.1);
- payment risks in relation to customers located in the affected area;
- a slowdown in commercial growth in this same region.

Due to the situation in Ukraine and the Middle East, the Group has not planned any significant commercial development in this region.

The land routes connecting Asia to Europe cross China, Kazakhstan, Russia, Ukraine and Poland and the shipping route crosses the Red Sea disrupted by the Houthis attacks. Organizational (logistical) disruptions are therefore the main effect of the Ukraine crisis and the crisis in the Middle East.

Risk management associated with geopolitics events

- Constant monitoring of the difficulties that service providers may face by the managers of the Supply Chain and Logistics Departments.
- Alternative shipping and land routes identified:
  - in the context of the Ukraine and Middle East crises, the Group has planned alternative routes through the Baltic States with the help of its logistics service providers and in coordination with its insurance broker. It has also carefully managed the number of trucks per convoy;
  - other shipping routes remain operational as long as passage through the Red Sea remains impracticable;
  - the Group has inaugurated new modes of land transport by rail, further diversifying its transport options from China.

2.1.1.4 Adaptation to climate change and the evolution of the business model (decarbonization)

Year after year, the Group has strengthened its commitment to contribute to a decarbonized world and to develop solutions for more sustainable and responsible retail.

Climate-related risks and opportunities have been put into a timeline for the Group with a deadline set for 2030.

The main risks identified are:

- **in the short term,** all current transactions (choice of a supplier, participation in a customer call for tenders, etc.) lead to an assessment and/or publication of indicators, ratings or certifications acknowledging the Group's adaptation to climate change;
- **in the medium term,** in the context of a more sustainable economy, potential new regulations imposing a global or regional carbon pricing system would be a significant challenge that would have direct financial repercussions for the Group;
- **in the long term,** if the global ecological transition does not happen apace, rising temperatures and water scarcity could have a direct impact on the Group's upstream supply chain, its organization (e.g. subcontracting and storage locations, and R&D centers), its data centers and their energy supply.

Risk management related to changes in the business model

The Group has pledged the following commitments within the context of its climate strategy (see section 4):

1) promote positive retail, thanks to its products;
2) decarbonize its solutions and reduce its carbon footprint (low-carbon equipment with a commitment to reduce its carbon intensity by at least -52% by 2030). In 2023, the Group launched a new solution, EdgeSense, whose carbon footprint is, depending on the configuration chosen, 30% to 50% lower than that of a traditional installation;
3) enable the avoidance of additional GHG emissions through the use of our in-store solutions, whether or not coupled with other applications (to combat food waste, etc.);
4) structure its own label recycling channel, giving them a "second life" and thus promoting a circular economy. In 2023, 1.9 million labels were recycled.

The Group takes part in numerous assessments of its ESG action plan by specialized rating agencies and continuously works to improve it.

These benchmarks and comparisons make it possible to assess the effectiveness of the Group's strategy in terms of the fight against climate change.

A specific communication, dedicated to the Group's social, societal and environmental responsibility is developed on the Group's website.

The Group closely monitors changes in regulations to anticipate their implementation and potential effects, and thus has:

- established an environmental management system that received ISO 14001 certification in 2022;
- introduced a systematic audit of the majority of its industrial suppliers, through the "EcoVadis responsible purchasing" program, which ensures compliance with international environmental standards;
- analyzed its compliance with the European taxonomy regulation as part of the first stages of the implementation of the CSRD regulation.

The Group initiated an analysis of the climate risks that its major sites in the value chain could face.

Risk management associated with the climate and more frequent and extreme natural events and disasters

The safety of the Group's employees is little affected because they are mainly located in geographical areas that are not subject to extreme natural disasters. The planned measures therefore focus on business continuity, in terms of services thanks to the Cloud platform and production of equipment (IoT devices).

1) Strategies to continue the activity of our Cloud platforms have been implemented with the support of the Group's subcontractors and partners, allowing us to provide these services from different sites. Since 2023, the Group has been ISO 27001 certified.
2) Suppliers of components and electronic labels also have their own supply chains and could potentially encounter similar problems. The Group initiated mitigation measures in 2021, thanks to its active multi-sourcing policy and the opening of a third label assembly site in the Americas.
3) The effective analysis of the resilience of the Group's business model and its adaptation to the impacts of climate change will be key elements in responding to the risks of natural disasters. The Group has already assessed the climate risks at its main storage sites. In 2024, it is extending this study to assembly subcontracting sites as well as R&D centers, in order to:
   - examine the exposure to climatic hazards of these sites;
   - assess the resilience of operations;
   - assess potential impacts on the business plan;
   - identify priority action levers;
   - develop its climate change adaptation strategy;
   - support change.

The climate risk analysis strategy is developed according to the TCFD reporting standards in the 2023 URD.

2.1.1.5 Delayed deployment of new services and solutions for our customers

Certain services and solutions (Computer Vision, Data Analytics, Industrial Solutions, etc.) could be subject to marketing delays which could in turn affect projected revenue due to their later adoption by customers. Due to the significant share that these solutions and services represent in the Group's growth plan and their strong contribution to the operating margin, this delay would have an impact on the Group's revenue and EBITDA.

Managing the risk of delayed deployment of new services and solutions

The Group applies a strategy to prevent these risks based on several key areas:

- significant investments in its historical ESL business by improving their margins thanks to revenues from software and related services;
- new matrix organization guided by "ranges and lines of products and services" to promote the launch of new lines;
- support for investment in R&D and commercial activity to facilitate the prioritization of projects and their deployment.

2.1.1.6 Major technological disruption in one of the Group's products or solutions

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

Technology risk management

In order to maintain its advantage in terms of technological advances, the Group is constantly innovating and bringing new solutions to the market.

Thus, it:

- conducts an active global technology watch in areas related to its business: digital display technologies, radio protocols, connected objects, computer vision, artificial intelligence, etc.;
- invests significant amounts in R&D and intellectual property (see section 5 "Investments");
- makes acquisitions of patents or companies with missing and significant technologies (Imagotag, Findbox, PDI, MarketHub, In The Memory, Belive.ai); or
- establishes strategic technological partnerships to benefit from a strong ecosystem (Microsoft, SAP, Google, Blue Yonder, Qualcomm, BOE, Eink, etc.).

The Group's intellectual property policy and protective measures are detailed in section 2.1.3.

2.1.2 Operational and technical risks

2.1.2.1 Cyber attacks and data theft

Gaining visibility, the Group is more exposed to the risks of computer attacks, for example: ransomware, data theft, identity theft, denial of service, etc. The occurrence of one of these events could have a negative impact on its operational activity, its commercial offering and, therefore, on its performance.

The evolution of the methods used by hackers, such as the use of social engineering or phishing coupled with new technologies easily available on the darknet (EvilProxy, etc.), for example, expose the Group to new threats and a growing number of players. Computer attacks and intrusion attempts, which are becoming more and more structured and targeted, can affect the Company as well as its customers and private or public partners.

More generally, system failure could lead to:

- loss or leakage of confidential or commercial information;
- operational delays; or even
- discredit the Company's reputation by blocking solutions for the Group's customers.

Which would generate additional costs that could harm the Group's strategy or image.

Despite the procedures put in place by the Group, it cannot guarantee hedging against these technological and IT risks and could encounter difficulties in the normal course of business should one of these events occur. This could have a detrimental impact on its business, results, financial position and ability to achieve its objectives.

Risk management related to the security of information systems

As part of its transformation towards the distribution of digital solutions, the Group has implemented a series of organizational, operational and technical measures to protect its various solutions:

- regular audits and intrusion tests by the Information Systems Department to assess its maturity in terms of securing the networks, and the systems and applications necessary for the continuity of the Group's business;
- implementation of an information security management system (ISMS) enabling the continuous implementation of an action plan adapted to the risks identified and aligned with the expectations of ISO 27001. Certification was obtained in early 2023;
- investment in various analysis and security tools, guaranteeing the security of its systems and data. In conjunction with its internal control and security policy, these organizational, functional, technical and legal security measures are subject to regular checks;
- regular IT hygiene awareness training for employees.

Data security risk management

The Information Systems and Research and Development Departments are responsible for data security:

- establishment of classification rules and strict procedures for defining and allocating access to data, ensuring their confidentiality (principle of least privilege);
- using leading Cloud hosting solutions to ensure a high level of availability;
- regular backups on various media;
- training of all employees and IT and R&D stakeholders in development rules and best practices to ensure that solutions comply with the "Privacy by Design" and "Security by Design" rules.

2.1.2.2 Supply chain failure

The Group relies on a good supply of electronic components and screens in order to carry out industrial scheduling with its industrial assembly subcontractors.

The causes of supply chain failure are multiple:

- failure of one or more suppliers in components or screens;
- following social movements;
- unforeseen stock-outs;
- quality defects;
- export restrictions or sanctions;
- health crisis; geopolitical situation;
- more generally, any disruption in supply, in particular, due to possible tensions on the supply of electronic components;

and which could have a detrimental impact on the Group's business, results, financial position, or prospects.

The cost of components represents a substantial portion of the Group's purchases consumed. The latter amounted to €300.7 million and the Group recorded a variable cost margin of €98.3 million for the 2024 half-year closing.

A substantial increase in the cost of components due, in particular, to a contraction in the Group's supply or a concentration of suppliers could, therefore, have a significant impact on the Group's variable cost margin. More generally, it could have a material adverse effect on its business, financial position, results and prospects if it were not in a position to pass it on to its customers within a reasonable time.

In addition, supply also depends on smooth and timely supply chain and logistic flows. The failure or delay of a service provider or any tension in the logistics chain, due to:

- social movements;
- disruptions in the availability of resources or means of transport, particularly containers, strikes, export restrictions, health crises, or maritime shipping routes;

could result in the Group's inability to deliver to its industrial subcontractors or customers and result in additional costs or even order cancellations that could have a detrimental impact on its business, results, financial position or prospects.

Management of component sourcing risk

- Multiple sources of supply policy: the Group ensures that its industrial forecasts are consistent with commercial forecasts in order to prevent any risk of component shortages.
- Diversification of sources and suppliers of components.
- Component requirements optimization policy by reconciling industrial and commercial forecasts.
- Multimodality of logistics flows from Asia (air transport, maritime transport and land transport - Silk Road - by truck and train).

2.1.2.3 Failure of significant suppliers

The Group has outsourced all of its equipment production (electronic labels, digital screens, Digital Shelf System, cameras, etc.) to several leading industrial partners specializing in the assembly of electronic products ("Electronic Manufacturing Services" or EMS), including BOE, a shareholder with approximately 32% of the capital.

In the event of an increase in demand or if the Group needs to replace an existing EMS, it cannot be certain of the existence or availability of additional production capacity on acceptable terms. Similarly, the use of new production units may lead the Group to:

- experience production delays; and
- bear additional costs due to the time it will have had to spend training new EMSs in the Group's methods, products, quality control, environmental footprint and health and safety standards.

In addition, production by one or more EMS could be interrupted or delayed, temporarily or permanently, due to economic, social, or technical problems, in particular:

- the insolvency of an EMS;
- the failure of production sites; or
- an interruption of the production process due to social movements beyond the control of the Group, or due to health crises such as the Covid-19 pandemic.

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

Risks related to supplier dependency

- Production management based on first-tier subcontractors.
- Possible switching of production capacities thanks to the diversified location of factories in Asia or Mexico.

2.1.2.4 Quality and safety of products or services: manufacturing or operating defects

The Group may occasionally be confronted with a manufacturing or operating defect or an assembly of defective components in one of the Group's products and systems. If applicable, this could lead to liability claims of varying importance that could damage the Group's reputation and have significant financial consequences. In this context, the Group has been, may or may be required to carry out recall campaigns or to adapt or replace the equipment in question.

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

Risk management associated with manufacturing or functional defects

- The drafting of design data sheets by the R&D and Industrial Purchasing Departments that the Quality Department ensures are respected as part of a test program (at the end of production in particular).
- Monitoring focused on new product launches.
- Traceability policy for all production batches allowing, where necessary, targeted product recalls.

2.1.2.5 Growth and dependence on major clients

Although the Group's revenue is distributed among a large number of customers, some of them account for a substantial portion of its revenue.

For the fiscal year ended December 31, 2023:

- the Group's top ten customers represented more than 68% of the Group's consolidated revenue.

The loss or contraction of the activity of one or more of these customers, a concentration of players in the sector in which they operate, or the failure of one of these customers, could reduce revenue by the same proportion. This could have a material adverse effect on the Group's business, financial position, results and outlook.

Please note that the 2027 strategic plan includes several major deals to be signed with a limited number of key customers, likely to trigger a higher customer dependency ratio.

Risk management related to customer dependency

- Maintaining a geographically diversified customer portfolio.
- Regular monitoring/specific review of major customers.
- Researching new business sectors to equip with our solutions.

2.1.2.6 Attracting and retaining technical and technological skills

Vusion is a growing and diversifying Group, offering new ways of using display solutions, managing stores and using available data on prices and products.

The Group's strategic plan for 2027 aims to make the Group a leader in omnichannel electronic signage solutions. In this perspective, and in the context of a competitive and evolving technological industry, attracting, developing and retaining the necessary skills is an important issue.

The Group must respond to qualitative and quantitative challenges in terms of talent management:

- strengthen its pool of technical skills (and especially in the field of software engineering) to support growth and enable the delivery of new value-added services on a global scale;
- identify, attract, train, retain and motivate qualified personnel;
- build leadership capabilities at all levels to support its continued growth and transformation;
- on-board new employees effectively, particularly in the context of acquisitions.

This involves anticipating and planning the acquisition and development of the skills that will drive the Group's future success and ensure its proper development. The risk is not having them in time to support the Group's strategy.

If the Group fails to meet these human resource challenges, this could have a material adverse effect on its business, financial position, results, or outlook.

Programs and initiatives are implemented to prevent this risk:

- a people review to precisely define the need for new skills with regard to the current pool of skills;
- a partnership with universities and schools in Europe (France and Austria in particular) to maintain a pool of young talent;
- the development of an employer brand, for example with an increased use of social networks;
- regular and close monitoring of each employee's objectives and managerial assessments (two per year) and sharing of the value in the form of long-term or specific Group compensation plans in the event of acquisitions;
- the Chairman and CEO regularly explains and comments on the Group's strategy during video-conferences;
- an e-learning platform.

2.1.2.7 Impairment of inventories due to innovation or erroneous sales forecasts

Due to long supply cycles for production and transport, the Group may build up large inventories to ensure acceptable delivery times for its customers. If the sales forecasts used for production orders given to assemblers are subject to last-minute adjustments by customers, the Group may find itself with customer-specific inventories that are difficult to sell to other customers.

Similarly, the introduction of new equipment ranges may lead to accelerated obsolescence of certain standard products still in stock.

In both cases, this could lead to the impairment of the Group's inventories and therefore negatively impact its income (see also section 6 for a description of the Group's inventory impairment rules).

Risk management

The finance team, in collaboration with the logistics and industrial scheduling teams:

- for non-standard products: ensures the relevance of production orders before they are sent to assemblers to avoid producing products that are difficult to sell to other customers;
- for standard products: regularly reviews safety inventory levels to avoid overstock, thanks to the integrated SAP ERP.

In addition, the turnover rates of inventory items are regularly analyzed, at the time of:

- permanent inventories via our information systems;
- biannual physical inventories.

Slow rotations are the subject of campaigns:

- of a commercial nature known as "stock push"; or
- of an industrial nature known as "rework";

to facilitate their disposal.

For product references that cannot be covered by these targeted campaigns, the Finance Department records provisions for the impairment of inventory with low turnover, as described in section 6 of the consolidated financial statements for the year ending December 31, 2023.

2.1.2.8 Loss of key personnel

The Group's success depends to a certain extent on the continuity and skills of Mr. Thierry GADOU, Chairman and CEO, and his management team.

In the event of an accident or the departure of one or more of these executives or other key employees, their replacement could be difficult and could hamper the Group's operational performance.

More generally, competition for the recruitment of senior executives in the Group's line of business is fierce and the number of qualified candidates is limited.

The Group may not be able to:

- retain some of its executives or key employees; or
- attract and retain experienced managers and key employees in the future.

In addition, in the event that its executives or other key employees join a competitor or create a competing business, the Group could lose some of its know-how and the risk of losing customers could increase. These circumstances could have a material adverse effect on the Group's business, financial position, results and outlook.

Risk management associated with the loss of key personnel

- In addition, the Nomination and Remuneration Committee regularly reviews the succession plan for key managers, including the Chairman and CEO.
- Since 2012, the Group has pursued a policy of retaining management teams through performance share plans (free shares). These plans have helped to ensure good stability in the management team.
- The Group also announced the nomination of two members of the executive committee as Deputy CEOs in order to support the Chairman and CEO in the management and transformation of the Group for the execution of the Vusion'27 strategic 5-year plan.

2.1.2.9 Corruption: non-compliant internal or third-party behavior

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

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

Any behavior that contravenes these values or applicable regulations could seriously engage the Group's liability and have repercussions on its reputation. This could have a material adverse effect on its business, financial position, results, or prospects.

Corruption risk management

- A code of business ethics and conduct and a supplier code of conduct, published on our website, formalize the rules of behavior expected in the Group from all employees, suppliers, subcontractors and our network of partner-distributors.
- To ensure that any suspected breach of our Code of Ethics is reported and investigated, the Code of Ethics is signed every year by each employee and a whistleblowing process is available to our employees, with the option of anonymity.
- To assess the ethics of a majority of our suppliers, a supplier code of conduct signature campaign is organized annually by the "Industrial Purchasing" Department as well as an EcoVadis evaluation campaign.

2.1.2.10 Health risks and consequences on the organization

New pandemic situations or extraordinary events could lead to a disruption of the Group's activity, due to:

- its subcontracting chain;
- failures in its internal organization;

The experience gained during the Covid-19 pandemic was a real crisis management exercise that should enable the Company to react quickly to events with similar consequences.

Health risk management

The Group demonstrated, during the last pandemic, the robustness of its digital organization and its communication tools: lockdown periods were managed smoothly and without failures.

- emphasis on remote working and inter-team communication supported by an internal social network and collaborative platforms;
- Company information systems configured to ensure business continuity (whether the support functions are physically on our premises or not - SAAS, for example);
- prevention of risks related to isolation, risks related to hyper connection, management of the autonomy and integration of new employees, monitoring of activity and maintenance of the collective and prevention of musculoskeletal disorders.

2.1.3 Legal and compliance related risks

2.1.3.1 Infringement of patents or trademarks by third parties

The counterfeiting risk, whether suffered or active, is the number one risk that the Group must face in terms of intellectual property.

Counterfeiting infringements may be committed by third parties against products, copyrights or patented industrial processes. It can:

- have an immediate effect on the Group's revenue and income; and
- harm the reputation and quality image of the products concerned.

In addition, given:

- the period during which patent applications are not made public, the Group could involuntarily commit infringement;
- the increasingly short development time frames, patent applications filed by third parties and known only at the time of their publication could affect ongoing developments or even products recently launched on the market.

This situation would affect the project margin and force the Group to:

- modify the product by increasing the research and development costs of the project; or
- negotiate rights to use the patented element.

Lastly, the Group may be subject to claims from patent trolls, particularly in the United States and Russia and in the field of new technologies. The occurrence of counterfeiting, of which the Group is the victim or which is attributable to it, could have a substantial adverse effect on its reputation, business, financial position, results and outlook.

In accordance with applicable accounting standards and following the risk analysis carried out at the date of this Universal Registration Document, no provision has been recognized in the consolidated financial statements at December 31, 2023.

Counterfeiting risk management

- An entity dedicated to intellectual property with the assistance of external experts. It was strengthened in 2023 by the recruitment of a lawyer who coordinates all disputes and actions relating to the Group's intellectual property in the United States.
- Registration of the Group's trademarks and patents and respect for third-party rights through prior and systematic research of prior art.
- Protection of the Group's trademark and patent interests for any litigation or action relating to intellectual property, managed in-house or via specialized firms.

As of December 31, 2023, the Group had filed 710 patents corresponding to 137 patent families.

2.1.3.2 Risk related to VusionGroup's status as a listed company and financial communication

As VusionGroup shares are admitted to trading on the regulated market of Euronext Paris, the Company is subject to all European and French stock market regulations, particularly those relating to financial reporting, including (EU) Regulation no. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Directive 2004/109/EC of the Parliament and of the Council of December 15, 2004 on the harmonization of transparency obligations concerning information on issuers whose securities are admitted to trading on a regulated market. More specifically, the Company is subject to ongoing disclosure obligations, including the publication of any insider or periodic information, including the production of annual and half-yearly consolidated financial statements. Although the Company takes great care to ensure the quality, completeness, and accuracy of information, particularly financial information, published in the industry, it could be subject to destabilization or disputes relating to its communications, which could be extremely detrimental to the Company's reputation and stock market price.

In July 2023, the Group was the subject of a destabilization campaign led by a short seller accusing it of double-counting circular revenue and overvaluing revenue and income in the consolidated financial statements for the year ended December 31, 2022. The Group has firmly refuted these erroneous and misleading allegations relating to the accounts certified without qualification by its Statutory Auditors, and it has initiated the relevant legal actions; the Company's share price has, nevertheless, been significantly impacted.

2.1.3.3 Litigation and investigations

The Group is, or is likely to be, involved in various legal proceedings and litigation in the course of its business and may be subject to tax and administrative audits.

Information on litigation proceedings that could have, or have had in the recent past, a material impact on the Group's financial position, business, or results is provided in section 6 Financial note number 10, to the consolidated financial statements in the 2023 Universal Registration Document.

To the Company's knowledge, no other administrative or legal proceedings that could have a significant impact on the financial position of the Company and/or the Group have been brought against the Company (or any of its subsidiaries, if relevant).

The method of provisioning and accounting for liabilities complies with the accounting rules in force.

Provisions for litigation are established:

- upon receipt by the Group of a summons; and
- based on the risk assessment made in conjunction with the Group's external consultants.

Lastly, the Group has not made any significant commitments resulting in an off-balance sheet commitment other than those appearing in note number 24 to the financial statements in this report.

2.1.4 Financial risks

2.1.4.1 Exchange rate risks

The Group conducts some of its sales in euros, while most of its production costs are denominated in US dollars (USD). The Group is thus exposed to fluctuations in the euro/US dollar exchange rate that could have an impact on the Group's financial position.

Risks related to exchange rate

- The practice of "netting" currency flows as the Group's business grows in the USA, supplemented by the signature of contracts in Europe but denominated in USD. These actions provide a natural hedge and gradually balance sales invoiced and expenses denominated in USD.

2.1.4.2 Liquidity risk

Liquidity risk is the risk of not having the necessary funds to meet commitments when they fall due. It concerns:

- the risk that assets cannot be sold quickly under satisfactory conditions if necessary; and
- the risk of early repayment of liabilities or non-access to credit on satisfactory terms.

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

See also Notes 11 and 21 to the Group's consolidated financial statements.

Liquidity risk management

- Frequent communications with the Group's investors and shareholders: at the end of 2023, the Group expanded its circle of partner banks and maintained its relationship with private debt investors to be able to address any future liquidity needs more easily.
- The amount of financial debt at less than one year is lower than that of the cash balance.

2.2 Insurance program and internal control

2.2.1 Insurance policy

The Group is implementing an insurance policy via a leading broker to obtain external insurance coverage for the Group (global scope). This will make it possible to cover the risks to which the company and its employees are exposed and which can be insured at reasonable rates. The Group believes that the nature of the risks covered and the guarantees offered by this insurance are in line with the practice adopted in its sector.

The Group's insurance program with leading insurers includes the following insurance policies:

- **Civil liability:** Civil and professional liability insurance covering the liability that the Group may incur during the course of its business;
- **Cybercrime:** Insurance against digital risks covering the damage suffered by SES or the liabilities that the Group may incur as a result of a breach of its information systems or a theft or data leak;
- **Fraud:** Insurance against fraudulent acts to insure the Group's financial losses as a result of a fraudulent or hostile act perpetrated by an employee of the insured party (internal fraud) or by a third party (external fraud);
- **Property damage:** Damage insurance covering the Group's assets worldwide against accidental risks such as fire, natural disasters and other similar risks;
- **Goods transported:** Insurance covering risks during transport and storage, covering valuables against theft during transport and/or storage;
- **Civil liability of corporate officers;**
- **Repatriation costs** for personnel travelling abroad.

2.2.2 Internal control and risk management

2.2.2.1 Definition and objectives of internal control

Risk management is a comprehensive system that:

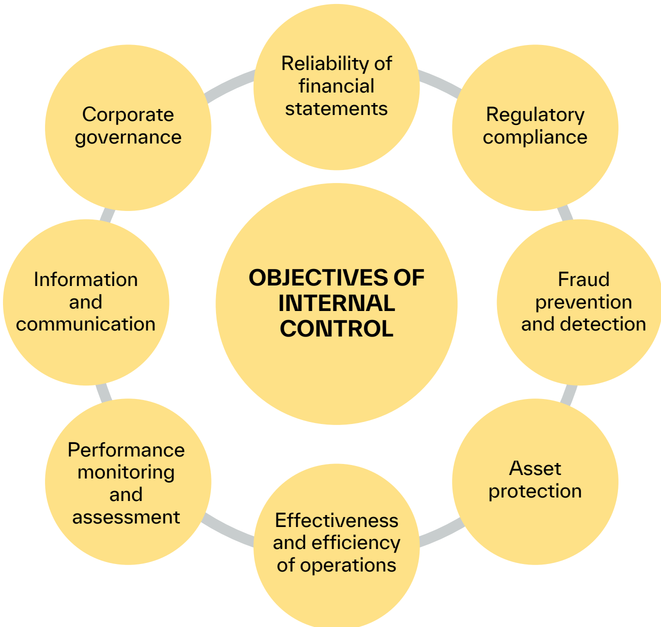
- identifies, assesses and manages risks of all kinds; and
- maps and addresses these risks via action plans.

Internal control is an integral part of the risk management system.

The Group defines internal control as a set of measures, methods and procedures designed to provide reasonable assurance regarding the achievement of several fundamental objectives.

The internal control objectives within the Group are designed to protect the interests of shareholders and other stakeholders.

These objectives include:



1. **The reliability of financial information**

   Ensuring that financial statements are prepared and presented with:

   - accuracy and compliance with generally accepted accounting principles and international financial standards;
   - transparency vis-à-vis investors and regulators.

2. **Regulatory compliance**

   Ensuring that the Group's activities are in line with:

   - applicable laws and regulations;
   - specific financial market standards;
   - the rules established by the stock market regulatory authorities.

3. **Fraud prevention and detection**

   Protecting the Group's assets and reputation by implementing processes designed to prevent and detect internal and external fraud.

4. **Protecting the Group's assets**

   Ensuring the implementation of security barriers and safeguards for tangible and intangible assets in order to protect the Company's assets against loss, abuse, or other threats.

5. **Effectiveness and efficiency of operations**

   Achieving the Group's objectives:

   - without wasting resources;
   - with an efficient use of resources;
   - with operations carried out efficiently.

6. **Performance monitoring and assessment**

   Providing a basis for the performance monitoring and assessment of operations and activities, with an early warning system for significant deviations from adopted plans and budgets.

7. **Information and communication**

   Contributing to informed decision-making at all levels of the Company by ensuring that internal control systems promote smooth and effective internal and external communication.

8. **Corporate governance**

   Strengthening the supervision of activities and controls within good governance practices, in particular the role of management and the Board of Directors.

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2.2.2.2 Reference frameworks

The Group's internal control system is based on the reference framework proposed in 2007 by the French Financial Markets Authority (AMF - Autorité des marchés financiers), supplemented by its application guide, and updated on July 22, 2010.

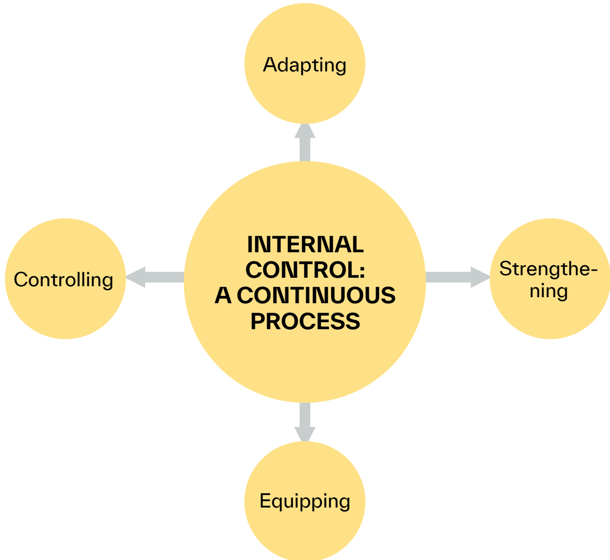
This reference framework covers risk management and internal control systems, and addresses the processes for managing and preparing accounting and financial information as well as risk management and internal control procedures.

This reference framework is itself consistent with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. The Group took into account that the COSO 2017 refers to the update by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) of its risk management framework, officially entitled "Enterprise Risk Management - Integrating with Strategy and Performance". This is an advanced iteration of the previous ERM (Enterprise Risk Management) model from 2004. This framework provides a structured approach to help the Group identify, assess and manage strategic, operational, financial and compliance risks.

The 2017 version emphasizes the importance of integrating risk management into the organization's overall strategy and performance. The idea is to explicitly link the risk to the creation of value and performance within the company. The COSO 2017 framework aims to provide a more coherent vision that is more aligned with the Group's strategic decision-making and the achievement of its objectives.

2.2.2.3 A continuous improvement process

In 2023, the Group continued to improve its internal control system, in particular:



1. Strengthening the internal control structure and establishing expertise to manage the system.
2. Modifying the accounting organization to increase the segregation of tasks and the associated control environments.
3. Establishing new business review committees to strengthen the existing control structure.
4. Further developing the ethics program with the implementation of awareness campaigns on the risks of fraud from top management.

2.2.2.4 Organization and players in the internal control system

2.2.2.4.1 The Company's strategic internal control players

The Audit Committee
It ensures that:

- the financial statements are prepared independently and are properly audited;
- foreign exchange, liquidity and debt risks are correctly anticipated.

The Audit Committee is kept informed of matters relating to risk management.

The risk assessment and treatment approach is the subject of a specific annual discussion with the members of the Committee and the Statutory Auditors, during which the mapping of major risks, as well as the associated action plans are reviewed.

ESG, Nomination and Remuneration Committee
(This Committee became the Nomination and Remuneration Committee on December 13, 2023) - It determines the compensation policy that is allocated or attributable to the Chairman and ensures:

- the application of best ethical practices in the management of the Group's business: anti-corruption compliance plans (Sapin II law) and GDPR as well as the gifts and hospitality policy, the company and supplier code of conduct;
- the implementation and monitoring of processes for identifying potential conflicts of interest and whistleblowing.

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

The Management Board (GMB and thematic committees on retail, finance, and supply chain)
In order to ensure the adequate supply of finished products and solutions required by the market and to effectively anticipate business volumes and profitability, the thematic committees as well as the GMB (General management board) meet every week to:

- analyze the portfolio of commercial opportunities, the chances of success and the potential timetable of these projects;
- review major contracts in order to maintain their profitability and the sale price offered based on the costs to be incurred by the Company.

Industrial Purchasing Department
It is responsible for:

- purchasing components and raw materials needed to manufacture products;
- negotiating industrial assembly subcontracting.

It plays an important role in the internal control system due to the financial flows involved.

The organization implemented by the Group enables:

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

The Group Legal Department

Its mission is to:

- ensure compliance with applicable regulatory and legal frameworks in the various countries where it operates;
- protect the Group's assets (particularly intellectual assets) and activities;
- protect its interests.

Its main missions are:

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

The Information Systems Department (ISD)

Due to the growing importance of technology in the business world, the contribution of the ISD to internal control has become indispensable and it continues to evolve with the emergence of new technologies and threats.

The ISD plays a vital role in the Group's internal control system. The ISD's contribution to internal control includes the governance of information systems, data security, business continuity and the integrity of IT systems.

The Information Systems Department, therefore, works closely with other departments, services, or organizations to create a holistic and effective internal control system.

The Group wishes to highlight the following key points that contribute to internal control:

1. **Information systems governance :**
   - the ISD ensures that the information systems are aligned with the Group's strategic objectives;
   - it establishes policies and procedures for the management and efficient use of IT resources;
   - it assesses the performance of the information systems and their ongoing adequacy with the Group's needs.
2. **Information security :**
   - the ISD implements filtering rules, analysis tools and controls to protect information assets against internal and external threats
   - it manages user authentication, access rights, cryptography and protection against all kinds of malware;
   - it organizes safety training and awareness campaigns for personnel.
3. **IT risk management :**
   - the ISD identifies and assesses risks associated with information systems, including cybersecurity and business continuity risks;
   - the ISD implements a continuous improvement plan for its tools and processes to ensure the reduction of these risks;
   - it participates in the development of incident response and disaster recovery plans.
4. **Data integrity and reliability :**
   - it ensures that the data stored and processed by the information systems is accurate, complete and accessible when necessary;
   - it ensures that the information systems provide reliable data for decision-making and the preparation of financial statements.
5. **Operational control support :**
   - the ISD develops and maintains systems that support other internal controls, such as order, inventory and invoice management systems;
   - it ensures that systems are configured to prevent or detect unauthorized or unusual transactions.
6. **Regulatory compliance :**
   - the ISD helps ensure that information systems comply with legal and regulatory requirements, including those relating to data confidentiality and privacy.
7. **Audit and monitoring :**
   - it facilitates internal and external IT audits;
   - it implements monitoring tools and dashboards for the continuous monitoring of IT systems and operations.

2.2.2.4.2 Accounting and financial control components

The Group's Finance Department is responsible for the Accounting and Management Shared Service Centers (SSCs) and managing them.

This organization, centralized in France, helps to improve the Group's level of internal control by:

- sharing best practices;
- standardizing procedures;
- the positive effect of the work of the SSCs on the segregation of duties.

It contributes to the proper management of accounting and financial internal control and aims to ensure:

1. the compliance of the published accounting and financial information with the applicable rules;
2. the reliability of the published financial statements and of the other information communicated to the market;
3. the preservation of assets;
4. the prevention and detection of fraud and accounting and financial irregularities.

Each month, the management control consolidates all the information from a single, centralized management tool and prepares dashboards for the Group's Management Board and management. These dashboards include appropriate analyses of significant discrepancies and trends.

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

Thus:

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

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

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

1. the Group's liquidity;
2. hedging of foreign exchange risks;
3. monitoring banking relationships including managing the customer risk hedging strategy.

For the Group, internal control is an essential mechanism for good governance, risk management and the reliability of financial reporting. Its effective implementation makes it possible to:

- comply with legal and professional regulations;
- build the confidence of shareholders, investors and other stakeholders.

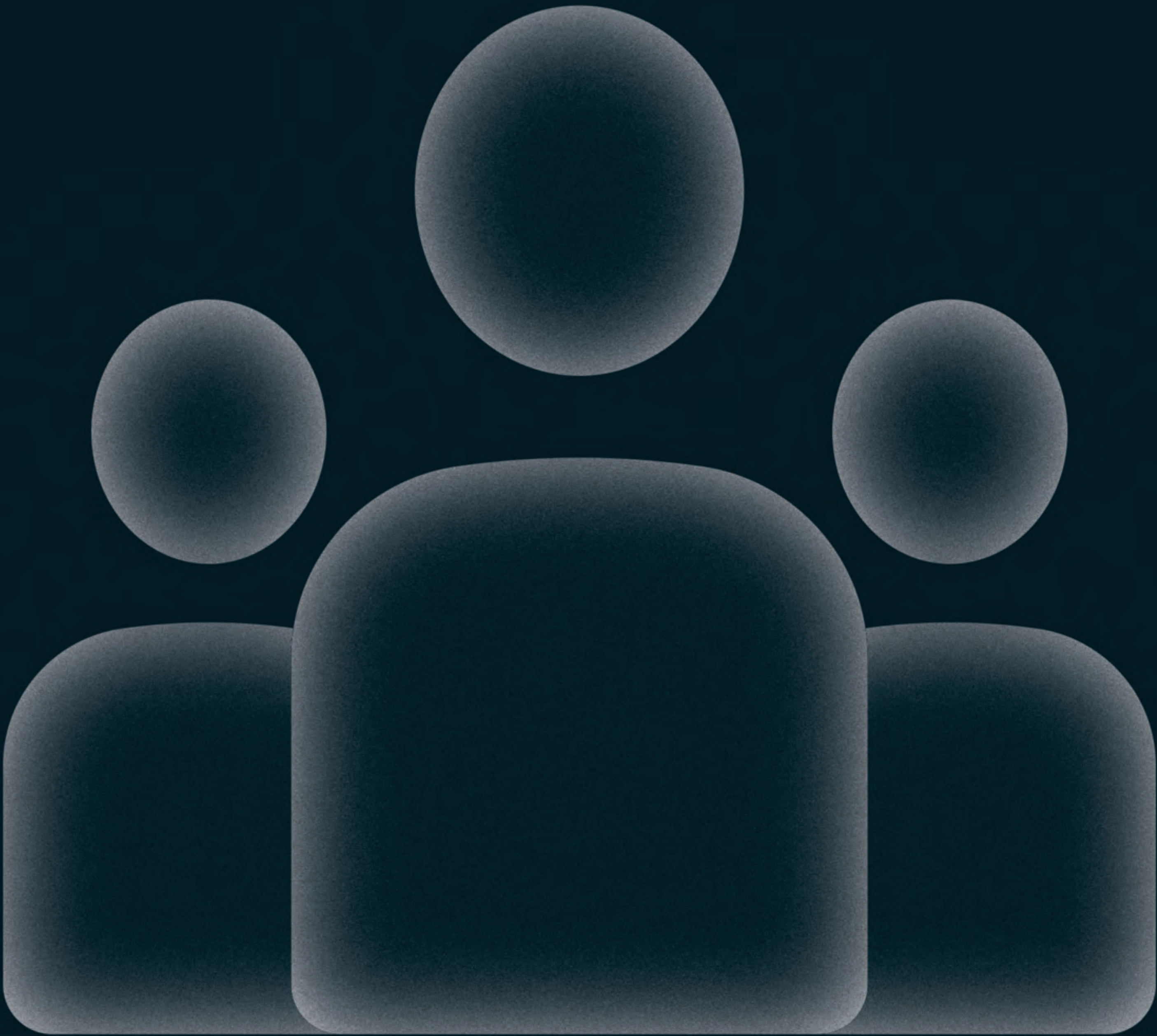
The rapid evolution of technologies and business environments has made it essential to integrate information systems into internal control processes.

Thus, the Group's ability to adapt and update its internal control system in the face of new risks and changing conditions is an essential component of its organizational resilience and long-term success.

The internal control procedures decided by the Group, which are both robust and well organized, contribute significantly to:

- the protection of the Company's assets;
- fraud prevention and detection;
- the promotion of operational effectiveness and efficiency.

The active involvement of all levels of the Group's management and staff is decisive for the effectiveness of the internal control system.



3

2024 Half-year financial report

Condensed consolidated financial statements as of June 30, 2024 (IFRS standards)

VusionGroup is listed in compartment A of the Euronext™ Paris exchange (ISIN code FR 0010282822). The consolidated financial statements at June 30, 2024, cover a 6-month period and present a balance sheet of €1,371,332 thousand and consolidated net profit of -€24,426 thousand. The Board of Directors approved these financial statements on September 11, 2024.

3.1 Consolidated balance sheet

Assets

In €K	Notes	06/30/2024	12/31/2023	06/30/2023
Intangible fixed assets	1	293,038	296,193	287,870
Property, plant and equipment	2	92,608	36,168	19,972
Right of use	2	10,584	9,468	8,128
Financial assets	3	20,486	20,379	20,576
Deferred tax assets	22	14,710	14,530	9,268
NON-CURRENT ASSETS		**431,426**	**376,739**	**345,814**
Inventories and Work In Progress	4	155,315	124,994	158,733
Accounts receivables	5	208,219	131,686	126,002
Current taxes	6	4,996		4,818
Other current receivables	6	191,867	218,610	184,445
Cash and cash equivalents	7	379,510	199,916	193,405
CURRENT ASSETS		**939,907**	**675,206**	**667,404**
TOTAL ASSETS		**1,371,332**	**1,051,945**	**1,013,218**

Liabilities and shareholders' equity

In €K	Notes	06/30/2024	12/31/2023	06/30/2023
Capital	8	31,917	31,917	31,702
Consolidated reserves		227,472	248,562	259,341
Equity - Group share		259,389	280,479	291,043
Non-controlling interests		(4,101)	(3,532)	(3,388)
SHAREHOLDERS' EQUITY		**255,287**	**276,947**	**287,654**
Non-current provisions	10	12,324	12,392	3,615
Deferred tax liabilities	22	18,049	17,078	8,923
Loans	11	164,650	172,655	199,418
Non-current lease liabilities	11	7,581	7,076	4,772
Other non-current liabilities	12	12,386	12,426	17,275
NON-CURRENT LIABILITIES		**214,990**	**221,627**	**234,003**
Trade payables	13	238,494	148,466	177,059
Current lease liabilities	11	3,883	3,373	2,732
Other debts and accrual accounts	14	658,678	401,533	311,770
CURRENT LIABILITIES		**901,055**	**553,372**	**491,561**
TOTAL EQUITY & LIABILITIES		**1,371,332**	**1,051,945**	**1,013,218**

3.2 Consolidated income statement

Income statement

In €K	Notes	**06/30/2024 (6 months)**	12/31/2023 (12 months)	06/30/2023 (6 months)
SALES	**15**	**408,916**	**801,958**	**380,713**
Purchases consumed	16	(300,727)	(579,312)	(281,848)
External expenses	17	(37,305)	(62,379)	(30,859)
Payroll costs	18	(42,189)	(67,596)	(28,828)
Taxes and duties		(1,237)	(2,828)	(1,172)
Depreciation and amortization expense	1 & 2	(25,974)	(36,529)	(15,486)
Other operating income	20	162	931	259
Other operating expenses	19	0	(2,772)	(58)
OPERATING PROFIT (LOSS)		**1,647**	**51,473**	**22,721**
Other financial income	21	6,338	83,535	94,120
Other financial expenses	21	(29,126)	(40,185)	(18,086)
Interests on leasing fees	21	(196)	(366)	(124)
FINANCIAL PROFIT (LOSS)		**(22,984)**	**42,983**	**75,910**
Tax expenses	22	(3,089)	(14,887)	(7,093)
NET INCOME		**(24,426)**	**79,569**	**91,539**
Group share		(23,857)	79,767	91,596
Non-controlling interests		(569)	(197)	(56)

Earnings per share

Earnings per share	**06/30/2024**	12/31/2023	06/30/2023
Profit (Loss) - Group share in €K	(23,857)	79,767	91,596
Weighted average number of shares at closing	15,958,658	15,897,494	15,850,808
Performance shares[1]	271,198	238,746	223,700
Share subscription warrants	1,761,200	1,761,200	
Earnings per share (in euros)			
– before dilution	(1.49)	5.02	5.78
– after dilution	(1.33)	4.46	5.70

(1) Concerns shares granted but not delivered at the reporting date. At June 30, 2024, it corresponded to 112,900 shares relating to the 2022 plan, 125,848 shares relating to the 2023 plan and 32,450 shares relating to the 2024 plan.

3.3 Net income and comprehensive income

In €K	06/30/2024	06/30/2023
NET INCOME	(24,426)	91,539
Items potentially classified as profit or loss (recyclable)	*1,317*	*252*
Translation adjustments	283	45
Cash flow hedge	1,034	207
Items not reclassified as profit or loss (non-recyclable)		
Actuarial gains and losses on retirement plans	0	0
COMPREHENSIVE INCOME	**(23,109)**	**91,791**
• parent company's share	(22,540)	92,100
• non-controlling interests' share	(569)	(56)

3.4 Statement of changes in shareholders' equity

In €K	Capital	Reserves + Profit	Equity attributable to owners of the parent	Shareholders' equity	Equity
Equity at 12/31/2022	**31,702**	**164,143**	**195,845**	**(2,520)**	**193,324**
Capital Increase	215	9,319	9,534		9,534
Treasury shares		(4,521)	(4,521)		(4,521)
Change in scope			0	(815)	(815)
Other changes		(729)	(729)		(729)
Shareholders' transactions	**215**	**4,069**	**4,284**	**(815)**	**3,469**
2023 profit (loss)		79,767	79,767	(197)	79,569
Other comprehensive income		585	585		585
Total comprehensive income for the period	0	80,352	80,352	(197)	80,154
Equity at 12/31/2023	**31,917**	**248,562**	**280,479**	**(3,532)**	**276,947**
Capital Increase		6,477	6,477		6,477
Treasury shares		(547)	(547)		(547)
Change in scope			0		0
Other changes[1]		(4,481)	(4,481)		(4,481)
Shareholders' transactions	**0**	**1,449**	**1,449**	**0**	**1,449**
06/30/2024 profit (loss)		(23,857)	(23,857)	(569)	(24,426)
Other comprehensive income		1,317	1,317		1,317
Total comprehensive income for the period	0	(22,540)	(22,540)	(569)	(23,109)
Equity at 06/30/2024	**31,917**	**227,472**	**259,389**	**(4,101)**	**255,287**

(1) This amount mainly corresponds to the dividend distribution approved at the General Meeting of June 19, 2024 for an amount of €4,771 thousand.

3.5 Statement of cash flows

In €K	**06/30/2024**	12/31/2023	06/30/2023
+/- Consolidated net income (including minority interests)	(24,426)	79,569	91,539
+/- Net increase in amortization/depreciation and provisions	26,789	47,248	15,956
-/+ Other calculated income and expenses	44,067	(34,818)	(72,152)
-/+ Gains and losses on disposals and financial instrument profit or loss	1,020	(770)	(745)
Cash flow after cost of net financial debt and tax	47,450	91,229	34,598
+/- Tax expense (including deferred taxes)	762	1,190	6,239
= CASH FLOW after cost of net financial debt and before tax	**48,212**	**92,419**	**40,837**
- Taxes paid			
+/- Change in WCR related to operations	225,925	155,896	128,815
= NET CASH FLOW GENERATED FROM OPERATIONS	**274,137**	**248,315**	**169,652**
- Disbursements related to acquisitions of tangible and intangible fixed assets	(77,872)	(87,519)	(48,026)
+ Proceeds from disposals of tangible and intangible fixed assets			
- Disbursements related to Right of Use			
+ Proceeds from disposals of Right of Use			
- Disbursements related to the acquisition of long-term investments	(118)	(288)	(214)
+ Proceeds from disposals of long-term investments	12	283	12
+/- Impact of changes in scope	(1,517)	(80,673)	(80,673)
+ Investment subsidies received	0	0	0
= NET CASH FLOW FROM INVESTING ACTIVITIES	**(79,495)**	**(168,197)**	**(128,901)**
+ Amounts received from shareholders during capital increases			
+ Loan issues	46	278,952	128,181
+ Loan issues IFRS 16			
+ Loan repayments	(8,051)	(185,195)	(8,260)
+ Lease debt repayments	(1,646)	(3,395)	(1,420)
- Dividend distribution	(4,771)		
-/+ Treasury share buybacks and resales	(910)	(4,521)	171
= NET CASH FLOW FROM FINANCING ACTIVITIES	**(15,332)**	**85,841**	**118,672**
+/- Impact of changes in foreign currency exchange rates	283	20	45
= CHANGE IN CASH FLOW	**179,594**	**165,979**	**159,468**
OPENING CASH POSITION	**199,916**	**33,937**	**33,937**
CLOSING CASH POSITION	**379,510**	**199,916**	**193,405**

	06/30/2024	12/31/2023	Non-cash items	Change in cash WCR
Inventories	155,315	124,994	994	(31,315)
Customers	208,219	131,686	(4)	(76,529)
Trade payables	(238,494)	(148,466)	0	90,028
Other receivables	196,863	218,610	9,403	12,344
Other debts	(658,678)	(401,533)	25,747	231,398
TOTAL				**225,925**

4

Notes to the condensed half-yearly consolidated financial statements

4.1 Accounting rules and policies

4.1.1 Basis of preparation of the consolidated financial statements

4.1.1.1 Consolidated financial statements Basis of preparation

As stated in the European regulation 1606/2002 dated July 19, 2002 on international accounting standards, the VusionGroup's condensed consolidated financial statements for the H1 2024 period are prepared in accordance with international accounting (IFRS) standards applicable by the European Union on June 30, 2024 and as approved at the closing date of these financial statements on September 11, 2024 .

The 2024 half-year condensed consolidated financial statements are prepared in accordance with the international standard IAS 34 related to Interim Financial Reporting. They do not include all of the information required by the IFRS framework for the preparation of annual financial statements and must be read jointly with the Group's financial statements at year-end 2023.

The half year financial statements used to prepare the condensed half-yearly consolidated financial statements for the first half of 2024 are prepared in accordance with the same accounting principles as for the 2023 consolidated annual statements, with the exception of potential new mandatory provisions applicable as of January 1, 2024.

The presentation currency of the consolidated financial statements is the euro. All values are rounded to the nearest thousand (€000) unless otherwise indicated.

The financial statements are prepared on a historical cost basis with the exception of several asset and liability accounts, which have been measured at fair value.

The consolidated financial statements include the financial statements of the subsidiaries listed in section 4.6. The financial statements of the subsidiaries are prepared for the same reference fiscal year as the year used for the parent company, on the basis of comparable accounting methods.

The Group's companies closed their annual financial statements at June 30, 2024. All intra-group balances, intra-group transactions as well as unrealized profit (losses), expenses and income included in the carrying amount of assets from internal transactions are eliminated in full.

The separate statutory financial statements of each of the Group's companies are prepared in accordance with the accounting principles and regulations in force in their respective countries. They are restated to comply with the Group's consolidation principles.

New mandatory provisions applicable as of January 1, 2024, and applied for the first time by the Group:

None.

New mandatory provisions applicable from January 1, 2024, and concerning the Group did not have a significant impact on the consolidated financial statements. They concern:

- amendment to IAS 1 - Presentation of financial statements: impact of covenants on the classification of financial debt as current or non-current liabilities;
- amendment to IAS 7/IFRS 17 - Disclosure of the impact of reverse factoring contracts;
- amendment to IFRS 16 - Lease debt in a sale-leaseback transaction.

These amendments to the standards and interpretations, applicable from January 1, 2024, have no impact on the financial statements at June 30, 2024.

New published IFRS standards, interpretations and amendments that are not yet applicable or that have not been applied by the Group in advance:

The entry into force of the worldwide minimum tax, with the transposition of Council Directive (EU) 2022/2523 of December 14, 2022 - known as the Pillar 2 Directive - into French law and its application to fiscal years beginning from January 1, 2024 for a first declaration on June 30, 2026 should be noted. Given the eligibility criteria, the Group is not subject to these provisions in respect of 2024.

The standards, amendments to standards and interpretations adopted by the IASB or the International Financial Reporting Standard Interpretations Committee (IFRSIC) as well as by the European Union at June 30, 2024, but not mandatory on June 30, 2024, did not result in early application.

4.1.1.2 Business combinations

Business combinations are dealt within the context of the revised IFRS 3, which assesses the notion of "takeover" within the context of security acquisition transactions. Depending on the case, the impacts are recognized in profit or loss, or in equity.

As part of a business combination, the fair value of the consideration transferred is allocated to the identifiable assets acquired and the liabilities assumed. The latter are measured at fair value on the acquisition date.

Fair value is the price that would be received for the sale of an asset, or paid for the transfer of a liability in a normal transaction between market participants at the date it is measured.

In this context, goodwill represents the residual excess of the consideration transferred over the acquirer's interest in the fair value of identifiable assets and liabilities and contingent liabilities that can be reliably measured at the acquisition date.

The allocation period is limited to the period required to identify and measure the assets and liabilities of the acquired company, the non-controlling interests, the price paid and the fair value of the previously acquired share. The allocation period must not exceed 12 months.

Subsequently, goodwill is measured annually, at its cost, less any impairment losses representing decreases in value determined as indicated in the paragraph below entitled "Intangible Assets," in accordance with IAS 36. In the event of a decrease in value, the impairment is recorded as an operating loss in the income statement.

With regard to puts on non-controlling interests issued after first-time application of IFRS 3R and IAS 27R, the Group recognizes subsequent changes in debt in equity (transactions between the controlling shareholder and non-controlling interests, which involve equity securities but have no impact on control).

4.1.1.3 Estimates and judgments

The financial statements have been prepared according to the historical cost principle except for financial instruments which are recognized at fair value. The preparation of the financial statements requires, in accordance with the conceptual framework of IFRS, to make estimates and use assumptions that affect the amounts appearing in these financial statements.

The significant estimates made by VusionGroup for the preparation of the financial statements mainly relate to:

- the fair value measurement of assets, liabilities and contingent liabilities obtained during an acquisition (IFRS 3 "Business combinations");
- the valuations used for impairment tests on assets, in particular the recoverable amount of goodwill;
- the fair value measurement of financial instruments;
- the estimate of price discounts on future volumes, the amount of future royalties to be paid to customers and the measurement of the fair value of the share subscription warrants constituting a discount paid in advance to the customer, as part of the recognition of revenue;
- valuation of the recoverable amount of receivables and inventories;
- estimates of liabilities, in particular for litigation and uncertain tax positions;
- the assumptions used to recognize deferred tax assets;
- put and earn-out obligations;
- rights-of-use and lease obligations resulting from leases;
- the fair value of equity instruments;
- share-based payment expense.

Due to the uncertainties inherent in any valuation process, VusionGroup revises its estimates on the basis of regularly updated information. It is possible that the future results of the operations concerned may differ from these estimates.

4.1.2 Intangible assets (IAS 38)

Intangible assets include:

- development costs;
- patents;
- software;
- an ERP;
- goodwill;
- customer database;
- technologies.

Intangible assets acquired separately are recognized at their acquisition cost and are amortized.

Amortization is calculated using the straight-line method based on the estimated useful lives of the assets, on the following basis:

	Depreciation period
Technologies	**15 years**
Development expenses	**5 years**
Patents	**10 years**
ERP	**6-10 years**
Customer base	**15 years**
Software	**2-5 years**

No residual value is used to determine the basis for amortization.

Impairment testing

At each interim closing, in accordance with the standard, the Group identifies potential indications of impairment and performs additional tests if such indications are identified. Value monitoring indicators refer to external factors such as changes in discount rates, market growth and changes in market share, and internal factors such as performance to date compared to the last earnings forecast for the year.

The approach adopted for the half-year closing is to identify indications of impairment on the basis of changes in adjusted EBITDA and profit (loss) from continuing operations compared to the last forecast and to the performance of the first half year of the previous year, in order to monitor and measure the impacts of specific events (such as the Ukraine-Russia conflict in particular) on future cash flows. As of June 30, 2024, no indication of impairment had been identified and therefore no impairment was recognized.

Development expenses

VusionGroup's development expenses are recorded as expenses for the period during which they are incurred, with the exception of development expenses for projects that meet the following criteria:

- the product or process is clearly identified and the costs can be reliably segregated;
- the technical feasibility of the product is demonstrable;
- the product or process will be marketed or used internally and will generate probable future economic benefits;
- there is a potential market for the product or its internal utility has been demonstrated;
- the resources required to complete the project are available.

Development costs that do not meet the above criteria are recognized as expenses in the year in which they are incurred. Capitalized development costs are amortized on a straight-line basis over their useful life.

Patents

Concerning the assessment of patents, the Group used the acquisition cost method in the event there is no active market.

4.1.3 Property, plant and equipment (IAS 16)

Property, plant and equipment are recorded at their acquisition cost.

Depreciation is calculated on a straight-line basis over the following useful lives:

	Depreciation period
Industrial tools and equipment	3-5 years
Fixtures and fittings	5-10 years
Furniture, office supplies and IT hardware	1-10 years

No residual value is used to determine the basis for amortization.

Depreciation periods are reviewed annually at the end of each accounting period. Any change in duration is treated as a change in estimate applied prospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and gives rise to the recognition of additional impairment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes indicate that the carrying amount may not be recoverable. If there is any such indication and if the carrying amounts exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the higher of the selling price net of disposal costs and the value-in-use. To measure value-in-use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments, time value, money and the risks specific to the asset.

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4.1.4 Leases (IFRS 16)

IFRS 16 "Leases", whose application was mandatory as of January 1, 2019, replaces IAS 17 "Leases" and related interpretations. When entering into a lease with fixed payments, this standard requires the recognition of a liability in the statement of financial position corresponding to the discounted future payments, in exchange for rights-of-use to the asset depreciated over the term of the contract.

The Group applied the so-called "modified retrospective" transition method by which a liability is recognized at the transition date equal to only the discounted residual rents, in exchange for a right-of-use amount adjusted for the amount of rents paid in advance or recorded as accrued expenses, and the costs of refurbishment. In line with the various simplification approaches provided for by the standard, the Group has excluded leases with a residual term of less than twelve months.

Leases include offices and warehouses, production lines and industrial equipment, vehicles and IT equipment.

The term of the contract generally used to calculate the liability is that of the contract initially negotiated, without taking into account early termination or extension options, except in specific cases. The discount rate is determined for each contract by reference to the incremental borrowing rate, for the residual term of the contract.

4.1.5 Inventories (IAS 2)

Inventories are valued, in accordance with IAS 2, at the lower of cost and net realizable value.

The valuation of finished products consists of the following items:

- cost of components valued at the weighted average unit cost;
- cost of the assembly service by the subcontractor;
- additional costs mainly consisting of storage costs for components;
- label transit costs.

The net realized value is the estimated selling price in the normal course of business, decreased by estimated costs for completion and the estimated costs required to complete the sale.

When the net realizable value is lower than the value of the inventory, a provision for impairment is recognized according to the following method:

The depreciation of inventories is determined according to the category of the product and the related rotation rules as described below:

For each category, the rule consists of:

1) calculating the rotation of the products concerned. This gives the number of days since an article within a given category was last consumed;
2) only products that have not been rotated for more than six months may be subject to a provision for impairment.

A. New products not refurbished:

- 50% of the gross value for assets that have not been rotated for more than six months;
- 80% of the gross value for assets that have not been rotated for more than 12 months;
- 100% of the gross value for assets that have not been rotated for more than 18 months;
- 100% of the gross value for assets that have never been rotated.

Among these, the following items are excluded from the calculation of the provision, namely:

- products for which there is a firm order for the coming 12 months or a minimum 90% chance of a business opportunity for the coming six months that would cover at least 50% of the inventory quantities;
- products subject to refurbishing or reworking in order to sell the products in question;
- innovative products for future products ranges.

B. Refurbished or refurbishable goods

- depreciation of 50% of the gross value of these goods in the inventory exceeding 18 months past or future consumption if the product has yet been rotating over the last 12 months;
- depreciation of 100% of the gross value of these goods in the inventory exceeding 18 months past or future consumption if the product has not been rotating over the last 12 months;
- depreciation of 100% of the gross value of these goods that have never been rotated.

4.1.6 Financial assets, receivables and other current assets (IFRS 9)

For financial assets, upon initial recognition of an equity security that is not held for trading purposes, the Group may irrevocably elect to present in other comprehensive income subsequent changes in fair value of the security. This choice is made for each investment. At December 31, 2023, the Group held a minority stake (note 3 financial assets) to which this choice was applied.

For trade receivables including contract assets, the Group has assessed the losses actually incurred in recent years on its customer portfolio and concluded that the new IFRS 9 impairment model as of January 1, 2019 has no material effect on the Group's financial statements compared to the IAS 39 model.

Regarding the provision for impairment of trade receivables, the Company estimates, on an individual basis, the risk of Expected Credit Losses.

4.1.7 Financial instruments (IFRS 9)

IFRS 9 sets out the requirements for the recognition and measurement of financial assets and liabilities, as well as certain contracts for the purchase or sale of non-financial assets. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

All derivative instruments are valued in the statement of financial position at their fair value, in accordance with IFRS 9.

Derivative financial instruments consist of forward foreign exchange contracts.

The management of financial risks by the VusionGroup group (interest rate risk, foreign exchange risk, counterparty risk and liquidity) is described in Note 29 to this document as well as in Chapter 2.1.4 of the Risk Factors and Uncertainties section.

Derivative financial instruments are contracted by the VusionGroup group as part of its foreign exchange risk management policy. The recognition of financial instruments as hedging instruments then depends on whether or not they are eligible for hedge accounting.

The Group has implemented a factoring contract that includes the legal transfer of rights to assigned receivables to the extent that the assignment is made in accordance with the provisions of Art. 1346-1 of the Civil Code and Articles L.313-23 to L.313-34 of the Monetary and Financial Code. The contract also provides for the substantial transfer of the credit risk and late payment associated with these same claims taking into account the collateral approvals granted by the factoring company covering both the risk of non-payment (from the due date) as well as the risk of insolvency of the debtor, thus limiting the factoring company's right of recourse to the Group in the event of non-payment. In addition, the dilution risk, retained by the Group, was analyzed in light of the actual level of non-values on the basis of historical data on the scope of the receivables assigned. The terms of the compensation are fixed and not revisable after the transfer of the invoices. Thus, the result of these various analyses (transfer of contractual rights to receive cash flows and substantial transfer of risks and benefits) made it possible to conclude on the deconsolidating nature of the contract.

4.1.8 Forward purchases

The Group has opted for cash flow hedge accounting for its forward purchases.

Forward exchange contracts used by the Group may be qualified as cash flow hedges. A cash flow hedge is used to protect against changes in the value of cash flows denominated in foreign currencies. Derivatives are measured at their fair value upon initial recognition. Subsequently, at each reporting date, the fair value of the derivatives is re-estimated. The fair value of forward foreign exchange contracts is determined by reference to what the Group would receive (or pay) to unwind the current contracts at the reporting date.

Hedge accounting is applicable if, and only if, the following conditions are met:

- the hedging relationship is composed solely of items eligible for hedge accounting;
- a hedging relationship is clearly identified, formalized and documented from the date it is set up;
- the hedging relationship complies with the following effectiveness criteria:
  - there is an economic relationship between the hedged item and the hedge,
  - there is no preponderance of credit risk in the change in fair value of the hedging item and the hedged item,
  - the hedging ratio of the hedging relationship is equal to the ratio between the amount of the hedged item that is actually hedged by the entity and the amount of the hedging instrument that the entity actually uses to hedge that amount of the hedged item.

Changes in the value of the effective portion of cash flow hedges are recognized in other comprehensive income in a specific revaluation reserve account. The ineffective portion of hedging derivatives is recognized in the income statement.

The deferral/discount component is excluded from the hedging relationship, and changes in value are recognized in profit or loss under "Other finance income and expenses".

4.1.9 Cash and cash equivalents

Cash and cash equivalents include:

- financial investments, which are highly liquid and have a very limited risk of changes in value;
- bank accounts;
- cash accounts.

Marketable securities (SICAV money market funds) are recognized at fair value at the reporting date (fair value level 1).

Term deposit accounts are recognized at amortized cost.

4.1.10 Treasury shares (IAS 32)

According to IAS 32 "Financial Instruments," if an entity repurchases its own equity instruments, they must be deducted from shareholders' equity. No gain or loss should be recognized in profit or loss on the purchase, sale, issue or cancellation of the entity's equity instruments.

Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. The consideration paid or received must be recognized directly in equity.

4.1.11 Provisions (IAS 37)

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Group recognizes a provision when, at the reporting date, it has an obligation (legal or constructive) vis-à-vis a third party resulting from a past event whose settlement is likely to result in an outflow of resources representing economic benefits for the Group, and when the amount of the loss or liability can be reliably measured.

In the event that this loss or liability is neither probable nor reliably measurable, but remains possible, the Group recognizes a contingent liability in its commitments.

Provisions are intended, in particular, to cover the probable costs that may be incurred due to ongoing lawsuits or litigation, the operative event of which existed at the reporting date.

4.1.12 Stock options and allocation of performance shares (IFRS 2)

IFRS 2 "Share-Based Payment" provides for the recording of an expense in return for services obtained under share subscription plans (and similar) granted to employees.

The Group has set up stock option plans, performance shares or share purchase plans and has issued warrants to certain employees. The purchase or subscription option prices are set by the Board of Directors, which grants the options.

Changes in values subsequent to the grant dates have no impact on the initial valuation of the options; the number of options taken into account to value the plans is adjusted at each closing date to take into account the presence of the beneficiaries and the achievement of internal performance conditions for the purposes of vesting periods.

The valued benefit is equivalent to compensation paid to the beneficiaries, which is therefore recognized in employee benefits expenses on a straight-line basis over the vesting period, with a corresponding adjustment in shareholders' equity.

Stock option subscription plans were valued by reference to the fair value of the instruments granted.

The fair value of the bonus shares granted corresponds to the value of the share on the day of the grant less the assumption of a dividend distribution during the vesting period. The overall plan expense corresponds to the estimated fair value multiplied by the number of shares granted over the vesting periods envisaged in the plan, multiplied by the probability of achieving the performance objectives.

4.1.13 Employee benefits (IAS 19 revised)

End-of-career benefits

The provision for employee benefits relates exclusively to retirement benefits that are legally payable to employees in France.

The calculation is made in accordance with the revised version of IAS 19, using the projected unit credit method. Under this method, entitlements are allocated to periods of service according to the plan's vesting formula, taking into account a linearization effect when the rate of entitlement is not uniform over the course of the subsequent periods of service.

The amount of future payments corresponding to the benefits granted to employees is measured on the basis of assumptions for changes in salaries, retirement age and mortality, then reduced to their present value on the basis of interest rates on long-term bonds of first-class issuers.

The expense for the fiscal year corresponding to the change in the cost of services rendered is recognized in employee benefits expenses; the cost of discounting is recognized in finance expenses.

In addition, actuarial gains and losses resulting from experience-related adjustments and changes in actuarial assumptions are now recognized in "Other income and expenses recognized directly in equity."

4.1.14 Deferred taxes (IAS 12)

Deferred taxes result from temporary differences between the carrying amount and tax value of assets and liabilities in the statement of financial position. In accordance with IAS 12 "Income Taxes", they are accounted for using the variable carry-forward method, based on the future tax rates adopted at reporting date on June 30, 2023.

The Group recognizes a deferred tax asset for tax losses and unused tax credits carried forward, to the extent that it is probable that future taxable profits will be available against which these unused tax losses and tax credits can be offset, taking into account the carry-forward periods and applicable tax rates in each country.

4.1.15 Research tax credit (IAS 20)

The research tax credit is a tax incentive similar to a subsidy. It therefore falls within the scope of IAS 20. According to this standard, the research tax credit must be allocated according to whether research expenditure is recognized as an asset (recognition as intangible assets according to IAS 38) or in profit or loss.

For the share of capitalized R&D costs, the recognition in the income statement of the research tax credit generated is deferred over time over the amortization period of the underlying capitalized R&D costs. For the share of research expenses recognized as expenses, the research tax credit is recognized immediately in the income statement. The Group has opted to recognize the entire research tax credit as a deduction from expenses recognized in the income statement, under other external expenses.

4.1.16 Translation of foreign currency items

The consolidated financial statements at June 30, 2024, were prepared in euros, which is the parent company's functional currency.

Each Group entity determines its own functional currency and the items included in the financial statements of each entity are measured using this functional currency.

Recognition of foreign currency transactions in the financial statements of consolidated companies

Foreign currency transactions recognized in the income statement are translated at the exchange rate prevailing on the transaction date, with the exception of transactions for which the Company has hedges (USD).

These are recognized at the hedging rate. Monetary items expressed in foreign currencies, recognized on the balance sheet, are translated at the exchange rate prevailing at the reporting date, with the exception of debts denominated in USD which are translated at the hedge rate. The resulting exchange differences are recorded in the income statement.

Conversion of foreign subsidiaries' financial statements

The financial statements of Group companies, whose functional currency is different from the parent company, are converted into euros:

- assets and liabilities are translated into euros at the exchange rate prevailing on the closing date;
- income and expenses are translated at the average exchange rate for the period as long as this is not affected by significant changes in exchange rates;
- the resulting translation differences are recognized directly in shareholders' equity.

4.1.17 Earnings per share

The Group reports basic earnings per share and diluted earnings per share.

Net earnings per share are obtained by dividing net profit or loss by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by using the conversion into ordinary shares of dilutive instruments outstanding at the reporting date.

4.1.18 Income from contracts with customers (IFRS 15)

Income is recognized and presented in accordance with IFRS 15 “Income from Contracts with Customers”.

The Group’s revenue can be broken down into revenue from goods and services. The operative event is the transfer of control to the customer. Depending on the services provided, this translates into:

- when the Group is in charge of installing the shelf label systems, revenue is recognized when the system becomes operational. At the closing of the accounts, for installations invoiced but not yet completed, deferred income is recognized, and for installations completed but not yet invoiced, accrued income is recognized;
- when the Group only delivers labels, revenue recognition is based on the transfer of control to the customer, taking into account contractual provisions and incoterms;
- the substantial rights granted to the customer result in the deferral of revenue to subsequent periods;
- training services are invoiced and recognized when the service is provided, independently of the delivery of the labels;
- annual flat-rate discounts granted to customers are deducted from revenue;
- maintenance contracts are invoiced in advance for quarterly or six-month periods. Deferred income is recognized to cancel the revenue related to the following fiscal year on a pro rata basis;
- specific development costs incurred in connection with the acquisition of new customer contracts are expensed in the year in which they are incurred, and consideration paid to customers is recognized as a reduction in revenue, where applicable, except for those meeting the following criteria:
- the costs of obtaining contracts (specific incremental),
- contract fulfillment costs.

At the end of each fiscal year, the specific incremental costs of obtaining contracts are capitalized and amortized in accordance with the expected recognition of revenue (IFRS 15 compliant).

Principal or Agent

The Group has conducted an analysis of the nature of its relationships with its customers in order to determine whether it is acting as a principal or as an agent in the performance of the contract or part of the contract when the Group sells equipment, software or services. In the current framework, the Group uses the concepts of risks and rewards as its main criteria to determine whether it is acting as a principal or an agent, and in particular contractual liability vis-à-vis the customer, liability for credit risk, contractual liability vis-à-vis suppliers and the added value provided to the services or products of suppliers.

Under IFRS 15, the Group is considered to be acting as principal since it controls the goods or services before transferring them to its customer.

4.1.19 Operating segments (IFRS 8)

The VusionGroup group has only one operating segment corresponding to a single activity of installing and maintaining electronic shelf labels.

Operating results are reviewed at Group level. The objective is to make decisions about the allocation of resources and the evaluation of performance. Isolated information at the next level down is not available, given the overall management of the activities, technologies and regions.

4.2 Highlights of the period

Highlights are presented in page 5 of this report.

4.3 Post-closing events

On July 30, 2024, VusionGroup has decided to launch a share buyback program and as part of its implementation, the Group has entrusted an investment services provider with a share buyback mandate for a maximum amount of €5 million starting July 30, 2024, and up to August 9, 2024.

4.4 Notes to the condensed half-yearly consolidated financial statements

Note 1 - Intangible Assets

Gross Fixed Assets in €K	Opening	Increase	Transfers between line items	Decrease	Closing
Goodwill	122,849				122,849
Development	155,075		15,471		170,546
Patents and similar rights	97,800	83	7,201	(6)	105,078
Intangible assets in progress	26,553	15,482	(22,672)		19,363
TOTAL	**402,277**	**15,565**	**0**	**(6)**	**417,836**

As of June 30, 2024, the amount of goodwill breaks down as follows:

- SES-ESL merger: €12.6 million;
- acquisition of SES-Imagotag GmbH: €13.4 million;
- acquisition of Pervasive Displays Inc. (PDi): €18.3 million;
- acquisition of Findbox (now Captana GmbH): €6.7 million;
- acquisition of Market Hub: €0.3 million;
- acquisition of In the Memory: €63.2 million;
- acquisition of Belive: €8.3 million.

Research and development expenses represent the cost of research and innovation expenses incurred by the Group and which have enabled it to improve and diversify its product offering. Transfers between line items during the year corresponds to:

- the capitalization of other development costs, totaling €15,471 thousand, incurred mainly as part of the ongoing development of the Cloud software and new listings in the Vusion range, and the Captana program;
- the capitalization of part of the development projects for the Group's information systems and IT infrastructure for an amount of €7,201 thousand.

Intangible assets in progress correspond to expenses incurred in the context for projects to develop marketable solutions for an amount of €11,247 thousand and the development of the Group's IT infrastructure for an amount of €4,235 thousand.

Amortization in €K	Opening	Increase	Transfer between line items	Decrease	Closing
R&D	67,527	13,107			80,634
Patents and similar rights	38,558	5,606			44,164
TOTAL	**106,085**	**18,713**	-	-	**124,798**

Note 2 - Property, plant and equipment

Gross Fixed Assets in €K	Opening	Increase	Transfer between line items	Decrease	Closing
Building and fixtures	4,429	600			5,029
Machinery, equipment, and tools	27,048	28,779	15,641		71,468
Other property, plant and equipment and assets in progress	45,217	32,928	(15,641)		62,504
TOTAL	**76,695**	**62,307**	-	-	**139,002**

The increase in property, plant and equipment mainly concerns industrial production lines for a total amount of €59,399 thousand, of which €30,620 thousand in progress at June 30, 2024. This amount includes acquisitions made for the new EdgeSense range fully pre-financed by customers,

Amortization in €K	Opening	Increase	Transfers between line items	Decrease	Closing
Building and fixtures	2,550	261			2,811
Machinery, equipment, and tools	20,120	3,324			23,444
PPE - Other	17,857	2,282			20,139
TOTAL	**40,527**	**5,867**	-	-	**46,394**

Right of use

Gross Fixed Assets in €K	Opening	Increase	Transfers between line items	Decrease	Closing
Buildings and improvements	15,051	2,605		(337)	17,319
Production line and industrial equipment	14,727				14,727
Vehicles and other property, plant and equipment	1,876	56		(170)	1,762
TOTAL	**31,654**	**2,661**	**-**	**(507)**	**33,808**

The increase in Right of Use over the period is mainly due to:

- the renewal or extension of premises in France and Austria.

The decrease in user rights is explained by:

- the termination of office leases in certain subsidiaries;
- the termination of vehicle leases.

Amortization in €K	Opening	Increase	Transfer between line items	Decrease	Closing
Buildings and improvements	6,477	1,229		(278)	7,428
Production line and industrial equipment	14,727				14,727
Vehicles and other property, plant and equipment	981	258		(170)	1,069
TOTAL	**22,185**	**1,487**	**-**	**(448)**	**23,224**

Note 3 - Financial Assets

Financial Assets in €K	Opening	Increase	Decrease	Closing
Non-consolidated investments	18,668			18,668
Deposits and sureties	955	123	(42)	1,036
Other loans	652	38		690
Miscellaneous	104		(12)	92
TOTAL	**20,379**	**118**	**(12)**	**20,486**

The amount of non-consolidated equity investments corresponds to the value of the shares received in exchange for the Group's stake in the BOE Technology JV sold to Yi-Yun during the second half of 2022. Since that date, the percentage of ownership has remained below 10%.

Note 4 - Inventories

Inventories in €K	**06/30/2024**	12/31/2023	06/30/2023
Inventory of raw material	26,485	16,916	16,928
Inventory of finished products	126,729	105,493	134,831
Inventory of goods purchased for resale	14,517	14,007	16,499
Impairment of inventory	(12,416)	(11,422)	(9,525)
TOTAL	**155,315**	**124,994**	**158,733**

Note 5 - Trade receivables

Trade receivables in €K	06/30/2024	12/31/2023	06/30/2023
Gross trade receivables	209,102	132,573	127,254
Provision for impairment	(883)	(887)	(1,252)
TOTAL	**208,219**	**131,686**	**126,002**

The increase in trade receivables is correlated with the increase in revenue. The value of trade receivables, expressed in days of revenue, increased at 06/30/2024 compared to 12/31/2023 mainly due to significant invoices payable at the end of June and overdue by a few days.

The provision for impairment of trade receivables breaks down as follows:

Breakdown of the provision for impairment of trade receivables in €K	Gross value	Impairment
Receivables overdue less than 90 days	18,694	0
Receivables overdue between 91 days and 360 days	15,517	(36)
Receivables overdue more than 361 days	3,462	(847)
Receivables not yet due	171,430	
TOTAL	**209,102**	**(883)**

Note 6 - Other current receivables and other current taxes

Current tax receivables amounted to €4,996 thousand as of June 30, 2024. They correspond to the payment of interim income tax on companies.

Other current receivables break down as follows:

Other current receivables in €K	06/30/2024	12/31/2023	06/30/2023
Tax receivables	6,942	23,651	14,887
Social receivables	58	59	64
Suppliers - advance and prepayments	23,561	23,399	158
Suppliers - credit note	2,851	4,383	1,111
Financial instruments	13	0	
Other current receivables	153,034	162,570	163,738
Prepaid expenses	5,407	4,549	4,488
TOTAL	**191,867**	**218,610**	**184,445**

Tax receivables, excluding current taxes, mainly correspond to VAT receivables on purchases

The amount in Other current receivables of €153,034 thousand corresponds to the discount paid in advance in respect of the Walmart warrants recognized in Contract assets and which will be reported as a reduction of revenue as and when deliveries are made as described in paragraph II.2 Significant events of the fiscal year in section 6.1.2 of the 2023 Universal Registration Document.

Most of the credit note receivables are from our main suppliers of finished products and components and amounted to €2,328 thousand at June 30, 2024.

The amount recognized in financial instruments for €13 thousand corresponds to the fair value of interest rate hedging instruments subscribed during the first half of 2024.

Prepaid expenses relate to the company's current operating expenses invoiced but relating to a later period, and mainly the second half of 2024.

Note 7 - Cash and cash equivalents

Cash in €K	06/30/2024	12/31/2023	06/30/2023
Short-term investments	29	15	29
Cash and cash equivalents - accounts receivable	379,481	199,901	193,376
TOTAL	**379,510**	**199,916**	**193,405**

Note 8 - Capital

Number of shares variation	Number	Nominal value in €	Share capital in €
Shares at the beginning of the period	15,958,658	2	31,917,316
Securities issued	0	2	0
TOTAL	**15,958,658**	**2**	**31,917,316**

At June 30, 2024, the Company held a total of 55,382 treasury shares, of which 8,771 related to the liquidity contract entered into during the 2021 fiscal year and 46,611 related to the new share buyback program entered into in October 2023. Treasury shares are restated as a deduction from equity in accordance with IAS 32.

Note 9 - Other Equity Instruments

Stock options and Performance shares

Allocation of stock options

At its meeting of June 29, 2020, the Board of Directors approved the principle of a performance share plan, the effect of which is to grant 470,000 shares to be issued subject to performance conditions and conditions of continued presence.

The definitive vesting of the shares is subject to the presence of the beneficiary and provided for as follows:

- in 2022: delivery of Tranche 1 Shares in 2022 if the performance conditions are met (Target 2020);
- in 2023: delivery of Tranche 2 shares in 2023 if the performance conditions are met (Target 2021);
- in 2024: delivery of Tranche 3 shares in 2024 if the performance conditions are met (Target 2022);
- in 2025: delivery of Tranche 4 shares in 2025 if the performance conditions are met (Target 2023).

For performance shares delivered during the years 2022 to 2025 (Target 2020 to Target 2023), the performance shares will not be subject to any retention period from the date of delivery of the shares (given the 2-year period between grant and vesting).

At its meeting of December 13, 2023, the Board of Directors approved the implementation of a new free share plan for the 2023-2028 period up to a limit of 4.5% of the Company's share capital.

During this meeting, the Board decided to grant 32,450 free shares to Group employees with performance and continuous presence conditions (Tranche 1). Delivery of these shares is scheduled for 2025.

At its meeting of June 19, 2024, the Board of Directors allocated 5,564 free shares to the Chairman and Chief Executive Officer, subject to performance and continuous presence conditions. Delivery of these shares is scheduled for 2026.

At its meeting of July 24, 2024, the Board of Directors approved the allocation of 139,422 free shares to Group employees subject to performance and continuous presence conditions. Delivery of these shares is scheduled for 2026.

Note 10 -Non-current provisions

Non-current provisions in €K	Opening	Allowance	Release of allowance	Closing
Warranty provisions	1,042		(72)	970
Provisions for leased assets refurbishment	870			870
Provision for retirement benefits	871	93		964
Other provisions for risks	9,610		(88)	9,522
TOTAL	**12,392**	**93**	**(160)**	**12,324**

Provisions for the repair of leased assets relate to leases under IFRS 16. The balancing entry is recognized in property, plant and equipment, as an increase in the right of use.

The other provisions for risks mainly concern quality problems identified during the previous fiscal year and related to the launches of new products marketed in recent years.

The causes have been addressed and the Group does not anticipate any new quality problems with these products.

There are no administrative, legal or arbitration proceedings of which the Company is aware, which are ongoing or threatened, that are likely to have, or have had over the last twelve months, a significant impact on the Group's financial position or profitability.

Note 11 - Long-term loans

Loans are recognized at the amortized cost using the effective interest rate method.

		With cash impact		No cash impact		
Loans and lease liabilities in €K	Opening	Increase	Decrease	Translation differences	Other	Closing
Bond issues	49,852				46	49,898
Loans from credit institutions	122,803		(8,051)			114,752
Current and non-current lease liabilities	10,450		(1,646)		2,661	11,465
TOTAL	**183,104**	**0**	**(9,697)**	**0**	**2,707**	**176,114**

The cash decrease mainly relates to the €7,618 thousand repayment of the SGL;

At June 30, 2024, the Group complied with the consolidated leverage ratio (covenant) which refers to the ratio between net financial debt and EBITDA of less than 3.5 for Europp amounting to €10 million maturing in July 2025, and less than 2.5 for the €150 million bank loan and the €40 million Europp tranche raised in December 2023. The impact of the recognition of the lease liability following the application of IFRS 16 is excluded from the definition of financial debt for the purpose of calculating covenants.

Loans and lease liabilities in €K	06/30/2024	Less than 1 year	1-5 years	More than 5 years
Loans	164,650	2,182	122,468	40,000
Bank	0			
Current and non-current lease liabilities	11,464	7,581	3,883	
TOTAL	**176,114**	**9,763**	**126,351**	**40,000**

Note 12 - Other non-current liabilities

Other non-current liabilities in €K	06/30/2024	12/31/2023	06/30/2023
Other payables - earn-out	8,412	8,412	13,482
Research tax credit	3,975	4,014	3,792
Other operating grants	0	0	0
TOTAL	**12,386**	**12,426**	**17,275**

The amount of other payables relating to earn-outs corresponds mainly to the estimated amount of the earn-out as part of the acquisition of In The Memory, i.e €7.9 million.

Note 13 - Trade payables

Trade payables in €K	06/30/2024	12/31/2023	06/30/2023
Trade payables	150,381	101,927	120,699
Suppliers - accrued expenses	88,113	46,539	56,360
TOTAL	**238,494**	**148,466**	**177,059**

The increase in trade payables is in correlation with the increase in business. The increase in accrued expenses is mainly due to the outandings related to the industrial investments in progress and not invoiced by the suppliers at June 30, 2024.

Note 14 - Other debts and accrual accounts

Other debts and accrual accounts in €K	06/30/2024	12/31/2023	06/30/2023
Customers - prepayments	473,814	245,356	187,517
Customers - credit notes	3,037	1,244	1,754
Social security and tax liabilities	25,893	28,471	22,196
Fair value of share subscription warrants	127,839	114,828	
Financial instruments			87,435
Deferred income and other debts	28,093	11,634	12,868
TOTAL	**658,678**	**401,533**	**311,770**

Advances and deposits received from customers increased and correspond to the continuing policy of developing the Group by negotiating satisfactory contractual terms to manage large contracts without financing risk.

The fair value of the subscription warrants corresponds to the reassessment made at each closing of the fair value of the shares subscription warrants granted to Walmart as described in paragraph II.2 Highlights of the year in section 6.1.2. of the 2023 Universal Registration Document. No share subscription warrants granted to Walmart have been exercised to date.

Deferred revenue corresponds to sales made during the first half of the year but for which the contractual obligations were not fully fulfilled as at June 30, 2024. The proceeds of these sales will be recognized in the second half of the year.

Note 15 - Sales

Sales for the period break down as follows by geographical zone:

Sales in €M	06/30/2024		06/30/2023	
EMEA	238.4	58%	317.8	83%
France	40.9		93.1	
EMEA	197.5		224.7	
Asia Pacific and the Americas	170.5	42%	62.9	17%
TOTAL	**408.9**		**380.7**	

Sales in €M	06/30/2024		06/30/2023	
Electronic labels	364.9	89%	327.7	80%
Services, software and other value-added solutions	44.0	11%	53.0	13%
TOTAL	**408.9**		**380.7**	

From a geographical perspective, growth was driven by North America. In line with forecasts, revenue in the first half of the year can be broken down as follows:

- 58% for the EMEA region, i.e. €238 million, down 25% given the planned and announced completion of the deployment phase of a major European client. This cycle effect will only be temporary in 2024 as the many contracts signed in recent months in Europe will once again generate robust growth in 2025;
- 42% for the Americas and Asia-Pacific region, which amounted to €170 million and €192 million in adjusted data, up by 205%, mainly driven by the United States, which in 2024 became the Group's leading market. Growth is expected to continue at a fast pace in the coming quarters. This excellent momentum is driven by an increase in the pace of deployment at Walmart but also by the ongoing conclusion of several major new contracts.

Note 16 - Cost of goods sold

The amount of goods sold is composed of the following:

- consumption of purchases of raw materials and merchandise;
- consumption of inventories of finished products;
- transportation and incidental expenses relating to these purchases.

Note 17 - External expenses

Other external expenses in €K	**06/30/2024**	12/31/2023	06/30/2023
Variable external expenses	(11,625)	(20,791)	(8,293)
External staff costs and recruitment fees	(3,851)	(7,234)	(3,940)
Travel Expenses and Travel	(4,263)	(7,361)	(3,612)
Marketing	(5,508)	(7,304)	(4,695)
Fees	(7,096)	(10,832)	(4,297)
IT & Telecom expenses	(3,976)	(6,315)	(4,580)
Other external expenses	(987)	(2,542)	(1,442)
TOTAL	**(37,305)**	**(62,379)**	**(30,859)**

Note 18 - Payroll expenses

Payroll costs in €K	**06/30/2024**	12/31/2023	06/30/2023
Payroll costs	(34,104)	(55,134)	(24,402)
Performance shares (IFRS 2)	(8,035)	(12,446)	(4,365)
Pension commitments	(50)	(16)	(60)
TOTAL	**(42,189)**	**(67,596)**	**(28,828)**

The IFRS 2 expense recognized at June 30, 2024 relates to the performance share plans issued by VusionGroup SA to the Group's employees in 2022 and 2023 as well as the new plan issued in 2024.

The IFRS 2 expense recognized in 2023 relates to the performance share plans issued by VusionGroup SA to the Group's employees in 2021, 2022 and 2023 as well as the RSU plan issued by the US subsidiary and exercisable in 2024 in respect of the 2023 performance. The increase in expenses between 2023 and 2024 was due to the greater number of performance shares distributed at a higher price in 2024 compared to the allocations in 2023.

Note 19 - Other operating expenses

None

Note 20 -Other operating income

Other operating income was non-significant over the period.

Note 21 – Other financial income and expenses

Net financial income/(expense) in €K	06/30/2024	12/31/2023	06/30/2023
Financial instruments	0	3,551	2,356
Foreign exchange gains	5,642	30,019	14,968
Other financial income	696	49,965	76,796
Other financial income	**6,339**	**83,535**	**94,120**
Financial instruments	(1,020)		
Bank interest expenses	(5,847)	(12,425)	(4,596)
Leasing related interest expenses	(196)	(366)	(124)
Foreign exchange losses	(8,930)	(26,269)	(12,579)
Other financial expenses	(13,329)	(1,491)	(911)
Other financial expenses	**(29,323)**	**(40,552)**	**(18,210)**
TOTAL	**(22,984)**	**42,983**	**75,910**

Note 22 – Income tax and deferred tax

In €K	06/30/2024	12/31/2023	06/30/2023
TAX CHARGE OR INCOME	**(3,089)**	**(14,887)**	**(7,093)**

The tax charge has been taken into account for the period on the basis of the best estimate of the expected average annual rate.

Income tax and deferred tax in €K	06/30/2024	12/31/2023	06/30/2023
Tax loss carryforwards	6,121.00	9,406.00	7,814.00
Temporary differences	8,589.00	5,124.00	1,453.00
Total deferred tax assets	**14,710.00**	**14,530.00**	**9,268.00**
Amortization of technologies	7,637.00	8,117.00	1,465.00
Capitalization of R&D expenses	6,934.00	6,386.00	5,665.00
Temporary differences	3,478.00	2,575.00	1,792.00
Total deferred tax liabilities	**18,049.00**	**17,078.00**	**8,923.00**

Deferred tax assets on tax losses carry forward are attributable to the French entity and the German entity for a total of €6,121 thousand.

Note 23 - Net income - Earnings per share

Net profit for the period amounted to -€24,426 thousand

Impact of potential dilution on the capital:

Earnings per share	06/30/2024	12/31/2023	06/30/2023
Profit (Loss) - Group share in €K	(23,857)	79,767	91,596
Weighted average number of shares at closing	15,958,658	15,897,494	15,850,808
Performance shares[1]	271,198	238,748	223,700
Share subscription warrants	1,761,200	1,761,200	
Earnings per share (in euros)			
• before dilution	(1)	5	6
• after dilution	(1)	4	6

No event likely to significantly change the number of shares outstanding or the number of potential shares occurred between June 30, 2024 and the reporting date of the financial statements.

(1) Performance shares related to shares granted but not yet delivered as of the closing date. At June 30, 2024, it corresponded to 112,900 shares relating to the 2022 plan, 125,848 shares relating to the 2023 plan and 32,450 shares relating to the 2024 plan.

4.5 Other information

Note 24 - Off balance sheet commitments

Commitments given:

- comfort letter to VusionGroup GmbH, a wholly owned subsidiary;
- comfort letter to VusionGroup BV, a wholly owned subsidiary;
- rent-related guarantee payment €376 thousand (CIC);
- pledge of interest-bearing bank account (CIC);
- at June 30, 2024, the Group complied with the consolidated leverage ratio (covenant) which refers to the ratio between net financial debt and EBITDA of less than 3.5 for Europp amounting to €10 million maturing in July 2025, and less than 2.5 for the €150 million bank loan and the €40 million Europp tranche raised in December 2023.

Note 25 - Degree of exposure to market risk

In financial terms, the Company is mainly exposed to changes in interest rates on its variable-rate borrowings. During the first half of 2024, interest rate hedging instruments were subscribed.

Degree of exposure to market risk in $ '000	**06/30/2024**
Hedging portfolio at end-December 2023	-
New contract hedging purchased on H1 2024 for 2024	65,000
Hedging contracts released in H1 2024	
Hedging portfolio as of June 30, 2024	**65,000**

Note 26 - Research and development expenditure

Over the period, €11,247 thousand in development expenditure were capitalized on the balance sheet as fixed asset in progress.

Note 27 - Transactions with related parties

The related parties identified by the Group are:

- Group shareholders owning more than 10% of the share capital;
- members of the Board of Directors.

As of June 30, 2024, transactions completed with the VusionGroup group's majority shareholder BOE Smart Retail (Hong Kong) Co, Ltd or its affiliates are:

- $192.8 million in purchases to Chongqing BOE Smart Electronic System Co Ltd related to a supply contract and industrial outsourcing services (Master Service Agreement);
- $4.1 million in sales of components with Chongqing BOE Smart Electronic System Co. Ltd. This amount corresponds to the sale of specific components purchased from a new third-party supplier and resold to BOE Smart Electronic System Co. Ltd for use in the production of labels then sold to the Group. This cash flow is restated to neutralize the impact on the consolidated financial statements. As such, it does not impact the Group's consolidated revenue or its margin.

Note 28 -Corporate officer remuneration and retirement plan

The gross compensation paid to the Chairman and CEO amounts to €200 thousand in respect of his H1 2024 fixed compensation.

A contract under the Social Guarantee of Chief Executive Officers (GSC) was signed during 2012 to the benefit of the Chairman and CEO. The annual contribution for the year 2024 amounted to €22 thousand.

This contract includes the basic plan as well as a supplementary plan providing for compensation coverage over a 12-month period (former plan).

The compensation of the Chairman and CEO is detailed as follows:

In €	06/30/2024	06/30/2023
Short-term benefits	200,000	180,000
Post-employment benefits	0	0
Other long-term benefits	0	0
End of contract indemnities	0	0
Share-based payment	0	0

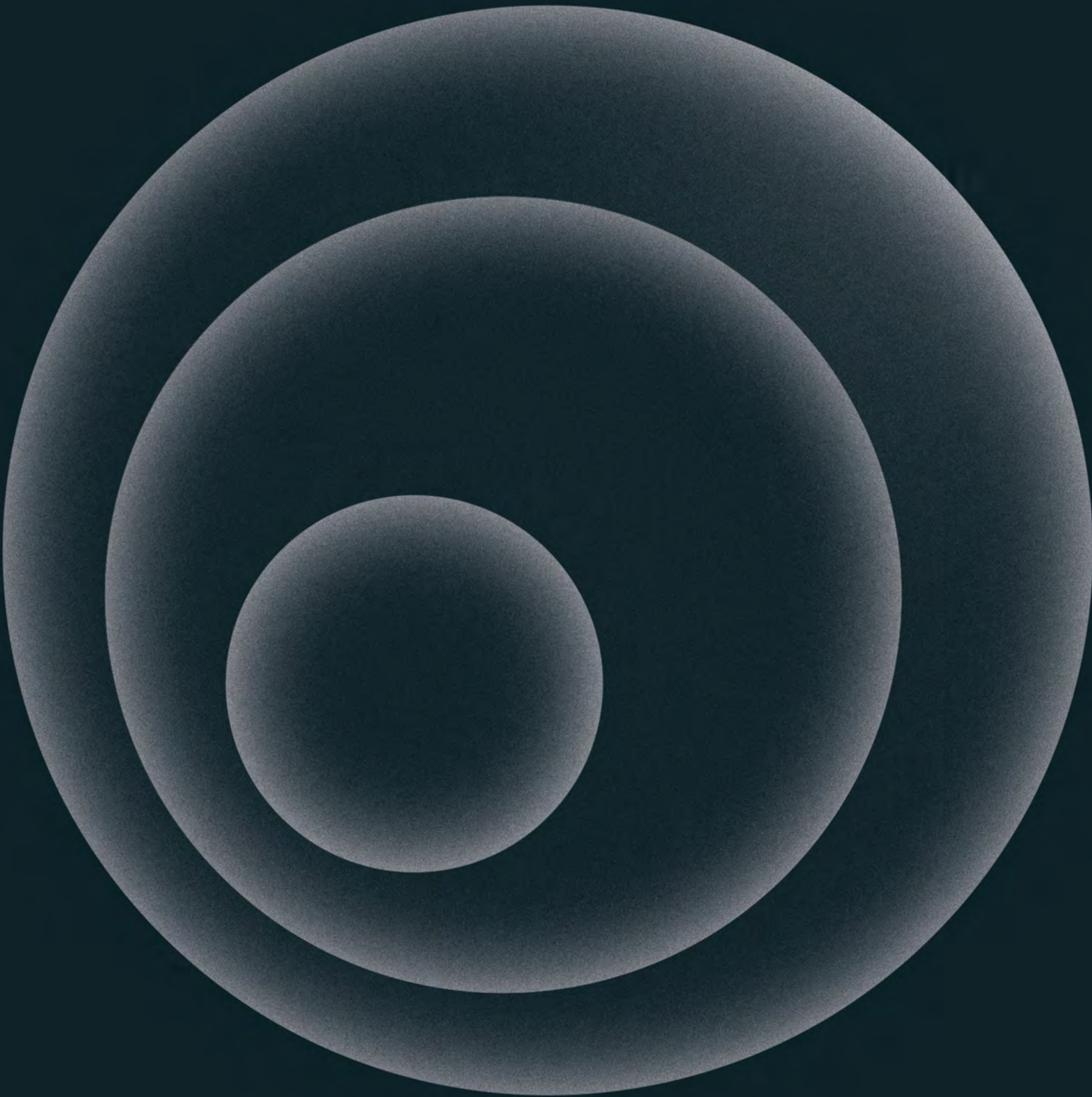
Note 29 -Credit, liquidity, and cash flow risks

The Company does not hold risky investments.

4.6 Scope of consolidation

Company name	Registered Office	Consolidation method[1]	% controlled 06/30/2024	% of interest 06/30/2024	% of interest 12/31/2023
VusionGroup S.A.	France	(Parent)	(Parent)	(Parent)	(Parent)
SES-imagotag Pte Ltd	Singapore	FC	100	100	100
SES-imagotag Mexico srl. de cv	Mexico	FC	99	99	99
VusionGroup Srl.	Italy	FC	100	100	100
VusionGroup GmbH	Austria	FC	100	100	100
Solutions Digitales SES-imagotag Ltée	Canada	FC	100	100	100
VusionGroup Ltd	Ireland	FC	100	100	100
VusionGroup INC.	United States	FC	100	100	100
VusionGroup BV	Netherlands	FC	100	100	100
VusionGroup Aps.	Denmark	FC	100	100	100
SES-imagotag Iberia S.L	Spain	FC	100	100	100
Captana GmbH	Germany	FC	100	100	100
Pervasive Displays Inc	Taiwan	FC	100	100	100
PDi Digital GmbH	Austria	FC	70	70	70
VusionGroup Pty Ltd	Australia	FC	100	100	100
VusionGroup K.K.	Japan	FC	100	100	100
VusionGroup RDC d.o.o.	Croatia	FC	100	100	100
In The Memory SAS	France	FC	100	100	100
Belive SAS	France	FC	67.09	67.09	67.09

(1) FC: fully consolidated.



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Statutory Auditors' Review Report on the Half-yearly Financial Information

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2024

To the shareholders of SES-imagotag,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of Article L.451-1-2-III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the limited review of the accompanying condensed half-yearly consolidated financial statements of SES-imagotag, for the period from January 1 to June 30, 2024
- the verification of the information presented in the Half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

I – Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France.

A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. This work is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II – Specific verification

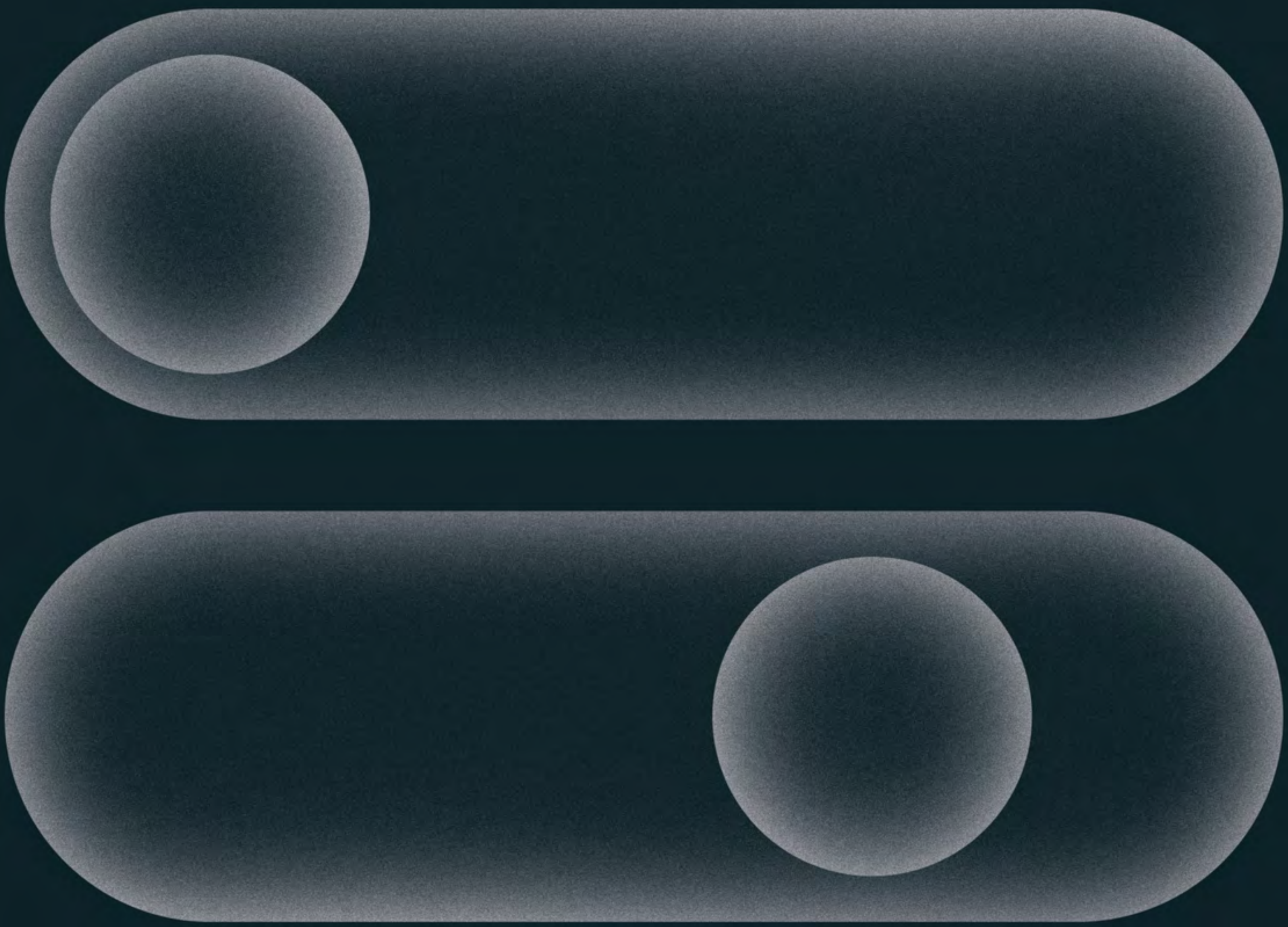
We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our limited review.

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

Paris - La Défense, September 26, 2024

Statutory Auditors

KPMG S.A.	Deloitte & Associés
Mathilde Fimayer	Hélène De Bie



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Certificate of the person responsible for the half year report

I hereby certify that, to the best of my knowledge, the consolidated financial statements for this half year have been drawn up in accordance with the applicable accounting standards and provide a true and fair view of the assets and liabilities, the financial position and the profits of the company and all companies included in the scope of consolidation, and that the Activity Report attached provides a true and fair view of the major events having occurred during the first six months of the fiscal year, their impact and the main transactions between related parties, as well as a description of the main risks and uncertainties to which the Group is exposed for the six months to come for that same fiscal year.

Thierry GADOU

Chairman & CEO

Designed **&** published by LABRADOR +33 (0)1 53 06 30 80

VusionGroup

55 Place Nelson Mandela
CS 60106
92024 Nanterre Cedex, France
Tel.: +33 1 34 34 61 61
Fax: +33 1 55 69 78 00
www.vusion.com