ANNUAL REPORT

Fiscal Year 2021/22 ended June 30, 2022

This is a free translation into English of the Paragon ID Annual Financial Report 2021/22 issued in the French language.
It is provided solely for the convenience of English-speaking readers. In case of discrepancy the French version prevails.

Paragon ID

Public Limited Company (*société anonyme*) with share capital of €69,349,105

Registered office: Les Aubépins, 18410 ARGENT-SUR-SAULDRE

Bourges Trade and Companies Register 413 967 159

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MANAGEMENT, GROUP MANAGEMENT AND CORPORATE GOVERNANCE REPORT FROM THE BOARD OF DIRECTORS TO THE GENERAL MEETING

Dear Shareholders,

We have convened this Ordinary and Extraordinary General Meeting in accordance with the Articles of Association and legal provisions in order to submit for your approval the company financial statements and consolidated financial statements for the financial year ended 30 June 2022.

PART I - MANAGEMENT REPORT

1. ANNUAL REPORT

1.1. COMPANY POSITION AND BUSINESS IN THE FINANCIAL YEAR ENDED 30 JUNE 2022

1.2. COMMERCIAL ACTIVITIES

The PID Group's annual consolidated revenues for the financial year ended 30 June 2022 stood at €130.8 million, up €46.9 million compared with the financial year ended 30 June 2021.

These revenues thus mark a record level of activity, significantly higher than the initial objective of double-digit growth and then the revised objective of more than €120 million set at the end of April. The contribution of acquisitions made during the 2021 calendar year (Apitrak, Security Label GmbH and EDM Technology Inc.) amounted to €15.7 million on a full-year basis.

The Transport & Smart Cities business line (37% of 2021/22 revenues) saw a strong rebound in commercial activity with the return of passengers to transport systems and a substantial resumption of orders from operators to replenish their inventories (tickets and cards). Revenues from this business line amounted to €48.6 million, an annual increase of 81%. Its organic growth was +61% over the financial year, illustrating the market share gains made by Paragon ID since the pandemic. The most recent acquisition, EDM Technology Inc. in the United States, performed well with business levels at financial year-end in line with pre-crisis levels.

The Traceability & Brand Protection business line (34% of 2021/22 revenues) generated revenues of €44.3 million in 2021/22, up +61% (+27% at constant scope and exchange rates). The acquisition of Security Label GmbH, the European leader in baggage tags and other equipment for the aviation sector, at the beginning of the 2021/22 financial year contributed to the solid growth of the business line. Fourth quarter revenues from Security Label reached a higher level of activity than before the health crisis, while air traffic remained below its 2019 levels.

The Payment business line (22% of 2021/22 revenues) saw a clear acceleration in its activity in the second half of the financial year (+34% vs. +9% in the first half), driven by the solid performance from AmaTech with major orders of RFID modules for contactless payment. The annual revenues of the business line thus stood at €28.7 million in 2021/22, up by +22% (identical change at constant scope and exchange rates). Thames Card continued to gain market share in its traditional gift and loyalty card business.

The eID business line (7% of 2021/22 revenues) was driven by the reopening of borders and the resumption of international travel, with its sales amounting to €9.3 million, up by +53% in 2021/22 (identical change at constant scope and exchange rates). Strong customer demand for passports combined with major orders for Paragon ID's new polycarbonate products is expected to continue to drive growth in 2022/23.

By geography,

EMEA: This division includes all of the business generated by the Group's sales and industrial teams on the European continent (Argent-sur-Sauldre, Mouans-Sartoux, Bucharest, Sarstedt) targeting mainly, but not exclusively, European, African and Middle-Eastern customers;

The division recorded revenues of €63.3 million, i.e. approximately 48% of the Group's sales.

The revenues generated by the EMEA division are based on the capabilities and expertise of its teams across a wide range of products offered by the Group:

- eID: Passports;
- Mass Transit: Mobile applications, Dual cards; Contactless cards; Contactless tickets; Magnetic tickets; Card customisation;
- Track And Trace: Labels; RFID tags; Baggage tags; IT platform for real-time asset tracking.
- Payment: Closed-loop payment cards.

The *eID* business line, for which the EMEA division offers passport products, contracted during the financial year, as the sales teams focused on securing new contracts based on polycarbonate technologies. These efforts paid off at the very end of the financial year and should stimulate growth in this business line over the coming financial year.

The *Mass Transit* business line, including products designed for passenger transport, saw a strong rebound with the return of passengers to transport systems and a substantial resumption of orders from operators to replenish their inventories (tickets and cards). In addition, during the financial year, the division continued to grow Airweb's recurring mobile ticketing activities and launched its Account-Based-Ticketing offers, with many new deployments of these Mobility as a Service (MaaS) offers.

The *Track and Trace* business line, bringing together products for product traceability and brand protection, experienced strong growth supported by the launch of sales of RFID tags and labels to major retailers, who are implementing this technology on a huge scale as part of their IoT (Internet of Things) activities. Furthermore, the acquisition at the beginning of the financial year of Security Label GmbH, the European leader in baggage tags, operating in a sector that experienced a sharp rebound during the year also largely contributed to the growth of this business line.

The *Payment* business line, which includes loyalty cards, gift cards and other types of cards enabling closed-loop payment, saw growth over the financial year, due to the reopening of cinemas during the year, with subscription cards/prepaid cinema tickets representing a large part of the volumes of this business line for the EMEA division.

United Kingdom: This division incorporates all business generated by the Group's sales and industrial teams located in the United Kingdom (Hull, Rayleigh) and targeting mainly, but not exclusively, customers in Commonwealth countries.

The division recorded revenues of €45.8 million, i.e. approximately 35% of the Group's sales.

The revenues generated by the UK division are based on the capabilities and expertise of its teams across a wide range of products offered by the Group:

- Mass Transit: Mobile apps; Contactless cards; Contactless tickets; Magnetic tickets and Parking; Customisation;
- Track And Trace: Labels; RFID tags; Product services and Marketing;
- Payment: traditional bank cards; Closed-loop payment cards; Gift and loyalty cards.

Mass Transit, including products designed for passenger transport, experienced a strong rebound in the same way as the EMEA region, with the return of passengers to transport systems and a substantial resumption of orders from operators to replenish their inventories (tickets and cards). In addition, at the end of the financial year, the Group completed the acquisition of UrbanThings Ltd, which should enable it to accelerate the rollout of its mobile ticketing and Account-Based-Ticketing offer in the UK division.

The *Track and Trace* business line, which includes products designed for product traceability and brand protection, experienced strong growth during the financial year supported by the upturn in baggage tag activities following the recovery in air traffic, as well as continued development in RFID Discovery (an IT platform for real-time object location) activities with the signing of numerous new contracts with hospitals in the UK.

The *Payment* business line includes the design, manufacture, personalisation and distribution of payment cards, loyalty cards, gift cards and other types of cards used for closed-loop payments. This experienced strong growth, mainly due to market share gains in loyalty cards and closed-loop payment cards. In addition, the division extended its efforts to develop a metal card production unit at its Rayleigh plant, which is expected to start production during the first half of the next financial year.

United States of America (USA): This division includes all of the business generated by the Group's sales and industrial teams located in the United States (Vermont and North Carolina) and targeting principally, but not exclusively, the Group's American customers.
It also includes the business generated by the AmaTech (Ireland) teams targeting the Group's customers in the banking sector, mainly located in the North America region.

The division recorded revenues of €21.7 million, i.e. approximately 17% of the Group's sales.

The revenues generated by the USA division draw on the capabilities and expertise of its teams across the following products offered by the Group:

- eID: Passports; Driving licences;
- Mass Transit: Mobile apps; Contactless cards; Contactless tickets; Magnetic tickets; Customisation;
- Payment: traditional bank cards; Metal bank cards, Patent licence.

The *eID* business line, which includes Passports and Driving Licence products, experienced a strong upturn over the financial year. The US government increased its passport order volumes sharply at the beginning of the financial year to cope with the surge in requests in conjunction with the reopening of borders and the increase in population flows. Electronic driving licences have also seen strong growth thanks to the increase in travel and the end of lockdown periods.

As in the EMEA and UK divisions, the *Mass Transit* business line, combining products designed for transport, experienced a strong recovery. In addition, the acquisition of EDM Technology Inc. enabled the Group to win market share in the sale of plain and RFID transport tickets in the United States, thus enabling the Group to further boost the effect of the upturn due to the emergence from the crisis.

The *Payment* business line, combining traditional and metal bank card products as well as patent licences, saw performance improve despite the health crisis, with technology licencing agreements continuing to underpin its business and generating €3.1 million in revenues over the financial year, the remainder being related to the supply of components for traditional bank cards.

1.3. INDUSTRIAL ACTIVITY

The Group faced an increase in customer requests during the financial year. To meet this demand, the Group undertook a number of actions to increase its production capacities, while dealing with the challenge related to the supply difficulties affecting the whole world. The Group also focused on the integration of the new industrial sites stemming from the acquisitions made during the financial year, namely Sarstedt (Germany) and High Point (North Carolina, United States).

For the **EMEA** division, efforts were related to adaptation of the industrial facilities for the volume production of RFID labels for mass-market retailers, following the ARC certification of the inlay production process and sites for the Retail market by Auburn University in the USA. The mass production of these products has been a reality since the end of the financial year, with a plan to roll out new equipment as volumes increase. Furthermore, the Group has also made new adaptations to its Bucharest site to enable the production of new polycarbonate identification products there.

For the **UK** division, activities focused on the creation of a production centre for contactless metal cards on the Thames Technology production site, with the support of AmaTech teams and investment in new production equipment. The division received VISA accreditation for its metal cards during the financial year and is expecting its Mastercard accreditation in the early months of the 2022/23 financial year. At the Hull site, where the majority of production concerns tickets for British and American public transport, the division has increased its production capacity to meet customer demand, while maintaining streamlining adaptations carried out at the beginning of the health crisis.

For the **US** division, most of the activity focused on the launch of the integration of EDM Technology Inc.'s industrial facilities into the Group's industrial standard, with certain facilities being improved to increase production outputs. This made it possible not only to meet the expectations of the division's customers at a time of post-crisis recovery, but also to reduce inefficiencies and waste related to the spoiling of certain products. The division is also continuing its production process automation and product quality inspection programme at its Burlington (Vermont) site.

1.4. RESEARCH AND DEVELOPMENT ACTIVITY

In the course of the year, we have relied on the expertise of R&D teams to:

- finalise developments enabling our technologies to be integrated into polycarbonate cards, in particular for the eID markets;
- continue to develop the Airweb mobile ticketing platform for public transport, adding new services and functionalities;
- continue to develop a ticketing offer associated with an "ABT" customer account;
- enhance the RFID Discovery range with new services and functionalities;
- strengthen, develop and industrialise AmaTech patents in order to offer the banking sector contactless metal payment cards;
- continue to develop a new RFID label offering for the retail and ready-to-wear sectors.

1.5. SUBSIDIARIES

N/A.

1.6. TAKEOVERS DURING THE FINANCIAL YEAR ENDED 30 JUNE 2022

1.7. TAKEOVER OF SECURITY LABEL

On 1 July 2021, Paragon ID SA acquired 93.3% of the securities of Security Label GmbH, thus obtaining control of this company. It also signed an agreement setting out the purchase conditions for the remaining company securities through an option mechanism. The Group has therefore treated this as the acquisition of 100% of the company, which it has fully consolidated in the consolidated financial statements.

Security Label is a German company based near Hanover, founded in 1990 by the Von Wedekind family, and which has become a world leader in the design and manufacture of luggage tags. The company offers its customers the widest range of products for check-in, standard and RFID labelling and baggage tracking.

As part of its resolution 753, IATA supports the global rollout of baggage tracking using RFID chips. Over the next few years, airlines have made a commitment, and some have already begun, to transition from their standard baggage tags to tags equipped with RFID devices.

Security Label's industrial reputation and close relationships with the largest global airlines, and Paragon ID's expertise in RFID technologies, as evidenced by the exclusive contract signed with Air France in 2019 for the supply of RFID baggage tags to the French company, will combine to allow the group to accelerate its development in this sector. In the medium term, as RFID tags are gradually adopted by airlines, Paragon ID aims to become the leading RFID baggage tag company worldwide for air transport.

This operation is an opportunity for Paragon ID to become the world leader in baggage tags for airlines.

1.8. TAKEOVER OF EDM'S ASSETS

On 20 September 2021, Paragon ID SA acquired, through new entities in the United States, the activities and assets of the American company Electronics Data Magnetics Inc.

(EDM).

Founded in 1983 by the Hallman family, EDM has become the leading American manufacturer of tickets for the public transport market.

EDM manufactures and sells magnetic and RFID cards and tickets, and provides transport ticket pre-encoding and programming services from its industrial site in High Point (North Carolina). EDM supplies the main public transport operators in the US, as well as airlines, car park operators, etc. EDM's customers include nearly two-thirds of the transport operators and authorities in the US, including the cities of Boston, Chicago, New York, Philadelphia, Portland, etc.

Prior to the pandemic, EDM generated positive annual revenues of more than US$15 million, however its activity saw a 75% drop due to the closure and reduced passenger flows of public transport systems over the last 18 months. These major impacts led the company to file for protection under the US Chapter 11 bankruptcy law in April 2021.

Paragon ID expects a gradual recovery in the company's activity to a normalised level over the next two financial years, while making the necessary current investments to support this return to growth.

1.9. TAKEOVER OF URBANTHINGS

On 28 June 2022, Airweb UrbanThings Ltd acquired 100% of the securities of UrbanThings Ltd, thus obtaining control of this company. The group therefore consolidated this acquisition in its consolidated financial statements at 30 June 2022.

Based in London, UrbanThings is a software publisher and has developed Bus Checker, one of the main digital public transport applications in the United Kingdom. Launched in 2012, this platform provides real-time information (timetables, journeys, etc.) for bus passengers. It is one of the leading mobility applications in the United Kingdom, with more than 2 million downloads.

The company has developed a central platform allowing it to propose a mobile and web ticketing offer and to analyse the data in order to send them to the public transport operators. This platform allows users to plan and pay for their journeys, while having access to various modules such as vehicle tracking and journey (origin-destination) analysis. It also allows revenue to be shared between the various operators.

Paragon ID and Airweb launched Open ABT, the most comprehensive integrated smart ticketing platform on the market, including payment via the EMV protocol (Europay Mastercard Visa).

The UrbanThings and Open ABT platforms are perfectly complementary: UrbanThings initially focused on passenger information, while Airweb specialised in mobile and web ticketing solutions, with more than 80 deployments in France and around the world.

The acquisition of UrbanThings will considerably strengthen the integrated Open ABT solution with a comprehensive digital platform that can meet the growing demand for Mobility as a Service (MaaS).

1.10. KEY EVENTS

1.10.1.1. EFFECTIVE ISSUE OF FREE SHARES ALLOCATED BY THE COMPANY AND THE RESULTING CAPITAL INCREASE

The Board of Directors, at its meeting of 24 March 2022, noted the definitive completion of the capital increase resulting from the definitive vesting:

- in accordance with the decision of the Board of Directors of 9 July 2019, of 2,250 free shares granted to their beneficiary and definitively vested since 1 February 2022, it being specified that these shares will be freely tradable from 1 February 2023.

The Board of Directors accordingly noted that:

- the capital increase resulting from the definitive vesting of the aforementioned free shares will be paid up by incorporation, in the share capital account, of the corresponding amounts taken from the Company's reserve and share premium accounts;
- each share thus issued is issued at a unit price of thirty-five (35) euros, i.e. a total capital increase of €78,750 through the issue of 2,250 new ordinary shares.

1.11. PRESENTATION OF PARAGON ID SA COMPANY FINANCIAL STATEMENTS

The company financial statements (statement of financial position, income statement and notes) have been produced according to the same accounting rules and methods as the previous year.

The Company made a loss of €(5,398) thousand in this financial year versus a loss of €(3,924) thousand in the previous financial year.

- Revenues stood at €12,433 thousand versus €10,368 thousand in the previous financial year.

- Total operating income was €14,084 thousand versus €11,345 thousand in the previous financial year.

- Total operating expenses were €(16,698) thousand versus €(14,456) thousand in the previous financial year.

- The Company made an operating loss of €(2,614) thousand compared with €(3,111) thousand in the previous financial year, including:

    - €(3,521) thousand in wages and salaries versus €(4,003) thousand in the previous financial year;
    - €(1,610) thousand in social security charges versus €(1,543) thousand in the previous financial year.

- Net finance income amounted to an expense of €(2,342) thousand versus an expense of €(724) thousand in the previous financial year, comprising mainly interest on the non-convertible bonds of Grenadier Holdings Ltd in accordance with the capital contribution agreement signed by both companies in April 2017.

- Non-recurring losses of €(487) thousand were incurred versus €(320) thousand in the previous financial year.

In accordance with the provisions of Article 243 bis of the French General Tax Code, we hereby inform you that no dividends were distributed in the previous three financial years.

Finally, in accordance with the provisions of Article 223 quater of the French General Tax Code, we inform you that the financial statements from the past financial year do not include any non-deductible expenses within the meaning of Article 39-4 of the aforementioned Code.

The Statutory Auditors will present to you their report on these company financial statements. We would then ask you to approve the aforementioned financial statements for the financial year ended 30 June 2022.

1.12. ALLOCATION OF THE INDIVIDUAL INCOME OF PARAGON ID SA

In accordance with the law and our Articles of Association, the General Meeting is asked to allocate the profit (loss) for the period ended 30 June 2022, in this case totalling a loss of €(5,397,565), to "Retained Earnings" whose negative balance will thus increase from €(48,144,931) to €(53,542,496).

In light of this allocation, the Company's equity will total €75,377,101 following the capital increase of €78,750 during the financial year.

1.13. TABLE OF THE COMPANY'S RESULTS FOR EACH OF THE LAST FIVE FINANCIAL YEARS

In accordance with the provisions of Article R. 225-102 of the French Commercial Code, **Appendix A** includes a table of the Company's results in each of the last five financial years.

1.14. AMOUNT OF LOANS OF LESS THAN TWO YEARS GRANTED TO COMPANIES WITH WHICH THE COMPANY HAS ECONOMIC TIES JUSTIFYING SUCH LOANS

N/A.

1.15. INFORMATION ON SUPPLIER AND CUSTOMER PAYMENT TERMS

In accordance with Articles L. 441-6-1 par. 1 and D. 441-4 of the French Commercial Code, these break down as follows, as of 30 June 2022:

- in the case of suppliers, the number and total amount of outstanding invoices received and unpaid, broken down by ageing bracket and shown as a percentage of the total amount of purchases in the financial year;
- in the case of customers, the number and total amount of outstanding invoices issued and unpaid, broken down by ageing bracket and shown as a percentage of revenues in the financial year.

Invoices received and issued but not paid at the end of the financial year, which are past due (Table provided for in I of Article D. 441-4)

in thousands of euros	Article D. 441 I.-1: ***Invoices received*** but not paid at the end of the financial year, which are past due						Article D. 441 I.-2: ***Invoices issued*** but not paid at the end of the financial year, which are past due					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment tranches												
Number of invoices affected						305						815
Total amount of invoices affected inclusive of tax	1,578	518	152	362	1,158	2,191	3,353	269	70	7	2,164	2,510
Percentage of the total amount of purchases for the financial year inclusive of tax	14%	5%	1%	3%	11%	20%						
Percentage of revenues for the financial year inclusive of tax							24%	2%	1%	0%	16%	18%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and receivables												
Number of invoices excluded	213						271					
Total amount of the invoices excluded inclusive of tax	(1873)						8306					
(C) Reference payment periods used (contractual or legal period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment periods used for the calculation of late payments	Contractual payment periods						Contractual payment periods					

1.16. SUBSIDIARIES' ACTIVITIES

In accordance with **Article L. 233-6 of the French Commercial Code**, we provide a report on the activities and results of the Company's subsidiaries and acquisitions during the financial year.

1.17. ACTIVITIES OF EXISTING SUBSIDIARIES AT THE BEGINNING OF THE FINANCIAL YEAR:

- ASK IntTag (USA)

The company is 99%-owned by Paragon ID SA. It is located in Burlington, Vermont (United States). It holds a Paragon ID SA manufacturing and technology licence allowing it to manufacture products which it distributes to American and Canadian customers. In particular, it produces electronic components for US passports for the Government Printing Office (GPO) as well as Driving Licences for a number of US states.

In the past financial year, the subsidiary reported a profit of €475 thousand and €11,078 thousand in revenues (before intercompany eliminations).

- ASK ASIA HK Limited (HONG KONG)

ASK ASIA HK Ltd is a holding company whose sole activity is holding equity securities in ASK Smart (in China). It received no dividends from ASK SMART and paid no dividends to Paragon ID SA in the past financial year.

- ASK SMART Technology Co. Ltd (CHINA)

The company is a wholly-owned subsidiary of ASK Asia HK Ltd. The company ceased operations at its remote passport production centre for Paragon ID SA in the financial year ended 30 June 2018.

All of the subsidiary's losses and revenues are classified in discontinued operations in the consolidated financial statements: the subsidiary reported a loss of €(30) thousand and no revenues (before intercompany eliminations).

- Paragon Identification SAS (France)

The company is a wholly-owned subsidiary of Paragon ID SA. It is located in Argent-sur-Sauldre (France). The company's activities centre on magnetic and RFID tickets as well as RFID labels and tags. The company also offers its customers solutions and services such as personalisation and encryption solutions.

In the financial year ended 30 June 2022, the subsidiary reported €(406) thousand in losses and €45,416 thousand in revenues (before intercompany eliminations).

- Paragon Identification Srl (Romania)

The company is a wholly-owned subsidiary of Paragon Identification SAS. It is located in Otopeni (Romania). The company was established in July 2016 as a remote production centre for flexible RFID tickets and labels as well as the production of passports on behalf of companies within the Group. The bulk of the company's revenues is from intercompany transactions.

In the financial year ended 30 June 2022, the subsidiary reported €(303) thousand in losses and €2,258 thousand in revenues (before intercompany eliminations).

- Bemrose Booth Paragon Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Paragon Identification SAS. It is located in Hull (United Kingdom). The company's activities centre mainly on the production and distribution of magnetic and RFID tickets for public transport and car park contracts, as well as equipment tracking solutions aimed at customers in the health and manufacturing sectors.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €1,654 thousand and €21,969 thousand in revenues (before intercompany eliminations).

- Burrall Infosmart Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Bemrose Booth Paragon Ltd. This previously dormant subsidiary was reactivated during the financial year with the contribution of part of the activities of a subsidiary of the Paragon Group producing labels for the airline industry as well as transport carriers and logistics specialists.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €235 thousand and €3,706 thousand in revenues (before intercompany eliminations).

- Magnadata USA Inc (USA)

The company is wholly-owned by Bemrose Booth Paragon Ltd, and distributes magnetic and RFID products manufactured by Bemrose Booth Paragon in its production plant in Hull to the North American market.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €90 thousand and €1,556 thousand in revenues (before intercompany eliminations).

- Paragon Identification Pty Ltd (Australia)

The company is wholly-owned by Bemrose Booth Paragon Ltd, and distributes RFID products manufactured by Bemrose Booth Paragon in its production plant in Hull to the Australian market.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €78 thousand and €1,313 thousand in revenues (before intercompany eliminations).

- AmaTech Group Ltd (Ireland)

The company is 99.72%-owned by Paragon ID SA. The company develops and markets RFID contactless technologies, particularly for use in metal bank cards.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €2,311 thousand and €5,810 thousand in revenues (before intercompany eliminations).

- AmaTech Feincis Teoranta (Ireland)

The company is a 99.72%-owned subsidiary of AmaTech Group Ltd. The company holds all the patents developed by AmaTech Group Ltd. The company is dormant.

- AmaTech USA Inc (USA)

The company is a 99.72%-owned subsidiary of AmaTech Group Ltd. The company has been dormant since April 2019, since all the contracts it managed have expired or been transferred to AmaTech Group Ltd.

- Thames Card Technology Ltd (United Kingdom)

Based in Rayleigh (United Kingdom), the company is a wholly-owned subsidiary of Bemrose Booth Paragon Ltd. The company's activities centre on the design, manufacture, personalisation and distribution of payment cards, loyalty cards, gift cards and other types of closed-loop payment cards.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax losses of €(949) thousand and €19,894 thousand in revenues (before intercompany eliminations).

- Airweb (France)

The company is 80%-owned by Paragon ID SA. Based in Saint Cloud (France), the company's activity is focused on the development of mobile and digital solutions for the electronic sale of transport tickets.

In the financial year ended 30 June 2022, the subsidiary reported €(987) thousand in losses and €1,922 thousand in revenues (before intercompany eliminations).

- Apitrak (France)

The company is 51.3%-owned by Paragon ID SA. Based in Meylan (France), the company's activity is focused on the development of Real-time locating systems (RTLS) for assets, using a wide range of technologies, and in particular active and passive RFID, Bluetooth Low Energy (BLE), Wi-Fi and GPS.

In the financial year ended 30 June 2022, the subsidiary reported €(126) thousand in losses and €335 thousand in revenues (before intercompany eliminations).

1.18. ACQUISITION DURING THE FINANCIAL YEAR

- Paragon Property Holdings llc (USA)

The company is a wholly-owned subsidiary of Paragon ID SA. The Company owns the Group's real estate assets located in High Point, North Carolina.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €49 thousand and zero revenues (before intercompany eliminations).

- EDM Technology Inc (USA)

The company is a wholly-owned subsidiary of Paragon ID SA. Based in High Point (USA), the Company's activity is concentrated around the production and distribution of magnetic and RFID products manufactured in its plants in High Point, North Carolina.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €674 thousand and €5,210 thousand in revenues (before intercompany eliminations).

- Airweb UrbanThings Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Paragon ID SA. The company is a holding company whose sole activity is the holding of the equity securities of UrbanThings Ltd (in the United Kingdom). It did not receive any dividends from UrbanThings Ltd and did not pay any dividends to Paragon ID SA during the past financial year.

1.19. ACTIVITY OF SUBSIDIARIES ACQUIRED DURING THE YEAR:

- Security Label GmbH (Germany)

The company is 93.3%-owned by Paragon ID SA. Based in Sarstedt (Germany), the company's activity is concentrated around the production and distribution of baggage tags for airlines.

In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €923 thousand and €9,664 thousand in revenues (before intercompany eliminations).

- UrbanThings Ltd (United Kingdom)

The company is a wholly-owned subsidiary of Airweb UrbanThings Ltd. The company's activity is focused on the development of mobile and digital solutions for the electronic sale of transport tickets.

The subsidiary was acquired on 28 June 2022. In the financial year ended 30 June 2022, the subsidiary reported pre-tax profits of €0 thousand and zero revenues (before intercompany eliminations).

1.20. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Articles L. 233-16 et seq. of the French Commercial Code, our Company has prepared consolidated financial statements with all of its subsidiaries.

The figures stated below are consolidated and prepared according to IFRS standards on the basis of a 12-month financial year ended 30 June 2022 compared with a 12-month period ended 30 June 2021. More detailed explanations and information are given in the notes to the consolidated financial statements.

As of the end of 2022, the consolidated revenues of the PID Group totalled €130.8 million, versus €84 million in 2021. A breakdown of sales figures is provided in Part 1 of this report.

Operating income before depreciation, amortization and non-recurring items totalled €10.3 million, versus €5.5 million in 2021. The change is mainly due (1) to the resumption of activity, which generated a margin on the cost of materials of 49.5% compared to 50.1% for the previous financial year. This small decrease is the result of strict control of the costs incurred, a careful choice of suppliers and the precise execution of activities. The supply context has not been favourable, with tensions in the supply chains leading to price increases.

(2) Furthermore, the Group increased its workforce from 562 at 30 June 2021 to 704 (excluding temporary staff) at 30 June 2022 in order to cope with the expansion in activity and support its strategic initiatives, leading to higher employee costs, which amounted to €36.5 million in the past financial year compared to €24.6 million in the previous financial year.

(3) Finally, other operating expenses amounted to €18.4 million compared to €12.2 million, an increase of €6.2 million. This 51% increase is correlated with the level of activity. Transport and Energy items were also penalised by supplier price increases.

As a reminder, the strategic development actions implemented by the Group:

- the development of the mobile ticketing offer and PaaS for public transport;
- the development of the real-time asset location offering and product traceability;
- the development of a new RFID label offering for the retail and ready-to-wear sectors.
- the continuous development of the metal payment card offer for which the Group holds the key patents.

Non-recurring income amounted to €0.1 million compared to expenses of €2.1 million in 2021. This mainly stems from the downward revision of the estimated debt relating to the deferred payment of the non-controlling interests of Apitrak due to lags in achieving the company's Business Plan as provided for by the acquisition contract.

The increase in depreciation, amortisation and impairment, from €8.6 million in the previous financial year to €10.7 million in this financial year, is mainly due to the addition of the assets of Security Label and EDM to the Group, as well as the production launch of projects relating to strategic initiatives and the increase in software sales activities with a higher research and development component.

After accounting for non-recurring items and net amortisation/depreciation and provisions, operating income was a positive €213 thousand in the 2022 financial year, versus an operating loss of €(5.1) million in the previous financial year.

Net finance income amounted to an expense of €(2.1) million, versus €(1.2) million in 2021. This increase is mainly due to the increase in the Group's financial debt, contracted to support its strategy of both organic and external growth.

Net income after tax from continuing activities resulted in a net loss of €(2.5) million in 2022, versus €(5.6) million in 2021. It should be noted that the ASK Smart subsidiary reported losses totalling €(25) thousand, versus €(19) thousand in 2021 and has been classified in discontinued operations since 30 June 2019.

As of 30 June 2022, the Group had equity of €22.7 million, compared with €27.7 million as of 30 June 2021 due to the loss for the financial year.

Financial debt went from €61.6 million at the end of 2021 to €72.6 million at the end of 2022.

The Statutory Auditors will present their report on the consolidated financial statements for the financial year ended 30 June 2022.

In accordance with Articles L. 225-100 and L. 233-16 of the French Commercial Code we ask that you approve the consolidated financial statements presented to you.

1.21. KEY EVENTS SINCE THE END OF THE FINANCIAL YEAR

1.22. ACQUISITION OF TRACKTIO

On 19 July 2022, Paragon ID SA acquired all of the securities of Tracktio SA, thus obtaining control of this company.
Based in Barcelona, Spain, Tracktio's aim is to improve the security and productivity of companies operating in hostile environments such as construction and civil engineering, oil and gas, mining operations, etc. Its TrackSphereTM software suite provides intelligent operational solutions for applications such as real-time monitoring of equipment flows, geolocation analyses, and inventories, or personnel supervision for security and productivity purposes.
The acquisition of Tracktio will enable Paragon ID to extend its real-time tracking solutions to other technologies such as GPS, LoRa, UWB, Quuppa and optical identification, and to strengthen its offer in the sectors of industry, mining and logistics. Furthermore, the TrackSphereTM software platform, designed to be configurable and customisable for white label use, and with no-code configuration and API scalability, is an ideal tool for Paragon ID's partner network to promote.
Both companies will work closely together to combine their expertise and thereby create a complete geolocation platform capable of integrating all available technologies to provide the most appropriate solutions for various applications, environments and customer requirements.

1.23. OUTLOOK AND FUTURE PROSPECTS

The Group intends to continue its growth during the coming financial year, capitalising on the developments initiated on these strategic initiatives based on the Group's historical activities and know-how.

The Group's ability to continue as a going concern over the next 12 months depends on the continued support of its main shareholder in the financing of the Group's development focuses, particularly in terms of deferred payments in the context of recent acquisitions.

The main shareholder will continue to support the Group financially over the next 12 months, as well as in terms of human resources, as it has done since its takeover.

For the eID business line:

The operational ramp-up carried out in the US during the past financial year as well as the commercial progress made on the new polycarbonate offers, enable strong growth in this business line to be targeted for the entire 2022/23 financial year.

For the Mass Transit business line:
The ramp-up of Airweb's SaaS platforms and the breakthrough of new ticketing offers associated with an "ABT" customer account, as well as the continued growth in public transport traffic of Paragon ID's Mass Transit customers, allow us to envisage continued growth in this business line in the 2022/23 financial year.

For the Track and Trace business line:
Traceability activities are expected to grow thanks in particular to (i) the continued upturn in air traffic supporting steady growth at Security Label, (ii) the acceleration of the marketing of the real-time asset location offer, particularly in the United States, as well as the expansion of the customer portfolio to customers outside the health sector, (iii) the acceleration of the production of RFID tags for the retail market to meet the demand of these existing customers. These are expected to further accelerate the growth of this business line in 2022/23.

For the Payment business line:
The growing boom in metal payment cards, generating licence revenue from AmaTech technologies, as well as the launch of the in-house manufacturing of metal cards by Thames Technology, should continue to support the dynamic development of this division in 2022/23.

In 2022/23, Paragon ID intends to continue its growth and strengthen its profitability.

This means simultaneously:

- accelerating the production and marketing of its new Polycarbonate products;
- continuing to distribute its mobile offering to transport networks;
- accelerating the marketing of its ticketing offer associated with "ABT" customer accounts;
- accelerating the production of its RFID tags for the retail market;
- extending the distribution of its real-time asset location offering by leveraging its new Apitrak and Tracktio acquisitions;
- extending its penetration into the banking sector, drawing on its strategic advantage in contactless metal cards, as well as the expansion of its new subsidiary, Thames Technology.

1.24. MAIN RISKS AND UNCERTAINTIES

The Company carried out a detailed and comprehensive update of its risk factors during the preparation of its universal registration document, filed with the French Financial Markets Authority (AMF - *Autorité des Marchés Financiers*) on 30 March 2022 under number R.22-007. They are presented in Chapter 3 "Risk factors" of said document.

1.25. EMPLOYEE SHAREHOLDING AND TRANSACTIONS CARRIED OUT BY THE COMPANY OR RELATED COMPANIES IN RESPECT OF STOCK PURCHASE OR SUBSCRIPTION OPTIONS RESERVED FOR EMPLOYEES AND EXECUTIVES AS WELL AS IN RESPECT OF THE ALLOCATION OF FREE SHARES TO THESE SAME PERSONS

In accordance with the provisions of Article L. 225-102 of the French Commercial Code, we hereby inform you of the status of employee shareholding as of the reporting date, i.e. 30 June 2022.

Employee shareholding accounts for 0.63% of the share capital.

As of 30 June 2022, the Company had not introduced an Employee Savings Plan (PEE) or a Company Employee Mutual Fund (FCPE). Consequently, no employees of the Company or affiliated companies as defined by Article L. 225-180 of the French Commercial Code held Company shares as part of a PEE or FCPE.

In accordance with the provisions of Articles L. 225-180 II and L. 225-184, each year a special report notifies, where applicable, the Ordinary General Meeting of any transactions by the Company or affiliated companies to allocate stock options to employees or executives of the Company and related companies.

Since neither the Company nor affiliated companies allocated stock options to employees or executives, no such report has been prepared.

In accordance with the provisions of Articles L. 225-197-4 and L. 225-197-5, each year a special report notifies, where applicable, the Ordinary General Meeting of any transactions by the Company or affiliated companies to allocate free shares to employees and corporate officers of said companies. This report details the number and value of free shares allocated to corporate officers of the aforementioned companies, to each of the Company's 10 employees with no corporate office with the highest number of free shares, as well as the number and value of shares allocated over the period to all employees, the number of beneficiaries and the breakdown of shares allocated between the categories of these beneficiaries.

The Company allocated free shares to one of its employees during the financial year ended 30 June 2022. Related companies did not allocate any free shares. The report provided for by the aforementioned texts is attached to this report and also provides follow-up on the free shares previously allocated.

2. INTERNAL CONTROL

In order to improve its internal control system, the Group has decided to refer to the implementation guide for medium and small caps of the Reference framework for risk management and internal control published by the AMF on 22 July 2010.

2.1. INTERNAL CONTROL: DEFINITION AND OBJECTIVES

The internal control system supports the management of Group activities, the smooth running of its operations and the efficient use of its resources. The Group has implemented an internal control system which aims to ensure:

- the completion and optimisation of transactions, including transaction performance and the protection of assets;
- the reliability of financial and management information, the accuracy and comprehensive nature of accounting records and the timely production of reliable accounting and financial reports;
- the compliance of activities with current laws and regulations;
- the prevention and control of risks arising from the company's operations, risks of error or fraud, in particular of a financial or accounting nature.

As with any control system, it cannot, however, fully guarantee that the Group's objectives will be met, nor that risks of error or fraud have been fully controlled or eliminated.

2.2. RESPONSIBILITY FOR INTERNAL CONTROL

Monitoring the effectiveness of internal control and risk management systems falls within the remit of the Board of Directors, through its Audit Committee. The aim of this committee is to offer guidance, advise and make recommendations on internal control to the Board of Directors.

Members of the management team and financial departments are responsible for the implementation, formalisation and monitoring of the internal control system.

All of the Group's employees play a part in the internal control system.

2.3. PUBLISHING OF RELEVANT AND RELIABLE INFORMATION

The Group regularly publishes press releases to provide shareholders and the public with regulated information and any information it deems necessary. The Disclosure Committee ensures that all relevant information is communicated to the market; it systematically reviews all press releases in accordance with its role described in paragraph 4.1.8 of this document. Press releases are drafted externally by a PR agency and reviewed by the Chief Executive Officer before being submitted to the Board of Directors.

Annual and half-yearly financial press releases are reviewed by the Audit Committee.
Other press releases are reviewed by the Executive Committee and discussed with the Board of Directors if they contain strategic information.

2.4. RISK IDENTIFICATION AND ANALYSIS

The main types of risks are divided into five categories:

In particular, the main types of risks are:
- risks related to the Company's activities;
- risks related to the Company's organisation and key employees;
- market risks;
- financial risks;
- exceptional events and disputes.

2.5. CONTROL ACTIVITIES

2.6. THE MAIN PROCEDURES ESTABLISHED BY THE GROUP ARE AS FOLLOWS:

- Expenses procedure
- Purchasing procedure
- Call to tender and contracts review procedure
- Banking authorisation procedure
- Recruitment procedure
- Invoicing procedure
- Physical inventory procedure
- Capital expenditure procedure (CAPEX)
- Budgeting procedure
- Handling of confidential information
- Anti-bribery code of conduct

2.7. PROCEDURES RELATED TO OPERATIONAL PROCESS

Sales Process/Customers
Particular attention is paid to revenue recognition. The criteria for recognising revenues, using IFRS standards, are approved prior to any measurement.
The degree of exposure to counterparty risk is low in commercial activities due to the profile of the Group's customers. However, in the case of new customers, specific procedures are implemented to verify their solvency, such as advance payments, for example.
Late payments give rise to regular reminders and legal action where necessary.

Purchasing/Supplier process
Each purchase is subject to prior authorisation ("Purchase Request") which, where applicable, may require approval from General Management, particularly in the case of significant capital expenditure ("Capex").
Given the nature of the Group's activity, the number of suppliers remains low and is regularly reviewed by Operational Management.

Payroll Process/Personnel
Hiring is carried out by human resources following approval by General Management. Staff hires and departures are monitored in an intranet application. Components of variable compensation are proposed by each manager, assessed by human resources against the (i) compensation policy and (ii) any annual mandatory wage-bargaining agreements, and finally approved by General Management. Payroll is outsourced to a recognised service provider and the importation of data is monitored on a monthly basis.

2.8. PROCEDURES RELATING TO ACCOUNTING AND FINANCIAL INFORMATION

Reporting
Reporting on the results of each subsidiary and the progression of management indicators is produced each month and reviewed on a monthly basis ("Business Review") with General Management.
The Group also produces regular reports for the Board of Directors.

Financial statements
The production, processing and communication of financial information published under French GAAP and IFRS are internalised.
Each year, General Management and the Finance Department analyse the new IFRS standards and their potential impact on the financial statements.

Cash
A clear separation is made between accounting functions and the management of payment methods. Physical security (access to premises, protection of payment methods) is taken into account. The Group does not perform speculative transactions on interest rates or currencies but may be required to perform hedging transactions.
At its meeting on 30 May 2017, the Board of Directors authorised a cash agreement between the Group and Paragon Group Ltd, Grenadier Holdings Ltd and the subsidiaries of the Paragon Group. Under this agreement, the Group authorised Paragon Group Ltd to manage its cash. As such, it can approve and receive advances.

2.9. INTERNAL CONTROL SYSTEM STEERING AND OVERSIGHT

The Audit Committee oversees the internal control system, based on recommendations by the Statutory Auditors, to ensure it is consistent with the Group's objectives. Following analysis, the committee issues guidance on steering internal control for the relevant departments, chief among which is the Finance Department.

2.10. REVIEW OF ACTIONS TAKEN DURING THE YEAR

Over financial year 2021/2022, the Group and the Company continued to strengthen their accounting and financial teams, under the leadership of its Chief Financial Officer, Sébastien Chavigny.

The Group also extended its IT projects to standardise and safeguard (i) the preparation of accounting information, (ii) its reporting, as well as (iii) its circulation to various parties.

2.11. AREAS FOR IMPROVEMENT AND DEVELOPMENT PROSPECTS

In the area of accounting and financial reporting, as stated above, the Group and the Company will continue these projects to streamline and standardise reporting systems in the coming year. In parallel, efforts will be made to strengthen the accounting and finance teams, particularly in the subsidiaries.

In other areas of internal control, the Group will continue to standardise its two internal control frameworks: that of the Paragon Group and that of the listed companies, in accordance with the principles published by Euronext and the French Financial Markets Authority.

2.12. BREAKDOWN OF OPERATIONS ON SECURITIES BY EXECUTIVES, SENIOR MANAGEMENT OR INDIVIDUALS WITH WHOM THEY HAVE CLOSE TIES

N/A.

2.13. GREEN TAXONOMY

The "Green" Taxonomy set up by the European Union (EU) aims to encourage and promote sustainable investments within the EU.

On 18 June 2020, the EU published European Regulation 2020/852, which establishes a European standard for classifying sustainable activities, initially by introducing a nomenclature of economic activities according to their contribution to climate change.

At the beginning of 2023, the delegated acts relating to the four environmental objectives will be added to those on Climate: "the sustainable use and protection of water and marine resources", "the transition to a circular economy", "pollution prevention and control", and" the protection and restoration of biodiversity and ecosystems", with a view to entry into force from 2025.

In 2021, the two delegated acts - delegated regulation 2021/2139 of 4 June 2021 and Article 8 of delegated regulation 2021/2178 of 6 July 2021 - specified the activities and technical criteria to be met in order to be considered as a sustainable activity.

For the 2021/22 financial year, the regulation requires that only information relating to "eligibility" be reported, i.e. before taking into account technical criteria. The application of this regulation therefore results in the Group's activities being classified as "Eligible" or "Non-eligible", in accordance with the descriptions presented in the European delegated acts.

Paragon ID is therefore required to indicate the proportion of its revenues, capital expenditure (CAPEX) and operating expenditure (OPEX) that are eligible under the climate change adaptation or mitigation objectives.

2.14. DETERMINATION OF ELIGIBLE REVENUES

Paragon ID carried out an analysis of its activities with regard to the first two environmental objectives (climate change mitigation and climate change adaptation) and identified three main types of offers for this review: (i) sale of technologies allowing the identification of people or objects (RFID inlays, tickets or transport cards/labels, etc.), (ii) sale of electronic solutions & software platforms and (iii) revenues from the sale of payment cards and the use of unique patents relating to contactless payment in this field.

The analysis carried out on the three categories of income defined, consisted in ensuring whether the activity carried out corresponded to one of the activities described in Annex 1 and 2 of Delegated Act 2021/2139 of 4 June 2021.

Sales of electronic solutions and revenues from the use of patents were considered “Non-eligible” by their nature and as they are not related to one of the activities listed by the European texts.

It should be noted, however, that the Airweb software platform, which allows users to no longer purchase “physical” public transport tickets, or the RFID Discovery platform, which makes it possible to track assets in real time, have very positive consequences in terms of the environment (fewer physical tickets produced/better use of assets, etc.).

The manufacture of technologies for the identification of people and objects, as well as the manufacture of payment cards, were analysed with regard to the “Manufacturing Industry” nomenclature as defined by the EU. These technologies produced by the company and which enable our customers to optimise their flows (and thereby produce less and waste less) are not directly linked to climate change and are therefore not eligible in 2021/22. On the other hand, they may become eligible under future environmental objectives (circular economy or pollution reduction, for example), if these were to cover goods that enable a reduction in the amount of waste, and subject to a new eligibility analysis being conducted.

2.15. CAPEX AND OPEX ELIGIBLE FOR THE GREEN TAXONOMY

2.15.1.1. DEFINITION OF RATIOS ACCORDING TO GREEN TAXONOMY REGULATIONS

Eligible Capex and Opex are costs incurred related to (i) assets or processes associated with eligible activities, (ii) Capex/Opex included in a plan aiming to extend or make an activity sustainable, or (iii) individually eligible Capex/Opex.

As Paragon ID does not have any eligible activities under the 2021 regulation, the analysis relating to Capex and Opex therefore focuses on individually eligible measures.

The investments (Capex) to be considered in the analysis concern new property, plant and equipment and intangible assets for the period, increases in assets relating to rights of use of leases under IFRS 16 and acquisitions made during business combinations during the financial year (Security Label, EDM, UrbanThings).

Operating expenses (Opex) to be considered in the analysis of the Green Taxonomy Opex ratio are certain non-capitalised direct costs, including research and development expenses, building renovation costs, short-term leases, direct expenses related to the maintenance of tangible assets necessary for their proper functioning and maintenance, servicing and repair costs.

2.15.1.2. ELIGIBLE CAPEX RATIO

The eligibility ratio for Paragon ID’s Capex is therefore calculated as follows:

Eligible Capex/Total Capex

The analysis of eligible capex concludes that investment expenses related to the renovation of buildings, the improvement of energy efficiency, the installation of charging equipment for electric vehicles and long-term vehicle leases (IFRS 16) should be taken into account. In addition to these capital expenditures, the renewal and acquisition of leases (IFRS 16) should be included. “Total Capex” corresponds to all tangible and intangible acquisitions (including IFRS 16) during the financial year.

On this basis, the eligible Capex ratio for 2021/22 stands at 10%.

2.15.1.3. ELIGIBLE OPEX RATIO

The objective is to calculate an eligibility ratio for Paragon ID Opex as follows:

Eligible Opex/Total Opex

The denominator corresponds to the Opex as explained in the “Definitions” paragraph.

Eligible Opex are direct operating expenses for site maintenance and development (heating, air conditioning, refurbishment, energy audit). On this basis, the ratio of eligible Opex is not material.

2.16. SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

The Company has produced a non-financial performance statement which is presented in **Appendix B** of this report.

PART II - CORPORATE GOVERNANCE REPORT

This section is presented in accordance with the provisions of Article L. 225-37 paragraph 6 of the French Commercial Code.

To organise its governance, the Board of Directors decided to refer to the **Middlenext Corporate Governance Code**, as updated by Middlenext in September 2021 (hereinafter "the Middlenext Code") and approved as a reference code by the French Financial Markets Authority (AMF - *Autorité des Marchés Financiers*). This Corporate Governance Code is available on the Middlenext website.

The Board of Directors, after taking note of the recent revision of the Middlenext Code, is ensuring the gradual implementation of its revised recommendations.

In accordance with the "apply or explain" principle, this report specifies the provisions of the aforementioned Corporate Governance Code which have not been applied by the Company and the reasons for non-application.

3. GOVERNANCE AND MANAGEMENT BODIES: OPERATING PROCEDURES

3.1.1. COMPANY MANAGEMENT

The Company is a public limited company (*société anonyme*) with a Board of Directors which operates as set out in Articles 10 and 11 of its Articles of Association.

The Company's Board of Directors has been chaired by John Rogers since 28 April 2017.

Article 12 of the Company's Articles of Association sets out the rules of procedure governing the Company's general management.

Responsibility for general management is assumed either by the Chairman of the Board of Directors, or another natural person appointed by the Board of Directors as Chief Executive Officer.

At its meeting on 12 December 2018, the Board of Directors voted to appoint Clement Garvey as the Company's Chief Executive Officer for a term ending at the end of the first meeting of the Board of Directors following the General Meeting called to approve the financial statements for the financial year ended 30 June 2020. At its meeting of 10 December 2020, the Board renewed the term of Clement Garvey as Chief Executive Officer for an indefinite period.

Like all members of the management team, his biography is available on the Company's website: https://www.paragon-id.com/en/content/management-team

3.1.2. POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer represents the Company in its dealings with third parties.

The powers of the Chief Executive Officer are described in Article 12 of the Company's Article of Association. The Chief Executive Officer is invested with the most extensive powers to act in any circumstances on behalf of the Company. His powers are restricted to the company's purpose and subject to those expressly conferred by General Meetings and the Board of Directors.

Moreover, at its meeting on 10 December 2020, the Board of Directors modified the limitations on the powers of the Chief Executive Officer introduced at the meeting of 30 May 2017. These limitations are as follows:

Decisions that may only be taken with the prior authorisation of the Board of Directors

Disposal of Company assets with a value in excess of....................	Five million euros (€5,000,000)
Entering into sales agreements or customer agreements for an annual amount in excess of	Four million euros (€4,000,000)
Entering into sales agreements or customer agreements for an amount in excess of	Ten million euros (€10,000,000)
Entering into purchase and supply agreements for an annual amount in excess of	Two million euros (€2,000,000)
Capital expenditure in excess of	Five hundred thousand euros (€500,000)
Entering into leases for an annual amount in excess of	One hundred and fifty thousand euros (€150,000)
Hiring and dismissal of employees at hierarchical levels N-1 and N-2 in relation to the Chief Executive Officer, whose gross annual salary including employer contributions is greater than	One hundred thousand euros (€100,000)
Changes in salaries at hierarchical levels N-1 and N-2 in relation to the Chief Executive Officer by a gross annual amount including employer contributions greater than	Twenty thousand euros (€20,000) or Two (2)% in the case of collective bargaining
Allocation of special awards or bonuses to any employee at hierarchical levels N-1 and N-2 in relation to the Chief Executive Officer of a gross annual amount including employer contributions greater than	Twenty thousand euros (€20,000)
Approval of the annual budget and strategy	

Article 10 of the Company's Articles of Association supplements these provisions specifying that, in the event of a tie, the Chairman of the Board of Directors has the deciding vote.

3.1.3. DEPUTY CEO

The Company has not appointed a Deputy Chief Executive Officer.

The list of executives is as follows:

As of the date of this report:

Last name	**Office**	**Beginning of term**	**End of term**	**Position and office within the Company**
John Rogers	Chairperson	28 April 2017 (first term of office as director)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Chairman of the Board of Directors
Clement Garvey	Chief Executive Officer (not on the Board)	12 December 2018	Unlimited	Chief Executive Officer

3.1.4. COMPOSITION AND FUNCTIONS OF THE BOARD OF DIRECTORS

3.1.4.1. COMPOSITION OF THE BOARD OF DIRECTORS

The Company is governed by a Board of Directors made up of no fewer than four members and no more than eighteen members, unless otherwise permitted by law.

The length of the term of office of directors was reduced from six years to two years by the General Meeting on 27 April 2017 (5th resolution). Terms of office end following the Ordinary General Meeting called to approve the financial statements for the past financial year and held in the year in which their term of office expires.

All terms of office are of equal length and end following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022.

As of 30 June 2022, the composition of the Company's Board of Directors was as follows:

Last name	**Office**	**Beginning of term**	**End of term**	**Other company positions and offices**
John Rogers	Director Chairman of the Board of Directors	28 April 2017 (first term of office – co-opted) 12 December 2018 (first appointment)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member of the Appointments and Compensation Committee Member of the Disclosure Committee
Valery Huot, representing LBO France Gestion	Director	Reappointed on 12 December 2018 (First appointed: 22 July 2005)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member of the Audit Committee Member of the Appointments and Compensation Committee
Elisabeth 'Lis' Iceton	Director	28 April 2017 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member and Chairperson of the Audit Committee
Dominique Durant des Aulnois	Director	28 April 2017 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Secretary General Member of the Audit Committee Member of the Appointments and Compensation Committee Member of the Disclosure Committee

Laurent Salmon	Director	12 December 2018 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	N/A.
Alyna Wnukowsky	Director	12 December 2018 (first term)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	N/A.

Maurizio Petitbon, representative of Kreos Capital, is the Company's only non-voting member and has a six-year term which expires following the Ordinary General Meeting called to approve the financial statements for the financial year ended 30 June 2022, to be held in 2022.

3.1.5. GENDER REPRESENTATION ON THE BOARD OF DIRECTORS

Articles L. 22-10-3 and L. 225-18-1 of the French Commercial Code stipulate that the proportion of directors of each gender may not be less than 40% in companies whose shares are admitted to trading on a regulated market.

In these companies, where a Board of Directors comprises over eight members, the difference between the number of directors of each sex must not be greater than two.

The Board of Directors comprises four men and two women. As such, the principle of gender balance on the Company's Board has been complied with at 30 June 2022.

3.1.6. GENDER BALANCE ON THE BOARD OF DIRECTORS

Every year the Board of Directors discusses the Company's equality in the workplace and pay equality policies based on the gender equality indicators set out in Article L. 2312-18 of the French Labour Code and Article L. 1142-8 of that code, where applicable, as well as on the basis of the gender equality plan referred to in Article L. 1143-1 of the aforementioned code where applicable.

3.1.7. DIVERSITY AND EQUITY POLICY WITHIN THE COMPANY

The Board of Directors, in accordance with **recommendation no. 15** of the Middlenext Code requesting companies to verify that a policy to achieve gender balance and equity is properly implemented at each hierarchical level of the Company, conducted an audit of the Company and its subsidiaries on this point, in particular in France and the United Kingdom. The Board of Directors has provided for the implementation of the same procedures in all subsidiaries and the transcription of its conclusions in the non-financial performance statement during 2023.

3.1.8. MISSIONS OF THE BOARD OF DIRECTORS

In accordance with the Law, the Board of Directors sets the Company's strategic priorities and oversees their implementation.

Subject to the powers expressly conferred by law to ordinary General Meetings and within the limit of the Company's purpose, it addresses any issues relating to the smooth running of the Company and, through its deliberations, settles any relevant matters. The Board of Directors examines and approves the Company's key strategic priorities.

The operation and powers of the Board of Directors are governed by the provisions of the French Commercial Code, the provisions of Article 10 of the Company's Articles of Association and the Internal Regulations. Its main duties are:

- determining the operational and strategic direction of the business;
- appointing the Chairman of the Board of Directors and the Chief Executive Officer responsible for managing the business in accordance with this strategy;
- determining their compensation and choosing the organisational structure (separation of duties of the Chair and Chief Executive Officer or combined duties);
- authorising the agreements and commitments referred to under Articles L. 225-38 et seq. of the French Commercial Code;
- controlling the management and overseeing the quality of information provided to shareholders as well as to the markets, through the financial statements or at the time of significant transactions.

The Board of Directors may delegate authority to any representatives of its choice subject to the restrictions set out in law and the Articles of Association.

3.1.9. INDEPENDENCE OF BOARD MEMBERS

At its meeting on 20 October 2022, the Board of Directors reviewed the position of directors in respect of the independence criteria defined by the Middlenext Code and adopted by the Company in the Board's Internal Regulations, namely:

- not being, or not having been in the last three years, an employee or executive corporate officer of the Company or a company within the Paragon ID Group;
- not being a significant customer, service provider, supplier or banker of the Company or the Paragon ID Group or for which the Company or Paragon ID Group represents a material proportion of their business;
- not being a reference shareholder of the Company or holding a significant percentage of voting rights;
- not having close relationships or close family ties with a corporate officer or reference shareholder;
- not having been a Company auditor within the last three years.

The Board noted that John Rogers, Dominique Durant des Aulnois, LBO France Gestion represented by Valéry Huot and Laurent Salmon are not independent directors since they are reference shareholders, have connections to a reference shareholder or have been an executive corporate officer of the Company within the last three years in the case of Mr Rogers.

However, the Board concluded that Lis Iceton and Alyna Wnukowsky meet all the aforementioned criteria and as such are deemed to be independent directors. As such, the Company is in compliance with **recommendation no. 3** of the Middlenext Code.

It is specified, as necessary, that the Company, in order to assess the materiality or otherwise of the business relations that may be maintained by these independent directors with the Company, based itself not only on the criteria examined above, but also on the conclusions of the Vienot I (*Association des Entreprises Privées*, AFEP, and CNPF: Report of the working group on Boards of Directors of listed companies, July 1995) and II (*Association des Entreprises Privées*, AFEP, and MEDEF: Committee report on corporate governance, chaired by Mr Vienot, July 1999) reports and the Bouton report (AFEP-AGREF, MEDEF: For better governance of listed companies, Report of the working group chaired by D. Bouton, Sept. 2002). There is significant overlap between the criteria in this report and those set out in the Middlenext Code. Thus, Lis Iceton and Alyna Wnukowsky:

- are not, and have not been in the last five years, employees or corporate officers of the Company, employees or directors of its parent company nor a consolidated company;
- are not corporate officers of a company in which the Company directly or indirectly holds a directorship or in which an employee designated as such or as a corporate officer of the company holds a directorship;

- are not significant customers, suppliers, corporate banks or investment banks of the Company or a group or for which the company or its Group represents a material portion of its business;
- have no close family ties with a corporate officer of the Company;
- have not audited the Company in the previous five years;
- have not been directors of the Company in the last 12 years.

Finally, Lis Iceton and Alyna Wnukowsky are not bound by any obligations which might call into question their status of independent director.

3.1.10. TERMS OF OFFICE

The term of office of directors has been shortened from six to two years, by decision of the General Meeting of 27 April 2017 (resolution no. 5). This term of office complies with **recommendation no. 11** of the Middlenext Code which specifies that terms of office must not be too long or too short and must be adapted to the specific characteristics of the business.

3.1.11. PROFESSIONAL ETHICS

Further, in accordance with **recommendations no s. 1 and 2** of the Middlenext Code, at the time of their appointment, each director has been made aware of their responsibilities, in particular:

- to observe rules governing professional ethics relating to obligations arising from their remit;
- to comply with legal rules governing the holding of multiple offices;
- to notify the Board in the event of a conflict of interest arising after their appointment;
- to regularly attend meetings of the Board of Directors and General Meetings;
- to ensure that they have all information required for the agenda of Board meetings prior to taking any decisions;
- to comply with a genuine obligation of confidentiality that goes beyond the simple obligation of discretion provided for by the texts and to formally commit to this by signing the Board's Internal Regulations.

In accordance with **recommendations nos. 1, 2 and 9** of the Middlenext Code, the Internal Regulations of the Board of Directors contain provisions for situations that present a risk of conflict of interest, particularly in terms of informing the Board of Directors and AMF, abstaining from votes or taking part in deliberations. The Company complies with the Middlenext recommendation on holding multiple offices.

3.1.12. CHOICE OF DIRECTORS

In accordance with **recommendation no. 10** of the Middlenext Code, prior to each appointment of a new member, the Board reviews the candidate's position against independence criteria as well as their areas of expertise, to assess the extent to which they align with the Board's duties, as well as the extent to which they complement the expertise of the other Board members.

In accordance with **recommendation no. 5** of the Middlenext Code, the Board of Directors examined the relevance of the implementation of a three-year training plan for directors adapted to the specificities of the companies and taking into account the equivalences acquired through experience. The Board of Directors noted that the directors have all followed specific training or have acquired significant experience adapted to the specificities of the Company. The Board of Directors decided, in addition to the site visits and training provided in order to acquire a more in-depth knowledge of the Company's activities, to work on the implementation of "refresher" training.

3.1.13. OFFICES OF DIRECTORS AND CORPORATE OFFICERS

The list of offices and positions held in any company by the Chairperson of the Board of Directors, the Chief Executive Officer and directors **during the financial year** is as follows:

First name, last name or company name	Position/type of office	Name of the company, legal status
Clement Garvey	Chief Executive Officer	PARAGON ID, SA
	Director	Lesoudeur Ltd
	Director	Tetrafloat Ltd
	Deputy CEO	Paragon Identification, SAS
	Deputy CEO	PARAGON ID Technologies
John Rogers	Chairman of the Board of Directors	PARAGON ID, SA
	Director	Paragon Group Ltd (UK)
	Director	PCC Global PLC
LBO France Gestion	Chairperson	Financière LBO France (Simplified Joint Stock Company)
	Member of the Supervisory Committee	Financière RG Safety SAS (Simplified Joint Stock Company)
	Chairperson	OPCI Lapillus I (Simplified Joint Stock Company)
	Chairperson	SAS de Bagneux (Simplified Joint Stock Company)
	Managing director	Lapillus Invest I (Civil Company)
	Managing director	SCI TM Courbevoie (Civil Real Estate Company)
	Chairperson	SASU TM Courbevoie Holdco (Simplified Joint Stock Company)
	Chairperson	OPCI Lapillus II (Simplified Joint Stock Company)
	Managing director	Lapillus Invest II (Civil Company)
	Managing director	Lapillus Gestion (Civil Company)
	Board member	6WIND (Public Limited Company with a Board of Directors)
	Board member	ANEVIA (Public Limited Company with a Board of Directors)
	Board member	BIOMODEX (Simplified Joint Stock Company)
	Board member (since 13/07/2017)	BIOSERENITY (Simplified Joint Stock Company)
	Board member	CROCUS TECHNOLOGY (Public Limited Company with a Board of Directors)
	Member of the Strategic Committee	DEVISPROX (Simplified Joint Stock Company)
	Board member	DST Holding (Simplified Joint Stock Company)
	Board member	Entrepreneurs & Investisseurs Technologies (Public Limited Company with a Board of Directors)
	Board member (until January 2019)	EXPWAY (Public Limited Company with a Board of Directors)
	Member of the Supervisory Board	FITTINGBOX (Public Limited Company with a Management Board and Supervisory Board)
	Board member	H4D (Simplified Joint Stock Company)
	Member of the Supervisory Board	KAYENTIS (Simplified Joint Stock Company)

	Member of the Strategic Committee (until May 2019)	MARIANNE HOLDING (Simplified Joint Stock Company)
	Board member (since 13/07/2017)	OPENHEALTH (Public Limited Company with a Board of Directors)
	Board member	PARAGON ID (Public Limited Company with a Board of Directors)
	Board member	ROCTOOL (Public Limited Company with a Board of Directors)
	Board member (since October 2018)	STILLA TECHNOLOGIES (Simplified Joint Stock Company)
	Member of the Supervisory Board	TEEM PHOTONICS (Public Limited Company with a Management Board and Supervisory Board)
	Board member (since 11/04/2018)	VOLUNTIS (Public Limited Company with a Board of Directors)
	Member of the Strategic Committee	WANDERCRAFT (Simplified Joint Stock Company)
Valéry Huot	Partner, Head of Venture	LBO France Gestion (Simplified Joint Stock Company)
	Chair (since September 2018)	ARBEVHIO CAPITAL SAS (Simplified Joint Stock Company)
	Permanent representative of LBO France Gestion on the Board of Directors	6WIND (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	ANEVIA (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	BIOMODEX (Simplified Joint Stock Company)
	Permanent Representative of LBO France Gestion on the Board of Directors (since 13/07/2017)	BIOSERENITY (Simplified Joint Stock Company)
	Permanent representative of LBO France Gestion on the Board of Directors	CROCUS TECHNOLOGY (Public Limited Company with a Board of Directors)
	Member of the Board of Directors	CROCUS TECHNOLOGY INTERNATIONAL Corp. (CTIC) (United States)
	Permanent representative of LBO France Gestion on the Board of Directors	DST Holding (Simplified Joint Stock Company)
	Permanent representative of LBO France Gestion on the Board of Directors	EXPWAY (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	H4D (Simplified Joint Stock Company)
	Permanent Representative of LBO France Gestion on the Board of Directors (since 13/07/2017)	OPENHEALTH (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	PARAGON ID (Public Limited Company with a Board of Directors)
	Permanent representative of LBO France Gestion on the Board of Directors	ROCTOOL (Public Limited Company with a Board of Directors)
	Permanent Representative of LBO France Gestion on the Strategic Committee	WANDERCRAFT (Simplified Joint Stock Company)
Dominique Durant des Aulnois	Board member	PARAGON ID, SA
	Board member	Paragon Identification SRL (Bucharest)
	Joint managing director	Le Coin des 9
Elisabeth "Lis" Iceton	Board member	PARAGON ID, SA
	Non-executive director	Standard Bank Offshore Group LTD

	Non-executive director	Standard Bank Jersey LTD
	Non-executive director	Digital Jersey LTD (ended during the financial year)
	Non-executive director	Jersey Electricity
	Non-executive director	VFS (Switzerland) (ended during the financial year)
Laurent Salmon	Board member	PARAGON ID, SA
	Director	Paragon Group Ltd (UK)
	Director	Grenadier Holdings plc
	Director	PCC Global Limited
	Director	Paragon Transaction UK Ltd
	Director	Paragon Financial Investments Ltd
	Director	Paragon Group UK Ltd
	Director	Print Trade Suppliers Ltd
	Director	Bemrose Booth Paragon Ltd
	Director	Grenadier Corporate Limited
	Director	Wordcraft Digital Print Ltd
	Director	Paragon Customer Communications Limited
	Director	Grenadier Realty Limited
	Director	Dsicmm Group Ltd
	Director	Paragon Customer Communications (Bristol) Ltd
	Director	Lateral Holdings (UK) Ltd
	Director	Lateral Group Ltd
	Director	Paragon Customer Communications (London) Ltd
	Director	Paragon Customer Communications (Nottingham) Ltd
	Director	OT Group Ltd
	Director	Burall Infosmart Ltd
	Deputy CEO / Director	Paragon Transaction SA
	Chief Executive Officer	Paragon Identification SAS
	Chief Executive Officer	Paragon ID Technologies SAS
	Chief Executive Officer	Immobiliere Paragon France SAS
	Managing director	SCI de L'Erigny SAS
	Chief Executive Officer	Paragon Editique SAS
	Deputy CEO	Gresset Rault Solutions SAS
	Chief Executive Officer	D'Haussy Solutions International SAS
	Chief Executive Officer	D'Haussy Solutions SAS
	Director	Paragon Meiller Holdings GmbH
	Director	Paragon Customer Communications Schwandorf GmbH
	Board Member	Paragon Customer Communications Czech Republic a.s.
	Board Member	Paragon Customer Communications Poland Sp. Zoo
	Chairman	Paragon Identification SRL
	Director, shared authorisation	Service Point Belgium NV
	Director	Allkopi holding AS
	Director	Allkopi AS
	Board Member	Holmberg i Malmo AB
	Board Member	Nyaljus AB
	Chief Financial Officer	Paragon Solutions Group Inc
	Director	Paragon Magnadata inc
	Director	Paragon Identification Australia Pty
	Director	Grenadier Holdings Investments Ltd
	Director	Despark UK Limited
	Director	Paragon Brand France Limited
	Director	Paragon Brand Germany Limited
	Director	Paragon Graphics Limited
	Director	Innovative Output Solutions (Manchester) Ltd
	Director	Global Document Systems Ltd
	Director	Paragon Customer Communications Schwandorf GmbH

	Director	Paragon Customer Communications Korschenbroich GmbH
	Director	Paragon Customer Communications Weingarten GmbH
	Non-Executive Director	Despark Bulgaria EOOD
	Chief Executive Officer	Merico Delta Print SAS
	Board member	Paragon Customer Communications (Luxembourg) SA
	Director	Paragon Customer Communications (Finsbury Circus) Ltd
	Director	Paragon Customer Communications (Redruth) Ltd
	Director	Investment Paragon Ltd
	Chairman	Immobiliere Grenadier France SAS
	Board Member	Paragon Customer Communications (Pilsen) a.s.
	Director	Paragon Grenadier USA inc
	Director	AmaTech Group Ltd
	As representative of Service Point Solutions SA	Service Point Facilities Management Iberica SA
	As representative of PFI Ltd	Service Point Solutions SA
	Director	Paragon Realty Schwandorf Gmbh
	Director	Paragon Realty Korschenbroich Gmbh
	Chief Executive Officer	Arcania SAS
	Director	Critical Mail Continuity Services Limited
	Director	Devonshire Appointments Limited
	Director	Paragon Customer Communications International Ltd
	Director	PCC GDS Limited
	Director	Image Factory Retail Graphics Limited
	Director	A. E. Tyler Limited
	Director	Optimum Media Marketing Services Ltd
	Director	PCC Grenadier Ltd
	Director	Stat Company Ltd
	Director	ZenOffice Ltd
	Chief Executive Officer	PCC International France SAS
	Chief Executive Officer	C.B. Info – Groupe Bernard
Alyna Wnukowsky	Board member	PARAGON ID, SA

4. ARRANGEMENTS FOR PREPARING AND ORGANISING THE WORK OF THE BOARD OF DIRECTORS

4.1.1. INTERNAL REGULATIONS

The Internal Regulations of the Board of Directors were adopted by the Board of Directors on 28 April 2017. They were amended on 29 June 2020 to remove Article 5.3 requiring unanimity for the adoption of certain resolutions.

The aims of the Internal Regulations include:

- specifying the composition, organisation, role and powers of the Board of Directors in relation to the General Meeting as well as certain existing legal provisions and Articles of Association;
- optimising the effectiveness of meetings and discussions and acting as a reference for the Board of Directors' regular review of its procedures; and
- in more general terms, ensuring that the Company's Management is governed by rules upholding the fundamental principles of corporate governance.

With this in mind, under the Internal Regulations the Chair is required to provide each director with all documents and information required to fulfil their duties.

Under the Board of Directors' Internal Regulations, for the purposes of calculating the quorum and majority, directors who attend Board meetings by videoconference and telecommunication means that enable them to be identified and allow them to participate effectively are deemed to be in attendance.

However, apart from the specific provisions adopted in the context of the health crisis linked to the global Covid-19 pandemic, participation in the Board of Directors' meetings by videoconference or telecommunication is not possible for the operations referred to in Articles L. 232-1 and L. 233-16, i.e. for the preparation of the annual financial statements and the management report as well as for the preparation of the consolidated financial statements and the Group management report.

4.1.2. INFORMATION FOR BOARD MEMBERS

In order to participate effectively in the work and deliberations of the Board of Directors, the Company shares all relevant documents with directors in a timely fashion. Each director is authorised to meet with the Company's main executives. The Board of Directors is regularly informed by the Chief Executive Officer of the Company's financial position, cash and cash equivalents, financial commitments and key events in accordance with **recommendation no. 4** of the Middlenext Code.

4.1.3. EVALUATION OF THE BOARD'S WORK

According to **recommendation no. 13** of the Middlenext Code, the Chairman of the Board of Directors must invite members to express their views on how the Board of Directors operates and on the preparation of its work. Thus, the Company's Board of Directors met on 16 December 2021 to review its compliance with the recommendations of the Middlenext Code. In this context, the Board of Directors gave its views on (i) how it operates and the preparation of its work, and (ii) the presence of independent directors. The Board of Directors met again on 26 April 2022 to review its compliance with the recommendations of the Middlenext Code in its version resulting from the September 2021 revision. It acknowledged that it had read all of the recommendations of the Middlenext Code and concluded that the Company was in compliance with the aforementioned recommendations or that they were not applicable.

4.1.4. MEETINGS OF THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR

In accordance with **recommendation no. 6** of the Middlenext Code, the Board of Directors meets as often as the Company's interests dictate, and at least four times a year, and favouring meeting in person wherever possible. In accordance with the provisions of Article 10 of the Company's Articles of Association, Board members are convened by the Chairperson.
During the financial year the Board of Directors met 12 times and its decisions or deliberations were recorded in minutes. The average rate of attendance of its members was 84.72%.

At these meetings, the matters discussed by the Board included: the Group's development strategy, approval of annual and half-yearly financial statements, financial management, executive compensation, governance, preparing the Ordinary and Extraordinary General Meetings, review and authorisation of acquisitions.

4.1.5. SPECIALIST COMMITTEES

The Company has an Appointments and Compensation Committee, an Audit Committee and a Disclosure Committee.

The Board of Directors' Internal Regulations contain provisions relating to (i) the Appointments and Compensation Committee and (ii) the Audit Committee. As such, the Company has complied with **recommendation no. 7** of the Middlenext Code.

The following table shows the composition of the committees at 30 June 2022:

Last name	Office	Main positions within the Company	Independent director	Date of first appointment	End of term	Audit Committee	Appointments and Compensation Committee	Disclosure Committee
John Rogers	Chairman of the Board of Directors	Until 24 July 2018, none. Since 24 July, Chairperson and Chief Executive Officer	No	Reappointed on 10 December 2020 (First appointed: 28 April 2017)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022		Member	Member
Lis Iceton	Director	N/A	Yes	Reappointed on 10 December 2020 (First appointed: 28 April 2017)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member		
Valéry Huot	Permanent representative of LBO France Gestion, Director	N/A	No	Reappointed on 10 December 2020 (First appointed: 22 July 2005)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member	Member	
Dominique Durant des Aulnois	Director	Since 24 July 2018, Secretary General	No	Reappointed on 10 December 2020 (First appointed: 28 April 2017)	Following the General Meeting called to approve the financial statements for the financial year ending 30 June 2022	Member	Member	Member

The three members of the Audit Committee have financial expertise, particularly in relation to their past experience.
The committees have a strictly consultative role. They operate solely under the collective responsibility of the members of the Board of Directors. They report on their duties to the Board of Directors, which independently determines its proposed responses to the opinions given.

4.1.6. COMPENSATION COMMITTEE

The Company has established an Appointments and Compensation Committee. Members have defined the operating rules in the Internal Regulations of the Board of Directors. The main terms of the Internal Regulations are described below.

- Composition

The Compensation Committee is made up of at least two members appointed by the Board of Directors from among the directors, for the duration of their term of office. The Committee elects a chair from among its members.

- Powers

The Appointments and Compensation Committee has the following duties:

In relation to corporate officers:

- to propose candidates to the Board of Directors for a directorship and/or for the positions of Chief Executive Officer and Deputy Chief Executive Officer;
- to make proposals with regards the compensation of the Chief Executive Officer and any Deputy Chief Executive Officers, in terms of the fixed and variable components of such compensation (including in particular the objectives on which the variable component is based), benefits in kind, pension schemes and, where relevant, severance payments, including payments made under any non-compete clauses;
- to determine, and propose to the Board of Directors, performance criteria relating to the allocation of shares (free or otherwise) as well as any financial instruments to be issued to corporate officers or to be subscribed by them;
- to make proposals to the Board of Directors with respect to the holding of financial securities acquired by corporate officers;
- to make a recommendation to the Board of Directors in respect of the total allocation and distribution of directors' fees; and
- to address any questions put to them by the Chairman of the Board of Directors or any director in relation to any of the aforementioned matters.

With regards to other employees of the Paragon ID Group:
- to make any recommendations to the Board of Directors relating to any aspects of the compensation policy of the Company or its subsidiaries;
- to prepare any plans for the subscription, purchase or allocation of shares or other financial securities, specifying in particular the beneficiaries and number of securities in question; and
- to address any questions put to them by the Chairman of the Board of Directors or any director in relation to any of the aforementioned matters.

- <u>Operational procedures</u>

The Appointments and Compensation Committee meets as frequently as it deems necessary and at least once a year, prior to the review by the Board of Directors of (i) the compensation of the Chairman of the Board of Directors, of the Chief Executive Officer and/or of any Deputy Chief Executive Officers, (ii) plans for stock options, allocation of shares (free or otherwise), the issuance of financial securities, or performance-based securities for corporate officers and employees of the PID Group, and (iii) any non-compete clauses or top-up pension plans. The Committee may use any means it deems necessary to successfully carry out its duties. In particular, it may invite to its meetings any individual with expertise in financial matters or employment law. Committee decisions are taken by simple majority of members in attendance. After each meeting of the Committee minutes are prepared and circulated to the Board of Directors.

- <u>Meetings of the Appointments and Compensation Committee during the financial year</u>

The Committee met twice in the financial year and the attendance rate of its members was 100%.

4.1.7. AUDIT COMMITTEE

The Company has established an Audit Committee. Members have defined the operating rules in the Internal Regulations of the Board of Directors. The main terms of the Internal Regulations are described below.

- <u>Composition</u>

The Audit Committee is composed of at least two members appointed by the Board of Directors from among the directors, excluding those in management positions. Members are appointed for the duration of their term of office. At least one member with financial expertise must sit on the Committee. The Committee elects a chair from among its members.

- <u>Powers</u>

The Audit Committee has the following duties:

With regard to the financial statements:

- to review and advise on the Company's draft financial statements and annual, half-yearly and quarterly financial reporting and any related reports prior to referral to the Board of Directors;
- to examine the compliance with, relevance of and permanency of the accounting principles and rules used to prepare the Company's financial statements and reporting;
- where relevant, to monitor changes to the scope of consolidated companies and receive any necessary clarifications;
- where it deems it necessary, to consult with the Statutory Auditors, Chair, Chief Executive Officer, Financial Division or any other management personnel; and to review the Company's financial press releases prior to publication.

With regards to (internal and external) control:

- to monitor the effectiveness of the Company's internal control systems;
- to investigate any issues relating to the appointment, reappointment or removal of the Company's Statutory Auditors and their fees for performing their statutory duties;
- to oversee the rules governing the use of auditors for work other than auditing the financial statements and, more generally, to ensure compliance with the principles ensuring the independence of Statutory Auditors;
- to pre-approve any assignments granted to the Statutory Auditors aside from the audit;
- to annually review with the Statutory Auditors the fees paid by the Company and the Paragon ID Group to the networks to which the Statutory Auditors belong, their action plans, the conclusions of these and their recommendations, as well as any follow-up; and
- to act as mediator in any disputes between the Statutory Auditors and the Chair and Chief Executive Officer likely to arise as part of this work.

With regard to risks:

- to regularly familiarise itself with the financial position, cash situation, commitments and material risks facing the Company and the Paragon ID Group;
- to review the risk management policy and any procedures in place to assess and manage these risks.

- <u>Operational procedures</u>

The Audit Committee meets as frequently as it deems necessary and at least twice a year, prior to the review of the annual and half-yearly financial statements by the Board of Directors. The Audit Committee may use any means it deems necessary to successfully carry out its duties. In particular it may consult individuals involved in preparing or auditing the financial statements as well as Statutory Auditors, including in the absence of Company Management. Committee decisions are taken by simple majority of members in attendance. Following each meeting of the Audit Committee, minutes are drafted and circulated to the Board of Directors.

- <u>Meetings of the Audit Committee during the financial year</u>

The Committee met four times in the financial year and the attendance rate of its members was 100%.

4.1.8. DISCLOSURE COMMITTEE

The Company has established a Disclosure Committee. Members have defined the operating rules in the Internal Regulations of the Board of Directors. The main terms of the Internal Regulations are described below.

- <u>Composition</u>

The Disclosure Committee is composed of at least two members appointed by the Board of Directors from among its directors. Members are appointed for the duration of their term of office. The Committee elects a chair from among its members.

- Powers

The Disclosure Committee has the following duties:

- to identify information relating to the Company which is privileged in nature under the relevant regulations, and in particular the European Market Abuse Regulation (Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014) and the doctrine circulated by the French Financial Markets Authority;

- to oversee and, where relevant, review the publication of this information in accordance with the relevant regulations;

- where relevant, to disclose additional information requested by the regulatory authorities and establish a dialogue and effective cooperation with these authorities;

- to draw up and monitor lists of permanent and occasional insiders;

- to monitor regulations applicable to privileged information and legal obligations governing the management and disclosure of such information;

- to propose the introduction and, where relevant, improvement of corporate governance procedures ensuring that any information that might be considered privileged is effectively sent to the Disclosure Committee and to regularly review the effectiveness of such procedures. To review governance procedures relating to the identification, management and publication of privileged information at least once a year, within three months of the approval of the annual financial statements, and at any other time it is deemed necessary by the Committee or at the request of the Chief Executive Officer or any of the Deputy Chief Executive Officers;

- to advise the Company's Chief Executive Officers and Deputy Chief Executive Officers on any issues relating to the identification, management and publication of privileged information;

- for the purpose of its activities, to call on any employee or corporate officer likely to help it carry out its duties; and

- more generally, to review any issue or document and take any initiative necessary for the proper execution of its powers.

- Operational procedures:

The Disclosure Committee meets as frequently as it deems necessary and at least once a year, prior to the review of the annual financial statements by the Board of Directors. The secretariat of the Disclosure Committee is appointed at the beginning of each of its meetings and may be any of its members or any other person of its choice. An agenda and notice are circulated to members by the Chair of the Committee in advance of any meetings. Committee meetings are valid provided that at least two-thirds of its members are in attendance. These meetings may be held by telephone or videoconference. Decisions of the Disclosure Committee are taken by a simple majority of members in attendance.

- Meetings of the Disclosure Committee during the financial year

The Committee met once in the financial year and the attendance rate of its members was 100%.

4.1.9. SPECIALIST COMMITTEE ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of Directors decided, in respect of **recommendation no. 8** of the Middlenext Code and in view of the size of the Board of Directors, to keep all discussions and reflections on these subjects within the Board of Directors.

5. COMPENSATION AND BENEFITS

5.1. CORPORATE OFFICER COMPENSATION POLICY

5.1.1. COMPENSATION OF NON-EXECUTIVE CORPORATE OFFICERS

Directors may be compensated based on their attendance at the meetings of the Board of Directors and their attendance at specialist committee meetings. This compensation is set by the General Meeting and allocated by the Board of Directors in accordance with **recommendation no**. **12** of the Middlenext Code and the provisions of Articles L. 22-10-8 and L. 225-45 of the French Commercial Code.

Under resolution no. 10 of the General Meeting of 16 December 2021, the compensation that can be awarded to directors was capped at €50,000.

At its meeting on 16 December 2021, in accordance with the recommendations of the Appointments and Compensation Committee, the Board of Directors decided to divide the allocation between the Company's two independent directors, Lis Iceton and Alyna Wnukowsky.

The following amounts were hence paid in the financial year ended 30 June 2022,

- to Lis Iceton, a total amount of €11.336.
- to Alyna Wnukowsky, a total amount of €8.197.

5.1.2. HOLDING BOTH AN EMPLOYMENT CONTRACT AND A CORPORATE OFFICE

In accordance with **recommendation no. 18** of the Middlenext Code, the Board of Directors has considered whether to authorise executives to hold both an employment contract and corporate office.

In the financial year ended 30 June 2022, no corporate officer had an employment contract with the Company.

5.1.3. COMPENSATION OF EXECUTIVE CORPORATE OFFICERS

The general principles governing the compensation policy for executive corporate officers were approved by the Board of Directors based on a proposal by the Compensation Committee and will be submitted for the approval of the General Meeting on 15 December 2022.

The compensation policy is based on the following principles:

- **Comprehensiveness** of the compensation presented: the compensation set for executive corporate officers must be comprehensive and all components are included in the overall review of such compensation.
- The principle of **balance**: each component of compensation must be evidence-based to ensure that these reflect the Company's interests.
- **Consistency**: compensation of executive corporate officers must be consistent with that of other executives and employees of the Company.

- **Benchmarked:** compensation must be assessed, insofar as possible, in comparison with a benchmark job and market and be proportionate to the Company's position, whilst considering its inflationary effect.
- **Clarity** of rules: rules must be simple; performance criteria used to calculate the variable component of compensation or the allocation of any options or free shares must be based on the Company's performance, reflect its objectives, be stringent, explicable and, insofar as possible, sustainable.
- **Calculation**: the calculation of compensation must strike a balance between and take into consideration the interests of the Company, market practices and the performance of executives.
- **Transparency**: annual consultation of shareholders on all compensation and benefits received by executives is conducted transparently in line with relevant regulations.

As a result, the policy governing compensation and benefits in kind awarded to the Company's executive corporate officers complies with **recommendation no. 16** of the Middlenext Code. The equity ratios are as follows:

	30/06/2022	30/06/2021	30/06/2020	30/06/2019	30/06/2018
Ratio between executive compensation and average employee compensation	6.41x	5.63x	5.92x	8.09x	8.97x
Ratio between executive compensation and median employee compensation	7.16x	7.21x	7.18x	9.94x	10.81x

5.1.3.1. Compensation of the Chairman of the Board of Directors

In the financial year ended 30 June 2022, John Rogers received no compensation in respect of his office as Chairperson of the Board of Directors.

5.1.3.2. Compensation and benefits of General Management

In the financial year ended 30 June 2022, the compensation and benefits of General Management included the following components:

- a fixed component, calculated according to seniority and degree of difficulty and responsibilities, experience in the post, length of service at the Company or its subsidiaries, and practices observed in groups or companies of a comparable size. It is only reviewed at relatively long intervals, upon the appointment or reappointment of the executive in question;
- a variable component based on objectives set annually by the Board of Directors, following proposals by the Appointments and Compensation Committee. This variable component is based on meeting revenues, EBITDA and cash flow objectives;
- foreign travel expenses, it being specified that the number of days a member can claim is capped at 50 days a year. The fixed daily rate is set at €1,000;
- unemployment cover with *Garantie Sociale des Chefs et Dirigeants d'Entreprise*, a so-called "GSC" unemployment insurance scheme for business leaders.

5.1.4. SEVERANCE PAYMENT

In the financial year ended 30 June 2022, Clement Garvey benefited from the right to a severance payment, where appropriate, the amount of which complied with **recommendation no. 19** of the Middlenext Code.

Should the Chief Executive Officer, Clement Garvey, be dismissed from office for any reason whatsoever (other than gross or wilful misconduct), he is entitled to a gross severance payment of 70% of his fixed gross compensation for the 12 months preceding the dismissal.

This severance payment in the event of dismissal is subject to various performance conditions set by the Board.

No severance payment is payable to the Chief Executive Officer in the event of resignation.

This commitment will lapse on the day on which the *Garantie Sociale des Chefs et Dirigeants d'Entreprise* insurance scheme confirms its cover of 70% of the Chief Executive Officer's compensation over a 24-month period.

5.1.5. NON-COMPETE PAYMENT

In the financial year ended 30 June 2022, no executives were subject to a non-compete clause.

5.1.6. SUPPLEMENTARY PENSION SCHEME

From 1 July 2021 to 30 June 2022 Clement Garvey was covered by a supplementary pension scheme, identical to the one to which Company employees are entitled. This scheme complies with **recommendation no. 20** of the Middlenext Code.

5.1.7. STOCK OPTION AND FREE SHARE ALLOCATION PLANS

During the financial year ended 30 June 2022, no share subscription or purchase plans were issued other than the allocation of free shares to the Company's Chief Financial Officer.

5.1.8. COMPENSATION OF CORPORATE OFFICERS IN POST OVER THE PERIOD

Summary table of compensation of each executive corporate officer

	30/06/2022		30/06/2021		30/06/2020		30/06/2019		30/06/2018	
	Amount due (1)	Amount paid (2)	Amount due (1)	Amount paid (2)	Amount due (1)	Amount paid (2)	Amount due (1)	Amount paid (2)	Amount due (1)	Amount paid (2)
John Rogers, Chairman of the Board of Directors										
Fixed compensation	-	-	-	-	-	-	€52,581	€52,581	-	-
Variable compensation	-	-	-	-	-	-	-	-	-	-
Exceptional compensation	-	-	-	-	-	-	-	-	-	-
Directors' fees	-	-	-	-	-	-	-	-	-	-
Benefits in kind	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	**€52,581**	**€52,581**	-	-
Clement Garvey, Chief Executive Officer										
Fixed compensation (3)	€168,000	€168,000	€168,000	€166,600	€168,000	€165,900	€84,000	€84,000	-	-
Variable compensation (4)	€67,200	€50,400	-	€53,760	-	€60,010	-	-	-	-
Exceptional compensation	-	-	-	-	-	-	-	-	-	-
Directors' fees	-	-	-	-	-	-	-	-	-	-
Benefits in kind (5)	€9,700	€9,698	€9,700	€9,509	€6,409	€2,274	€6,409	-	-	-
Total	**€244,900**	**€228,098**	**€177,700**	**€229,869**	**€174,409**	**€228,184**	**€90,409**	**€84,000**	-	-
Clement Garvey, Deputy CEO										
Fixed compensation	-	-	-	-	-	-	€52,581	€52,581	-	-
Variable compensation	-	-	-	-	-	-	-	-	-	-
Exceptional compensation	-	-	-	-	-	-	-	-	-	-
Directors' fees	-	-	-	-	-	-	-	-	-	-
Benefits in kind	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	**€52,581**	**€52,581**	-	-
Julien Zuccarelli, Chief Executive Officer										
Fixed compensation (6)	-	-	-	-	-	-	€10,322	€10,322	€190,000	€190,000
Variable compensation (7)	-	-	-	-	-	-	-	-	-	€90,000
Exceptional compensation	-	-	-	-	-	-	€108,515	€108,515	-	€50,000
Directors' fees	-	-	-	-	-	-	-	-	-	-
Benefits in kind (8)	-	-	-	-	-	-	€7,675	€7,675	€5,906	€5,906
Total	-	-	-	-	-	-	€126,512	€126,512	**€195,906**	**€335,906**

(1) In respect of the financial year.

(2) During the financial year.

(3) At its meeting on 12 December 2018, based on proposals by the Appointments and Compensation Committee, the Board of Directors set the compensation of Clement Garvey as Chief Executive Officer. The fixed component comprises a gross annual salary of €168,000 over 12 months.

(4) At the same meeting a variable component of €67,200 gross was set subject to 100% of the financial objectives being met. If less than 85% of these objectives are met, no variable compensation is paid. If these objectives are outperformed by at least 15%, the variable component is increased by 75%.

(5) The benefits in kind are the unemployment insurance (Garantie Sociale des Chefs et Dirigeants d'Entreprise) taken out by the Company for the Chief Executive Officer which was applied retroactively from 1 January 2019 as agreed by the Board of Directors at its meeting on 23 January 2019.

(6) *At its meeting on 26 October 2017, based on proposals by the Appointments and Compensation Committee, the Board of Directors set the compensation of Julien Zuccarelli for the 2017/2018 financial year. The General Meeting of 13 December 2017, in its seventh resolution, approved the principles and criteria of this compensation. The fixed portion consists of a salary of €160,000 and a specific allowance of €30,000 for travel abroad.*

(7) *The same Board capped the variable portion at €60,000, which may be paid to the Chief Executive Officer according to financial and qualitative criteria. As of 30 June 2018, it was considered that these criteria had not been met and that no variable compensation was due.*

(8) *The benefits in kind are the unemployment insurance (Garantie Sociale des Chefs et Dirigeants d'Entreprise) taken out by the Company for the Chief Executive Officer.*

Directors' fees and other compensation received by non-executive corporate officers

	30/06/2022		30/06/2021	
	Amount due (1)	Amount paid (2)	Amount due (1)	Amount paid (2)
LBO France Gestion, represented by Valéry Huot				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Elisabeth "Lis" Iceton				
Director's compensation	23,370	11,336	25,288	22,672
Other compensation	-	-	-	-
Total	**23,370**	**11,336**	**25,288**	**22,672**
Dominique Durant des Aulnois				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Alyna Wnukowsky				
Director's compensation	13,778	8,197	15,696	13,080
Other compensation	-	-	-	-
Total	**13,778**	**8,197**	**15,696**	**13,080**
Laurent Salmon				
Director's compensation	-	-	-	-
Other compensation	-	-	-	-
Total	**-**	**-**	**-**	**-**

Summary table of indemnities and benefits of executive corporate officers

Executive corporate officers	Employment contract	Supplementary pension plan	Indemnities or benefits due or likely to be due as a result of a termination or change in their functions	Indemnities relating to a non-competition clause
John Rogers, Director since 28 April 2017 Chairman of the Board of Directors since 28 April 2017	No	No	No	No
Clement Garvey, Chief Executive Officer since 12 December 2018	No	No	Yes	No

5.1.9. PRINCIPLES AND CRITERIA APPLICABLE TO THE CALCULATION, DISTRIBUTION AND ALLOCATION OF THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF TOTAL COMPENSATION AND BENEFITS OF ANY KIND TO WHICH DIRECTORS AND THE CHIEF EXECUTIVE OFFICER ARE ENTITLED IN RESPECT OF THE COMING YEAR 2022/2023

Based on a proposal by the Compensation Committee, in accordance with Article L. 22-10-8 of the French Commercial Code, at its meeting on 20 October 2022, the Board of Directors agreed the general principles and criteria to be applied for the calculation, distribution and allocation of the fixed, variable and exceptional components of total compensation and benefits of any kind to which the Chairperson and Chief Executive Officer and Deputy Chief Executive Officer are entitled in respect of their office for the 2022/2023 financial year and constituting the compensation policy applicable to them. These will be submitted to the General Meeting for approval on 15 December 2022.

These principles and criteria are presented below:

<u>For the directors</u>

Components of compensation	Principles and amounts	Calculation criteria
Fixed compensation	0	There are no plans for fixed compensation in the coming year.
Variable compensation	0	There are no plans for variable compensation in the coming year.

Exceptional compensation	0	There are no plans for long-term or exceptional compensation but the Board of Directors reserves the right to award an exceptional bonus in the event of exceptional operational or other circumstances.
Allocation of stock options	0	The Board of Directors plans on allocating additional equity warrants to employees and corporate officers of the company, which may include the Directors. No such decision was taken during the financial year.
Free share allocation	0	
Other securities giving access to capital	0	
Directors' compensation	€50,000 to be distributed among the independent directors	Any compensation paid to directors is reserved for independent directors and is allocated according to their actual attendance at the meetings of the Board of Directors and its committees.
Signing bonus	0	There are no plans to award a signing bonus.
Severance payment	N/A	There are no commitments to make severance payments.
Non-compete payment	N/A	There is no non-compete commitment in respect of the Company, with or without compensation.
Benefits in kind	N/A	No benefits in kind.
Supplementary pension plan	N/A	No top-up pension scheme cover.
Executive civil liability insurance	N/A	No insurance cover of this type.

For Clement Garvey, Chief Executive Officer

Components of compensation	Principles and amounts	Calculation criteria
Fixed compensation	168,000	The fixed compensation of executive corporate officers is calculated on the basis of seniority and the degree of difficulty of responsibilities, the experience in post, length-of-service within the Company or its subsidiaries, and practices within groups or businesses of a comparable size. It is only reviewed at relatively long intervals, upon the appointment or reappointment of the executive in question.
Variable compensation	67,200 *	A variable component is based on objectives set by the Board of Directors, following proposals by the Appointments and Compensation Committee.

	*: amount to be received if 100% of the objectives set by the Board of Directors are met. This amount is nil if fewer than 85% of objectives have been met and is increased by 75% if the objectives are exceeded by at least 15%.	This variable component is based on meeting revenues, EBITDA and cash flow objectives.
Exceptional compensation	0	There are no plans for long-term or exceptional compensation but the Board of Directors reserves the right to award an exceptional bonus in the event of exceptional operational or other circumstances.
Allocation of stock options	0	The Board of Directors plans on allocating additional equity warrants to employees and corporate officers, which may include the Chief Executive Officer. No such decision was taken during the year.
Free share allocation	0	
Other securities giving access to capital	0	
Directors' fees	0	There are no plans to allocate directors' fees.
Signing bonus	0	There are no plans to award a signing bonus.
Severance payment	159,668	A temporary termination benefit is provided pending full coverage by GSC insurance for loss of office insurance, with full coverage providing compensation equal to 70% of the gross monthly compensation for 24 months. The current coverage is 70% over 12 months, so the indemnity is 12 months x 70%.
Non-compete payment	N/A	There is no non-compete commitment in respect of the Company, with or without compensation.
Benefits in kind	N/A	No benefits in kind.
Supplementary pension plan	N/A	No top-up pension scheme cover.
Executive civil liability insurance	6,024	The Board of Directors approved *Garantie Sociale des Chefs et Dirigeants d'Entreprise* insurance cover to be taken out by the Company for the Chief Executive Officer, which took effect retroactively from 1 January 2019.

We propose that you approve the principles and criteria as presented in this report as well as the related resolutions of the General Meeting.

6. ATTENDANCE OF SHAREHOLDERS AT THE GENERAL MEETING

In accordance with **recommendation no. 14** of the Middlenext Code, the Board reports on the Company's relations with its shareholders.
The last Annual General Meeting was held on 16 December 2021. The shareholders who took part in the votes on the proposed resolutions represented 87.81% of the share capital and 91.38% of the exercisable voting rights. Shareholders were given the opportunity to vote by post or to appoint a proxy. 19 of the 20 resolutions were adopted with more than 97.62% of the votes and the resolution rejected was rejected by a majority of 97.57% of the votes, in accordance with the recommendations of the Board of Directors.

The procedures for shareholder attendance at the General Meeting are set out in Article 14 of the Company's Articles of Association in the paragraph "General Meetings", reproduced below.

"Ordinary, Extraordinary and Special General Meetings are convened and held under the conditions set out in law and these Articles of Association. The Meeting is held at Company headquarters or at any other premises stated in the notice. Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Vice-Chairman of the Board of Directors, or in their absence, by a director specially appointed by the Board for the purpose. Failing this, the Meeting elects its own chair.

Under the conditions set out in law the Board of Directors may decide at the time the Meeting is convened, to permit shareholders to:

- attend the Meeting by videoconference or by any other means of telecommunication or teletransmission, including by internet, which enables them to be identified;
- send their proxy vote or postal ballot for the Meeting by teletransmission".

7. DELEGATIONS OF AUTHORITY

In accordance with the provisions of Article L. 225-37-4 of the French Commercial Code, the Board of Directors hereby notifies you (i) of current delegations of authority granted to the Board of Directors by the General Meeting, and (ii) of the usage made of these delegations in relation to the capital increases during the financial year under the provisions of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code.

Consequently, you will find below a summary table of the current delegations of authority or powers and their usage during the financial year:

Financial authorisations adopted at previous meetings that remain valid				
Nature of the authorisation	**General Meeting (Resolution No.)**	**Duration (Expiration date)**	**Maximum amount authorised**	**Amount used as of the date of this Document**
1. Issuance of shares or securities giving access to the share capital or to debt securities				
Without preferential subscription rights for a category of individuals (1)	16-12-2021 (14th)	18 months (16-06-2023)	Capital increase: €12 million Debt issuance: €36 million	0
Issuance of equity warrants without preferential subscription rights for a category of individuals (2)	16-12-2021 (15th)	18 months (10-06-2022)	Capital increase: €3.15 million	0
Free share allocation	10-12-2020 (25th)	38 months (10-02-2024)	90,000 shares	3,000
With preferential subscription rights	10-12-2020 (26th)	26 months (10-02-2023)	Capital increase: €12 million Debt issuance: €36 million	0

			(within the limit of the ceilings referred to in the 31st resolution of 10-12-2020*)	
L. 411-2 (I) qualified investors without preferential subscription rights (3)	10-12-2020 (27th)	26 months (10–02–2023)	Capital increase: €12 million Debt issuance: €36 million (within the limit of the ceilings referred to in the 31st resolution of 10-12-2020*)	€0
Price-setting (for resolutions removing the preferential subscription rights) (4)	10-12-2020 (28th)	26 months (10-02-2023)	N/A	N/A
Exchange offer made by the Company	10-12-2020 (29th)	26 months (10-02-2023)	Capital increase: €12 million Debt issuance: €36 million (within the limit of the ceilings referred to in the 31st resolution of 10-12-2020)	0
Contribution in kind	16-12-2021 (16th)	26 months (16-02-2024)	10% of share capital	0
Without preferential subscription rights and offer to the public	16-12-2021 (18th)	26 months (16-02-2024)	Capital increase: €12 million Debt issuance: €36 million	0
2. <u>Authorisation to repurchase shares</u>	16-12-2021 (13th)	18 months (16–06–2023)	10% of share capital	0
3. <u>Cancellation of shares</u>	16-12-2021 (19th)	18 months (16-06-2023)	10% of share capital	0

** Overall cap agreed at the General Meeting on 10 December 2020 on issuances under the delegated authority of the 22nd, 23rd, 26th, 27th and 29th resolutions: capital increase: €18 million/Debt issuance: €54 million (31st resolution)*

(1) In favour of any legal or natural person who regularly invests in innovative companies in the transport, identification and track and trace of people and goods sectors. The issue price will be set by the Board of Directors and must be at least equal to one of the following amounts, without being lower than the par value:

(i) the lowest daily volume-weighted average share price of the Company on the Euronext Paris market over a period of eight trading days prior to the issue price being set, with a maximum discount of 20% permitted,

(ii) the weighted average share price of the Company on the Euronext market over a 30-day period prior to the date on which the issue price is set, with a maximum discount of 20% permitted,

(iii) the weighted average share price of the Company on the Euronext market over a 60-day period prior to the date on which the issue price is set, with a maximum discount of 20% permitted.

(2) For a category of individuals made up of employees and/or corporate officers of the Company, Grenadier Holdings Ltd and any companies they control within the meaning of Article L. 233-3 of the French Commercial Code. The equity warrant issue price will be set by the Board of Directors on the day of allocation and will be at least equal to 5% of the exercise price of the underlying share, issue premium included. The exercise price will also be set by the Board of Directors on the day on which the allocation decision is made and must be at least 90% of the volume-weighted average share price of the Company over the last 20 trading sessions prior to the date on which the allocation decision is made by the Board of Directors.

(3) The price will be set by the Board of Directors subject to the following conditions:

- *the issue price of ordinary shares will be at least equal to the minimum value set by legal and regulatory provisions applicable at the time of use of this delegation. This minimum value is currently the weighted average share price of the last three trading sessions prior to the subscription price being set, with a discount of 5% permitted, after any adjustment of this amount to take into account a different vesting date;*
- *the issue price of securities giving access to the Company's share capital will be such that the sum received immediately by the Company, plus any amount likely to be received at a later date by the Company, will be, for each ordinary share issued as a result of the issuance of these securities, at least equal to the amount in the previous paragraph after any adjustment of this amount to take into account a different vesting date.*

(4) The price will be set by the Board of Directors subject to the following conditions:

- *the issue price of the shares will be at least equal to one of the following amounts: (i) the lowest daily volume-weighted average share price of the Company on the Euronext Paris market over a period of eight trading days prior to the issue price being set with a maximum discount of 20% permitted, (ii) the weighted average share price of the Company on the Euronext market over a 30-day period prior to the date on which the issue price is set, with a maximum discount of 20% permitted, (iii) the weighted average share price of the Company on the Euronext market over a 60-day period prior to the date on which the issue price is set, with a maximum discount of 20% permitted;*
- *the issue price of securities giving access to the Company's share capital will be such that the sum received immediately by the Company, plus any amount likely to be received at a later date by the Company, will be, for each Company share issued as a result of the issuance of these securities, at least equal to the aforementioned amount;*
- *the total nominal amount of capital increases likely to be carried out pursuant to this delegation of authority may not exceed 10% of share capital per 12-month period.*

During the financial year ended 30 June 2021, these delegations were used only once, at the meeting of the Board of Directors of 6 December 2021 for the allocation of 3,000 free shares to a Company employee.

8. ELEMENTS LIKELY TO IMPACT ANY PUBLIC OFFERING

In reference to Article L. 22-10-11 of the French Commercial Code, you will find below a list of the provisions relating to the share capital to the extent they are likely to impact any public offering.

- *Restrictions on exercising voting rights or transferring shares:*

In terms of exercising voting rights, under Article 7 of the Articles of Association, any legal or natural person, who comes to hold or ceases to hold, through any means, a fraction equal to 2.5% of the share capital or voting rights or a multiple of this fraction, must notify the Company of the total number of shares or convertible securities as well as the number of voting rights they hold alone, indirectly or jointly. In the event of a breach of this disclosure obligation and at the request of one or more shareholders with at least 5% of the voting rights, the voting rights exceeding the fraction that should have been declared may not be exercised or transferred by the shareholder in breach, at any General Meeting to be held within a two-year period following the date on which disclosure is made. This threshold disclosure obligation is in addition to the legal threshold disclosure obligations under Article L. 233-7 and the legal thresholds given in that article.

The Articles of Association contain no restrictions on the transfer of shares.

- *Shareholders' agreements:*

N/A.

- *Powers of the Board of Directors in relation to the issuance or repurchase of shares:*

The Ordinary General Meeting on 16 December 2021 authorised the Board of Directors to purchase or arrange for the purchase of shares in the Company for various purposes: the cancellation of shares, for market making or the liquidity of the Company's shares under the liquidity agreement signed by the Company, the allocation of shares to employees through the implementation of any company savings plan or any employee share ownership plan, the remittance of shares for exchange, payment etc., as part of any acquisitions, mergers, demergers or contributions, the implementation of any stock option plans, or any free allocation of Company shares and the remittance of shares when exercising any rights attached to any securities giving access to Company shares immediately or in the future.

The Extraordinary General Meeting of 16 December 2021 also delegated authority to the Board of Directors for capital increases and to issue securities giving access to the Company's share capital. A summary of these delegations of authority and their purpose has been provided in the preceding paragraph.

At the same meeting, the Board of Directors was authorised to reduce the share capital by cancelling, in one or more instalments, any or all shares held by the Company or which it may acquire under share purchase programmes authorised by the General Meeting, capped at 10% of share capital at the date of this meeting.

9. INFORMATION RELATING TO THE COMPANY'S SHARE CAPITAL

As of the date of this report, the Company's share capital totals €69,349,105. It comprises 1,981,403 fully paid-up ordinary shares, with a par value of thirty-five (€35) euros.

9.1.1. CHANGE OVER THE FINANCIAL YEAR ENDED 30 JUNE 2022

Opening position, as of 1 July 2021

	Number of shares	%	% voting rights
		of share capital	Theoretical*
Registered shareholders	1,724,031	87.11%	92.50%
- Grenadier Holdings Limited Co	1,591,603	80.41%	85.13%
- LBO France Gestion	66,298	3.35%	3.87%
- Other investment funds	49,403	2.47%	2.90%
- Other shareholders	6,399	0.32%	0.19%
(of which employees)	10,328	0.52%	0.30%
Free float	255,122	12.89%	7.50%
Total	**1,979,153**	**100.00%**	**100.00%**

Closing position, as of 30 June 2022

	Number of shares	%	% voting rights
		of share capital	Theoretical*
Registered shareholders	1,726,281	87.12%	93.02%
- Grenadier Holdings Limited Co	1,591,603	80.33%	86.27%
- LBO France Gestion	66,298	3.35%	3.59%
- Other investment funds	49,403	2.49%	2.59%
- Other shareholders	6,399	0.32%	0.50%
(of which employees)	12,578	0.63%	0.34%
Free float	255,122	12.88%	6.98%
Total	**1,981,403**	**100.00%**	**100.00%**

(*) As of 30 June 2022, the number of theoretical voting rights totalled 3,689,886, taking into account shares with double voting rights which have been registered in the name of a single shareholder for at least two years. As of the same date, the total number of exercisable voting rights was 3,687,869. The number of exercisable voting rights corresponds to the number of theoretical voting rights after the deduction of the number of suspended voting rights, i.e. 2,017 shares held under the liquidity agreement signed with the brokerage firm Portzamparc.

9.1.1. SHARES HELD BY THE COMPANY - SHARE REPURCHASE PROGRAMME

As of 30 June 2022, through its liquidity agreement with the brokerage firm Portzamparc, the Company indirectly held 2,017 treasury shares. These shares do not have voting rights.

In its 13th resolution, the Ordinary General Meeting held on 16 December 2021 authorised the Company's Board of Directors, with the right to sub-delegate, to implement a Company share repurchase programme for a period of eighteen (18) months from the date of the aforementioned General Meeting in accordance with the provisions of Article L. 22-10-62 of the French Commercial Code.

As of the date of this report, the Company has not repurchased any shares outside of its liquidity agreement with the brokerage firm Portzamparc, a summary of which for the financial year ended 30 June 2022 is as follows:

Liquidity agreement start date	4 July 2014
Funds allocated to the liquidity agreement	An initial sum of €300,000 followed by an additional €100,000 in June 2018 and withdrawal of €80,000 in June 2019
Brokerage fees	0
Total annual fee for the financial year ended 30/06/2022	*€12,058*
Number of shares registered in the name of the Company on the reporting date	2,017 shares
Number of securities purchased in the financial year ended 30/06/22	6,419 shares
Number of securities sold in the financial year ended 30/06/22	6,029 shares
Average purchase price	€29.43
Average sale price	€30.03

10. AGREEMENTS AND COMMITMENTS UNDER ARTICLES L. 225-38 AND L. 225-42-1 OF THE FRENCH COMMERCIAL CODE

These agreements and commitments are presented in the report on regulated agreements and commitments prepared by the Statutory Auditors. The General Meeting is asked to approve this report and the agreements referred to therein.

10.1. ORDINARY AGREEMENTS

Pursuant to Article L. 22-10-12 of the French Commercial Code and the Internal Charter on regulated and ordinary agreements, the Board of Directors, at its meeting of 20 October 2022, conducted an annual review of the ordinary agreements entered into under normal terms and conditions that were put in place or whose execution was continued during the 2022 financial year. After assessing the terms and conditions of each of these agreements, the Board of Directors noted that (i) at that date, there were no ordinary agreements other than those entered into between the Company and its consolidated subsidiaries, and (ii) all existing agreements between the Company and its subsidiaries were of an ordinary nature with regard to the corporate purpose of the companies concerned, and were entered into under normal conditions.

We will include more detail in the statement of financial position, income statement and notes to the company financial statements, which we hereby submit for your approval, along with the resolutions proposed to the General Meeting and the Board of Directors' recommendations with respect to these resolutions. These documents have been prepared in accordance with the provisions in force using the same accounting methods as the previous year.

We hereby submit for your approval the consolidated financial statements, which have been prepared in accordance with IFRS standards.

We hope that you will agree with these proposals and approve them by voting for the proposed resolutions in line with the Board of Directors' recommendations.

Paris, 20 October 2022.

The Board of Directors

Appendix A
Table of results of the last five financial years

Reporting date *Length of financial year (months)*	*30/06/2022* *12*	*30/06/2021* *12*	*30/06/2020* *12*	*30/06/2019* *12*	*30/06/2018* *12*
SHARE CAPITAL AT THE END OF THE FINANCIAL YEAR					
Share capital	69,349,105	69,270,355	68,786,805	58,286,795	58,286,795
Number of shares					
- ordinary	1,981,403	1,979,153	1,965,337	1,665,337	1,665,337
- preferred dividend					
Maximum number of shares to be created					
- through the conversion of bonds					
- through subscription rights					
OPERATIONS AND RESULTS					
Pre-tax revenues	12,433,106	10,367,830	21,250,165	30,381,809	27,677,498
Profit (loss) before tax, profit-sharing, depreciation, amortisation and provisions	(5,443,568)	(4,154,445)	(3,368,332)	(6,030,727)	(4,938,781)
Income tax	(46,003)	(230,068)	(258,401)	(556,780)	(686,507)
Employee profit-sharing					
Depreciation, amortisation and provisions	692,159	78,460	630,038	656	889,601
Net income	(5,397,565)	(3,924,377)	(3,739,969)	(5,474,603)	(5,141,876)
Distributed earnings					
EARNINGS PER SHARE					
Income after tax, profit-sharing, before depreciation, amortisation and provisions	(3)	(2)	(3)	(3)	(3)
Income after tax, profit-sharing depreciation, amortisation and provisions	(3)	(3)	(3)	(3)	(3)
Dividend allocated					
PERSONNEL					
Average workforce	46	52	55	58	68
Payroll	3,521,150	4,002,774	3,973,935	3,330,473	3,142,908
Amounts paid in employee benefits (social security, social works, etc.)	1,609,673	1,543,213	1,836,302	1,288,632	1,269,743
	30/06/2022	*30/06/2021*	*30/06/2020*	*30/06/2019*	*30/06/2018*

Appendix B
Non-financial performance statement

PARAGON ID

Non-Financial Performance Statement 2021-2022

Secure Technology for a Connected World

eID | Transport & Smart Cities | Traceability & Brand protection | Payment

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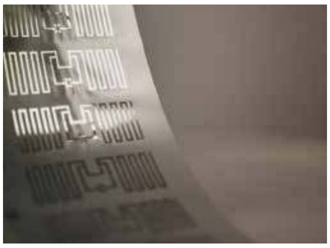


36 Methodology

Acronyms used to describe our subsidiaries:

Thames: *Rayleigh site (UK)* - ***BBP:*** *Hull site (UK)* - ***Security Label:*** *Sarsted site (Germany)* - ***PIROM:*** *Bucharest site (Romania)* - ***PISAS:*** *Argent-sur-Sauldre site (France)* - ***PID***: *Mouans-Sartoux site (France)* - ***ASK-IntTag:*** *Burlington site (USA)*

Foreword

Paragon ID offers solutions based on the latest technologies which enable our customers to improve their operational efficiency and reduce their carbon footprint.

2021/2022, a year marked by a rebound in activity and double-digit growth

Following the COVID-19 health crisis that significantly impacted the company's financial results in 2020/2021, the financial year 2021/2022 ended with record annual revenues of €130.8 million and overall year-on-year growth up by 56%. The company benefitted from:

- a bounce back in traditional Mass Transit and eID activities, which had been particularly affected by pandemic-related closures and travel bans;
- the inclusion of revenues from acquisitions made over the last two years (airweb and Apitrak in 2020/2021 and Security Label, EDM Tech and UrbanThings in 2021/2022);
- contributions from the success of the company's four strategic initiatives; digital and account-based ticketing platforms, UHF RFID tags for IoT, RTLS platforms and metal payment cards manufactured at our own site in Rayleigh, UK.

Strategic initiatives in line with the requirements of stakeholders

Paragon ID has continued to invest in human, scientific and industrial capabilities to support our strategic initiatives and to continue developing innovative solutions that meet the social and environmental expectations of our stakeholders.

Digital ticketing platforms in public transport, RTLS in healthcare and industry, as well as UHF RFID tags for IoT - all support the digital transformation of our customers. Our solutions improve efficiency, digitise processes, provide enhanced user experience, while reducing our clients' carbon footprint.

Innovative and responsible teams

Exceeding the business's financial targets is the result of exceptional effort and commitment by all Paragon ID teams. This performance is the result of mobilising the company's talented workforce around key strategic initiatives and challenges presented by the health crisis. Ethical issues, health and safety, respect for human rights, dialogue, accountability and empowerment and commitment of employees are at the heart of Paragon ID's CSR strategy and approach.

Environment and eco-design

Paragon ID strives to use environmentally-friendly materials and develop industrial processes. Beyond the areas of the CSR policy, Paragon ID consistently invests in R&D to develop innovative solutions to enable our customers to reduce the environmental impact of their activities. We commit to sustainable and environmentally-responsible growth. Contactless and digital technologies represent a tremendous offering to meet these pledges.

Ecovadis

PISAS (Argent sur Sauldre site, France) was proud to be awarded the Ecovadis Platinum sustainability rating in December 2021. Thames Technology (UK) has recently been awarded the silver sustainability rating in 2022, highlighting Paragon ID's continuing endeavors in sustainable development.

"This financial year tells the fantastic story of a fast-growing company emerging from the health crisis when its main markets had been devastated by the pandemic. I would like to congratulate and thank all the members of Paragon ID for their extraordinary commitment to the company, which has not only preserved the company, but also prepared it for the future by investing in innovative, more environmental, fast-growing and high value-added activities.I would also like to thank our shareholders and our board of directors for their support, as well as our strategic partners who are supporting us on this great adventure."

Clem Garvey, Chief Executive Officer of Paragon ID

About us

Our values

Respect and teamwork	Responsibility	Innovation	Sustainability
Let's work together, sharing our ideas and knowledge, while respecting our differences	Let's deliver on our commitments, and be accountable for our results	Let's nurture an open mindset to encourage thoughtful, creative and inspirational ideas	Let's make a net positive impact on the environment and enable our clients to do the same

Key figures

+€131m
revenues

>770
employees
(631 in the NFPS scope)

4
Key activities

+€10m
in EBITDA

+56%
annual
growth

+37%
annual organic
growth

presence in
8 countries
(France, United Kingdom, Germany, United States, Romania, Australia, Ireland, Spain)

7
production
sites

7
R&D and software
development
sites

150 cities
provided with access control solutions

100+
patents filed
worldwide

Leading
inlay production
site in Europe

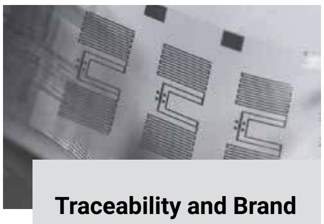
Our four global markets

Electronic Identification (eID)

Contactless technologies for secure identity documents

Transport & Smart Cities

Transport tickets
Mobile ticketing
Contactless payment
Account-based ticketing



Traceability and Brand protection

RFID and NFC tags
Asset tracking
RTLS
Secure authentication

Payment

Payment cards
Gift cards
Membership cards
Contactless metal cards

Our international presence

Industrial presence

7 production sites

- Argent-sur-Sauldre, France
- Rayleigh & Hull, United Kingdom
- Sarstedt, Germany
- Bucharest, Romania
- Burlington & High-Point, United States

2 R&D centres

- Mouans-Sartoux, France
- Dublin, Ireland

5 software development sites

- Milton Keynes, United Kingdom
- London, United Kingdom
- Paris - Saint-Cloud, France
- Grenoble, France
- Barcelona, Spain

Commercial presence

Commercial coverage organised across 3 regions:

- EMEA - Asia
- United Kingdom - Australia
- Americas

Challenges and strategy

Mission

Our innovative platforms power contactless solutions and RFID applications to securely connect and locate people, products and objects.
The nature of our activities facilitates digital transformation. Our mission is to improve process efficiency, customer experience and return on investment, while reducing our customers' carbon footprint.

Our strategic activities include:

> secure and contactless access control in public transport;

> the location of objects and people;

> brand protection and document security;

> specialty payment cards.

Strategy statement

Paragon ID SA is a company that provides identification technology solutions for four distinct sectors - public transport, track & trace, payment, and identity - mainly using contactless radio frequency communication (RFID) technologies.

It manufactures products integrated into identity control documents such as passports, tickets and cards for public transport, labels for product traceability and contactless payment cards.

In addition, Paragon ID develops and markets software platforms:

- in public transport, our Open ABT platform is designed to issue paperless tickets and manage user accounts;
- our RFiD Discovery platform enables real-time asset monitoring geolocated through different technologies such as GPS, Wi-Fi, Bluetooth or RFID.

The company's key strengths are largely owing to research & development and technological expertise and the quality of products and services it delivers to its customers, all of which are developed with a socially and environmentally responsible approach.

Paragon ID distributes its products and solutions directly and through its partners, to manufacturers, integrators and operators worldwide; mainly on a B2B2C model.

In the next three years, the company aims to increase revenue and EBITDA through expansion in its four markets.

Paragon ID's acquisitions in recent years
Paragon ID acquires companies that complement its industrial and technological expertise while encouraging increased geographical coverage within current markets to promote organic growth.

Track and Trace

RTLS: apitrak, RFiD DISCOVERY

Aviation: SECURITY LABEL

Public transport

airweb facilitateur de mobilité, EDM TECHNOLOGY A PARAGON ID COMPANY, urbanthings A PARAGON ID COMPANY

Payment

THAMES TECHNOLOGY A PARAGON ID COMPANY, AMATECH GROUP

Acquisition of UrbanThings (June 2022)

Highlights

2021-2022 was marked by a rebound in activity following the pandemic. This added to the contribution of the acquisitions completed in 2021 and the work and efforts invested in digitalised initiatives - mobile ticketing platforms, deployment of UHF RFID labels for IoT (retail, baggage tags, etc. - ARC certification), RTLS platforms and the industrialisation of metal payment cards - enabled the company to achieve a record year in terms of revenue.

2021-2022 review

13 events that marked the year

July

July 2021, acquisition of Security Label in Germany (Track & Trace)

First orders for our "polycarbonate" product in eID

August

September

Return of large volume orders in transport following the pandemic

Acquisition of EDM in the United States (Smart Cities)

October

November

December

Paragon ID obtains ARC quality certification for the 2nd consecutive year (UHF RAIN RFID tags).

January

Following ARC certification for its Retail tags, Paragon ID obtains the same certification for its pharma tags

Paragon ID certified "Platinum" by EcoVadis for its CSR policy.

February

March

Paragon ID revolutionises the management of fish boxes in harbours in Brittany (France) thanks to its RFiD Discovery platform.

April

First deliveries of RFID tags for IoT retail

May

University Hospitals Plymouth NHS Trust (UHP) wins the award for best implementation of RFID/IoT (RFiD Discovery) technology in the healthcare sector.

Thames Technology launches the Fusion Metal Card and becomes the leading manufacturer of dual-interface metal payment cards in Europe

June

Acquisition of UrbanThings in the United Kingdom (Smart Cities)

Launch of the Open ABT solution across the entire Zest network (agglomeration of the French Riviera)

PARAGON ID Our business model

VISION: We connect the world with secure technology

RESOURCES

Financial

€131 million in revenue

EBITDA **+€10 million**

Human

770 employees (permanent and non-permanent)

Team expertise in R&D and process industrialisation

Intellectual

7 R&D and software development **sites**

A portfolio of **+100 patents**

€6.3 million of R&D investment (Capex and Opex)

Industrial

7 secure production **sites** in Europe and the United States

Leading manufacturer of RFID components in Europe

Social and relational

A diversified **portfolio** of customers and partners

Environmental resources

Ratio of electricity consumption to revenue: **72 (kWh/€k)**

SOCIAL TRENDS AFFECTING OUR BUSINESS

- DEMOGRAPHIC GROWTH AND URBANISATION OF THE POPULATION
- ACCELERATION OF DIGITAL TRANSFORMATION
- DATA TRACEABILITY AND SECURITY

4 GLOBAL MARKETS

ELECTRONIC IDENTIFICATION

Contactless technologies for secure identity documents

7% of revenue

TRANSPORTS / SMART CITIES

Ticketing solutions to simplify access to public transport.

37% of revenue

a BtoBtoC model

TRACEABILITY OF OBJECTS AND BRAND PROTECTION

IoT and asset tracking solutions and brand protection.

34% of revenue

PAYMENT

Payment cards, gift cards, metal contactless cards

22% of revenue

VALUES: RESPECT AND TEAMWORK — RESPONSIBILITY

MISSION: Our innovative platforms power contactless solutions and RFID applications to securely connect and locate people, products and objects while reducing our clients' carbon footprint.

NEW WORKPLACE AND CUSTOMER EXPERIENCE

ECOLOGICAL TRANSITION AND CLIMATE EMERGENCY

STRENGTHS

- **Market diversity:** retail, public transport, logistics, automotive industry, finance, healthcare, pharmaceuticals...
- **Unique expertise in RFID - RAIN** and NFC technologies for connected objects. ARC quality certification for UHF RAIN RFID tags.
- **Organic growth strategy** which is based on investments in R&D and equipment, supplemented by our acquisitions.
- **International presence** in 8 countries, close to our customers.

INNOVATION

SUSTAINABILITY

VALUE CREATION

ECONOMIC

- Annual growth of **+56%**
- **€9.5 million** of investments (excluding acquisitions)

CUSTOMERS

- Process **efficiency and optimisation**
- **Reduction of their carbon footprint** through improved process efficiency
- **Securing** the supply chain
- **Data traceability**
- **Fight** against **counterfeiting**
- **Leading** inlay production **site** in Europe
- **150 cities** provided with access control solutions

EMPLOYEES

- **142 employees** recruited during the year
- **85/100** score for the Gender Equality Index (PISAS, France)
- **Employee engagement surveys** in France and UK

ENVIRONMENT

- Development of solutions and **eco-friendly products** - green payment cards, paperless transport tickets
- Responsible management of production sites: **67% of industrial sites ISO 14001 certified**
- **Elimination of solvents**
- **EcoVadis:** Platinum certification (PISAS, France), Silver certification (Thames Technology, UK)
- Use of **FSC® PEFC™** paper

CSR approach

01. Our social responsibility is at the heart of our strategic vision
02. Corporate governance
03. QSE process
04. Information security policy
05. Identifying the main risks to better control them

01. Our social responsibility is at the heart of our strategic vision

CSR approach

Paragon ID integrates social, environmental, ethical, and economic concerns within its activities and interactions with its stakeholders.

Paragon ID's responsibility towards the impact of its decisions and activities on society and the environment are reflected in its transparent and ethical behavior that:

- contributes to sustainable development;
- considers the expectations of stakeholders in the risk analysis;
- complies with applicable laws and is compatible with international standards;
- is integrated throughout the organisation and implemented through all relationships.

Corporate social responsibility management is based on four areas:

- Business ethics;
- Human resources;
- Environment;
- Innovation and eco-design.

The group continues to expand its commitment to social and environmental performance with its various stakeholders and ecosystem.

CUSTOMERS

- Innovation
- Products and solutions to improve efficiency for our customers
- Eco-friendly product portfolio

PEOPLE

- Talent management
- Health and well-being
- Learning & Development
- EDI

PARTNERSHIPS

- Sustainable & transparent supply chain
- Verification of CSR commitments within acquisitions and with our trusted partners
- Ethical behavior in all business interactions

ENVIRONMENT

- Eco-design
- Safe materials and substances
- Environmental considerations of operations
- Assessment and certification by external bodies

In December 2021, Paragon ID was awarded the EcoVadis Platinum medal for the PISAS site, with an overall score of 73/100, up 10 points from last year. Paragon ID is in the top 1% of assessed companies, of all industries combined, for sustainable development and CSR out of more than 90,000 companies.

In August 2022, our subsidiary Thames Technology in the United Kingdom obtained the silver medal with a score of 56/100.

02. Corporate governance

Board of directors

PARAGON ID is a public limited company with a board of directors.

The board of directors is made up of a group of individuals who bring diverse backgrounds and experiences that are relevant to our activities. The board has collective responsibility for overseeing the operational management and leadership of the company. They are responsible for the long-term sustained successes of the company and the positive contribution we make to society. An Audit and Risk Committee controls the identification of the main risks, thus considering the interests of stakeholders.

6	2	33%	9
Directors	Independent directors	Women	Meetings in 2021/2022

Board members

From left to right:

- Laurent Salmon, board member
- Dominique Durant des Aulnois, Director and Company Secretary of PID SA
- Lis Iceton, independent director
- John Rogers, Chairman
- Alyna Wnukowsky, independent director
- Valery Huot, Director - representing LBO France Gestion

Risk governance

The CSR policy is monitored by the CEO, with the support of the Chief Financial Officer and the Company Secretary. At the operational level, it is led by the senior leadership teams within each entity, although this may differ depending on the site, location, and legislation in force.

Our ethics and social policies as well as our environmental and information security management policies have been implemented in the majority of our main subsidiaries and are in progress for others. They are currently deployed in France, Romania, and the United Kingdom and also soon to be implemented in Germany and the USA.

The company has a **Corporate Social Responsibility** (CSR) Officer in each operational entity, however based on need and the regulations of each country, the procedure may differ. The following committees have been or are soon to be created.

The Management Review Committee

- includes the local leadership team;
- meets annually;
- assesses the QSE approach of its operations.

The Safety Committee

- includes the company director, the QSE manager, the information security manager and the IT and infrastructure managers;
- meets annually;
- analyses data then decides on the actions to be implemented to develop the system.

The Ethics Committee

- includes the company director, the HR director (ethics officer), the QSE manager, the production IT manager;
- meets when necessary;
- assesses new risks and implements the necessary actions to reduce or mitigate potential risks.

Such committees can be convened in case of an emergency where important decisions are required to be made. Each committee is audited on a yearly basis by the Company Secretary of Paragon ID. The HSE audit is also part of the ISO certifications.

Certain employees within the business are required to sign and comply with anti-corruption, ethical and privileged information policies and to ensure that their customers and partners abide by the same practices.

03. QSE process

A QSE process supports the Group’s governance

The analysis of our risks, the Quality, Safety and Environment (QSE) management system and the continuous improvement approach, including among others - ISO 9001, ISO 14001, ISO 27001 and ECOVADIS standards (depending on the country) are the foundation of our commitment to our customers, employees, suppliers, and shareholders to:

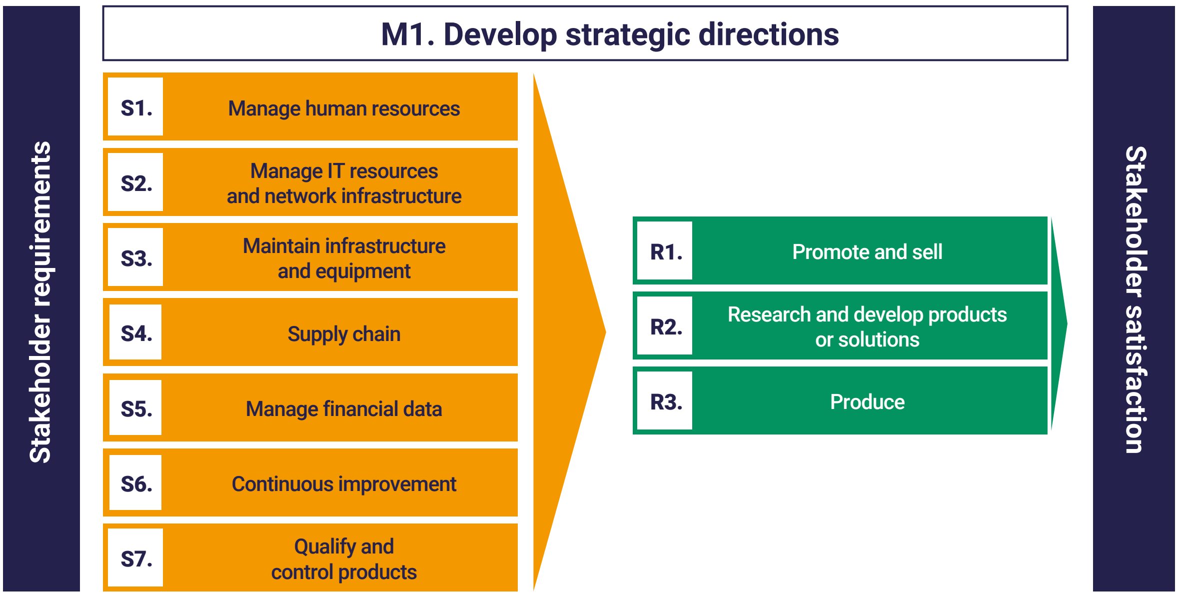
- develop our capacity to innovate;
- improve the operational effectiveness and leadership skills of our teams;
- control the safety of people and property;
- reduce our environmental impact;
- comply with national and international legislation;
- maintain high levels of ethical principles.

The laboratory at the Argent-sur-Sauldre site

The QSE process of our French entity is integrated in our global process map, demonstrating its importance in our governance.

PARAGON ID

EMEA management system



04. Information security policy

The purpose of our information security policy is to control and protect the data of our company as well as that of our customers and suppliers.

Through this policy, we affirm our commitment to the protection of the data of all our stakeholders. Management provides guidance and support for information security, in accordance with business requirements and applicable laws and regulations. A central IT team works with local departments to ensure the deployment of information security and cybersecurity standards.

Paragon ID designs and manufactures products and services that are increasingly sensitive to information flows. This requires us to implement an information security management system.

ISO 27001 was adopted as a guideline for all Paragon ID sites, and is compliant with the General Data Protection Regulation (GDPR) framework.

Our policy is based on the following themes:

- the detection and treatment of strategic and operational risks for information security;
- the confidentiality, integrity, and availability of information;
- ensuring our compliance with legal and regulatory requirements;
- the implementation of processes to ensure that employees and subcontractors understand their responsibilities and are qualified for the assignments entrusted to them.

05. Identifying the main risks and managing them

For several years, the company has been mapping the risks it may encounter. Our methodology consists of taking an annual inventory of risks, measuring their criticality and seeking solutions to mitigate the potential impact.

The annual risk register is carried out and validated by the executive management team and the board of directors.

Six risks related to the Non-Financial Performance Statement (NFPS) were identified.

The main risks identified within Paragon ID are grouped around three distinct themes. For each risk or risk area identified, one or more objectives are associated. These are monitored through key performance indicators, calculated over the period from 1 July 2021 to 30 June 2022. The complete list of risks identified for the company is available in the Universal Registration Document (URD) which is on the Paragon ID website. (www.paragon-id.com/en/content/autres-documents-financiers)

3
risks have a criticality score higher than 3 out of 10 and are considered the main risks (compliance with regulations, occupational accidents, and staff turnover).

3
other important risks which we wish to highlight

The risks identified, presented, and reviewed at the board of directors' meeting on 24 March 2022 are listed below and are divided into three themes:

Risks		Criticality*
Theme 1: Business ethics		
Risk of corruption	Business ethics and anti-corruption, page 15	2/10
Risk of non-respect of Human Rights	Ensuring respect for Human Rights, page 17	2/10
Theme 2: Human Resources		
Risk related to occupational accidents, in particular their frequency and severity, as well as occupational illness	Occupational Health and Safety, page 20	4/10
Risk of an increase in staff turnover	Talent attraction and retention, pages 21 and 22	4/10
Theme 3: Environment		
Risk of non-compliance with regulations governing our environmental impact	Reducing environmental impact, page 28	4/10
Risk of release of polluting elements to the air through poor management	Air quality, page 31	2/10

* The criticality, maximum 10, is calculated by multiplying the progress factor of the action plan to reduce the risk concerned by the assessment of the risk level after finalisation of this action plan. This result is multiplied by the estimated probability of this risk occurring after the action plan is finalised.

Business ethics

01. Business ethics and anti-corruption
02. Fight against tax evasion
03. Ensuring respect for Human Rights

01. Business ethics and anti-corruption

Business ethics

Paragon ID recognises that the way we operate our business activities has both a direct and indirect impact on the companies with whom we work. How we interact with the world determines our place within it.

We are committed to developing an environment of trust, collaboration, and respect in all our business endeavours.

Our ethical policy requires our employees to act with integrity, trust, honesty, and respect. It defines prohibited actions and emphasises practices that each employee must apply in their relationships with customers, suppliers, and competitors.

The policies apply to all employees, including the members of the board of directors and includes:

a code of conduct:

- anti-corruption code of conduct.

a statement:

- statement on modern slavery.

two procedures:

- handling confidential information;
- the whistleblowing procedure.

The governance was reviewed at the board of directors meeting on 16 December 2021 and was deemed satisfactory.

Preventing and fighting corruption

Paragon ID expects its employees, suppliers, subcontractors, and other business partners to uphold high standards in all their business activities and practices and to adopt a zero-tolerance approach to corruption.

Action plan

All employees must have access to the policies and be aware of them. Policies are distributed to all new hires.

An online training tool is being developed and has already been deployed at BBP (UK) and Thames Technology (UK). We plan to extend this tool to other countries, to provide identical training for each entity and all employees, on ethics and anti-corruption.

An ethics officer has been appointed for each geographical location. This has been communicated to the workforce who is aware of who to contact.

Findings

The ethics and anti-corruption policies were drafted and presented to the committee in 2019, with the aim of distribution and training to all employees.

Indicators

Sites with an ethics officer:

83%

Target

Sites with an ethics officer:

100%

Employees with the policy available:

100% by 2024

02. Fight against tax evasion

To ensure compliance with applicable regulations, our tax governance is based on ethical principles and transparency.

Paragon ID operates in eight countries (France, United Kingdom, Germany, United States, Romania, Australia, Ireland, Spain) through industrial, R&D and software development sites, or through a local sales representatives. Our tax contribution is localised within these countries and complies with local and international taxation rules. Our operations have positive economic impacts such as job creation. In addition to corporate income tax, we are subject to contributions from the countries in which we operate: social security contributions, payroll taxes, taxes on goods and services (VAT, GST, etc.), local taxes, and taxes on energy.

If operating in countries where the corporate tax rate is lower than that applied in France, the Group can prove that it carries out a genuine commercial activity and that it has economic substance.

Paragon ID maintains a professional, cooperative, and trusting relationship with the tax authorities of the countries in which it operates and transparently communicates all relevant information in compliance with its legal and tax obligations.

Each subsidiary ensures that tax returns and payments are made in accordance with local regulations.

Paragon ID is listed on Euronext Paris.

03. Ensuring respect for human rights

We are an international company and respect for human rights is an integral part of our moral, ethical and culture status and part of our social commitments.

Our company is made up of various subsidiaries that have been brought together over the years through shareholdings, acquisitions, mergers, and the creation of new businesses. While each entity has its own DNA, we all share a common foundation of respect for human rights; which is inherent in our culture and social commitments.

Our company's subsidiaries are all geographically located in countries that have signed the United Nations Charter on Human Rights.

In each country where we are located, the Charter is incorporated into the laws:

- working conditions for employees and subcontractors (e.g., working hours and time, health and safety);
- the terms of compensation and the social security system;
- the fight against all types of discrimination and harassment;
- the protection of personal data;
- freedom of association and trade union freedom;
- the fight against child labour and all types of forced labour practices preventing modern slavery.

Action plan

You can gain further information on The Modern Day Slavery Act 2014 which is available on our website.

The statement is relating to the United Kingdom and France (since September 2022). It will be implemented in other countries along with our ethics and anti-corruption policies.

Findings

All Paragon ID sites and subsidiaries share the same principles in terms of respect for human rights, regardless of their culture and geographical location.

The statement is available on the website

for all employees and stakeholders.

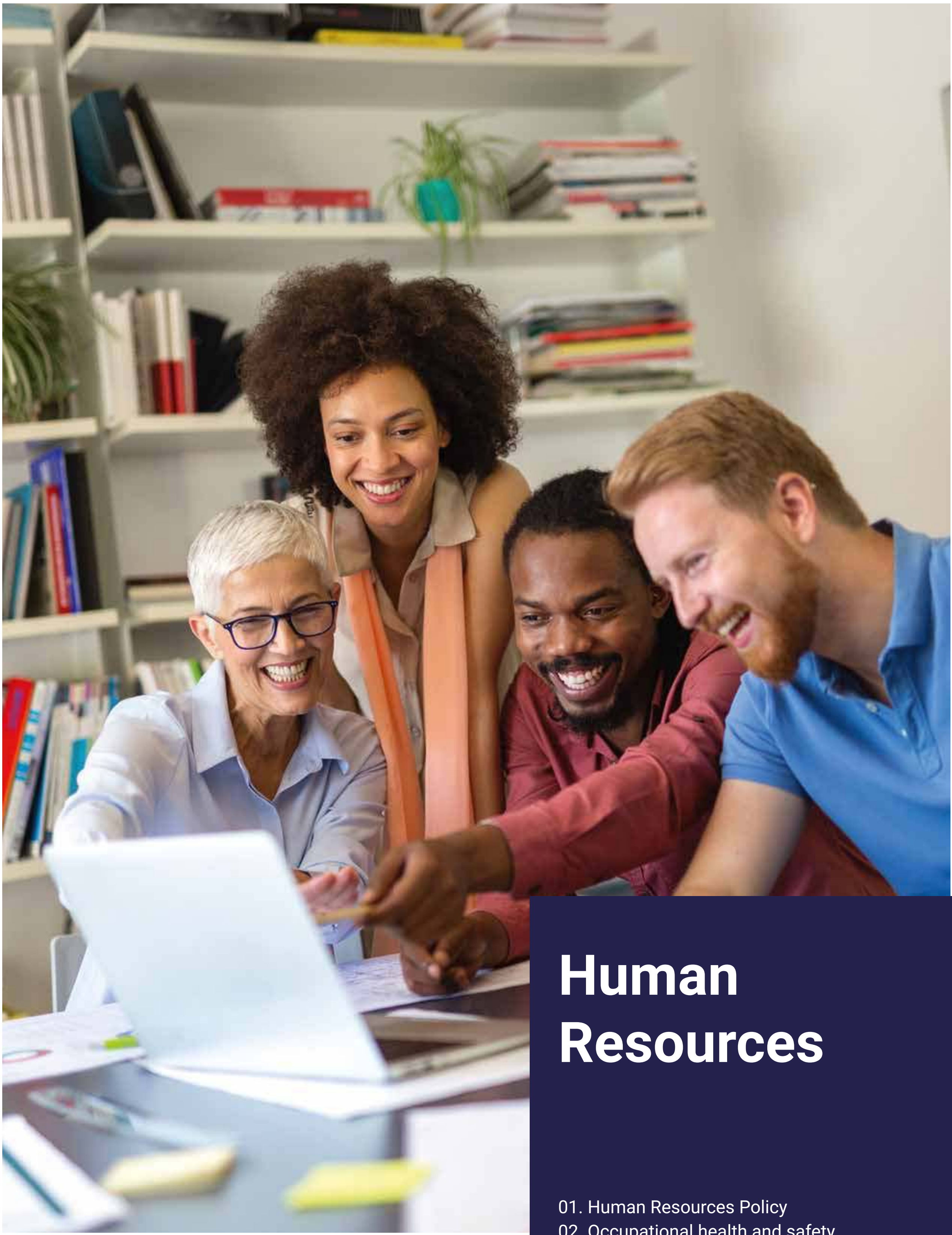
Indicators

Industrial sites with the statement available: **50%**

Target

Employees who have signed the policy: **100%** by 2024

The RFiD Discovery team (France, United Kingdom, Spain).



Human Resources

01. Human Resources Policy
02 .Occupational health and safety
03. Talent attraction and retention
04. Social dialogue and improvement of working conditions
05. Fight against discrimination

01. Human resources policy

The purpose of the human resources policy is to ensure the employee life cycle is concise, working to promote inclusiveness, eliminate discrimination, improve working conditions, health and safety and develop employee skills and knowledge in line with our values.

This human resources policy includes a procedure that is being gradually rolled out in all industrial subsidiaries.

The group company secretary carries out an annual audit.

This policy is enhanced operationally by specific policies relating to the legislative and consultative requirements of each site.

The human resources process implemented in France is:

Workforce planning and recruitment	Administrative management of personnel	Skills management	Communication
Anticipation of resource requirements, internal / external search, and allocation of human resources to meet the company's needs.	Management of employee life cycle (performance measurement, development, compensation, etc.).	Identification of the necessary skills and deployment of training to promote the effectiveness of the organisation. Continuous personal development is encouraged.	Promote a climate of trust that facilitates inclusiveness and inspires contribution for the success of the company.

Challenges

1. Occupational health and safety

Paragon ID aims to improve the health and safety of its employees by minimising the risk of accidents.

2. Talent attraction and retention

Paragon ID aims to retain its talents and increase its attractiveness to improve its recruitment ability as this is a significant investment.

3. Listening, communication and accountability

Paragon ID encourages two-way communication and regularly communicates the main issues in each organisation. We expect individuals to be accountable.

4. Fight against discrimination

Paragon ID is committed to respecting the 25 non-discrimination criteria* stemming from international and European legislation, as well as those relating to the legislation in force in each country where we operate.

Thames Technology financial cards team at Seamless Middle East, Dubai

* *Source: www.defenseurdesdroits.fr/en*

02. Occupational health and safety

OCCUPATIONAL ACCIDENTS	Thames	BBP	Security Label	PIROM	PISAS	PID	ASK-intTag	Consolidation June 2022	Consolidation June 2021
No of accidents with workdays lost	4.00	4.00	2.00	0.00	3.00	0.00	0.00	**13.00**	5.00
No of hours worked *(in millions)*	0.24	0.17	0.04	0.13	0.37	0.09	0.11	**1.16**	1.01
No of workers with contracts	125.00	91.00	36.00	66.00	213.00	45.00	55.00	**631.00**	555.00
Rate of occupational accidents = Number of lost time accidents per million hours worked; this rate only takes into account contracted workforce	**16.67**	**22.89**	**50.00**	**0.00**	**8.11**	**0.00**	**0.00**	**11.22**	**4.95**
No of calendar days lost	21.00	24.00	109.00	0.00	518.00	4.50	0.00	**676.50**	34.50
Hours worked *(in 000s)*	240.00	174.72	44.00	134.11	374.84	88.72	110.00	**1,009.65**	1,009.65
Occupational accident severity rate = Number of calendar days lost per 1,000 hours worked	**0.09**	**0.14**	**2.48**	**0.00**	**1.38**	**0.05**	**0.00**	**0.58**	**0.03**

Occupational accidents

Fiscal year 2021/2022

There were 13 accidents resulting in lost work across the entire group:

- 3 accidents at PISAS, 4 accidents at BBP, 4 accidents at Thames and 2 at Security Label;
- total number of days lost: 676.50.

This substantial number of days lost is analysed by the cause of accidents, particularly in France. For PISAS, two of the three accidents had a significant impact on the severity rate, due to the number of days lost.

One accident involved low back pain following a car accident (commuting accident). Although the accident did not take place on-site, PISAS has since committed itself to the "TMS Pro" programme, offered by French Health Insurance.

The other accident was a heart attack that occurred at the workplace. To date, we have no plan in place to mitigate such accidents as these are extremely rare.

Unfortunately, the accidents represent more than 500 days lost in France.

It is important to point out that Security Label "lost day" figures (109 days) contributed to the total number of days lost. Security Label joined the Group in (March 22). These results have been analysed and action plans, in line with Group rules, will be implemented.

Therefore, without the above exceptional accidents, the number of days lost would be in line with previous years. In fact, if these figures were analysed without the exceptional accidents, the severity rate would fall to 0.05 (compared to 0.03 the previous year).

It should be noted that no occupational illnesses were reported during the year, as was the case in 2021.

Action plan

The number of accidents increased and thus we were unable to reach our target (0). We must continue to increase our vigilance, to guarantee the health and safety of all our employees.

To meet this challenge, the following actions have been taken:

- a multidisciplinary team meeting is held following each accident, to determine the cause and implement corrective actions to prevent future incidents;
- raising awareness among employees after an accident or near-miss;
- at the Argent-sur-Sauldre site, the "zero accidents" objective was upgraded in relation to the other criteria for awarding quarterly bonuses. This was to raise awareness and make all employees aware of their responsibilities in the face of potentially dangerous situations;
- continuation of health measures in 2021/2022: distancing, wearing masks and working from home;
- progressive ISO 45001 certification - Bucharest is certified and along with BBP UK, PISAS aims to be in 2024.

Findings

13 accidents resulting in lost time

Indicators

Frequency rate: **11.22**

Severity rate: **0.58**

Target

0 accidents

03. Talent attraction and retention

WORKFORCE / AGE PYRAMID		Thames	BBP	Security Label	PIROM	PISAS	PID	ASK-intTag	Consolidation 2022
<20	Women	0	0	0	1	0	0	0	1
	Men	0	2	0	1	0	1	0	4
20-29	Women	2	7	0	6	11	0	7	33
	Men	8	10	3	6	19	7	5	58
30-39	Women	9	3	0	14	15	6	8	55
	Men	10	11	2	7	36	6	11	83
40-49	Women	11	10	3	13	30	4	2	73
	Men	22	12	3	8	40	13	2	100
50-59	Women	16	8	8	7	19	0	6	64
	Men	28	21	12	2	39	6	7	115
> or = 60	Women	3	0	2	1	1	0	3	10
	Men	16	7	3	0	3	2	4	35
Total	**Women**	**41**	**28**	**13**	**42**	**76**	**10**	**26**	**236**
	Men	**84**	**63**	**23**	**24**	**137**	**35**	**29**	**395**
GRAND TOTAL		**125**	**91**	**36**	**66**	**213**	**45**	**55**	**631**
% of workforce aged 60 and above		15.20%	7.69%	13.89%	1.52%	1.88%	4.44%	12.73%	7.13%

TURNOVER 2021-2022	Thames	BBP	Security Label	PIROM	PISAS	PID	ASK-intTag	Consolidation 2022
Workforce at 30 June	125	91	36	66	213	45	55	631
New hires	17	32	13	7	51	7	46	173
Departures	12	15	6	19	27	13	24	116
Including voluntary departures (resignation, mutually agreed contract termination)	12	13	2	17	14	3	20	81
Turnover: voluntary departures/workforce	**9.60%**	**14.29%**	**5.56%**	**25.76%**	**6.57%**	**6.67%**	**36.36%**	**12.84%**

TURNOVER 2020-2021	Thames	BBP	Security Label	PIROM	PISAS	PID	ASK-intTag	Consolidation 2021
Workforce at 30 June	117	78		78	193	51	38	555
New hires	13	13		2	5	4	7	44
Departures	50	64		43	17	8	13	195
Including voluntary departures (resignation, mutually agreed contract termination)	6	13		8	3	6	10	46
Turnover: voluntary departures/workforce	**5.13%**	**16.67%**		**10.26%**	**1.55%**	**11.76%**	**26.32%**	**8.29%**

Our company is made up of a diverse workforce, we believe in inclusion and ensuring equal opportunities for all. The geographical position of each site has a different appeal. While recruitment is not a major issue at some of our sites, attracting and retaining talent can be more challenging in others.

Two elements must be considered; the age pyramid and the evolution of the activities and offering.

The age pyramid: currently 35% of our employees are over 50 years of age and almost 7% are 60 years or older. The companies which joined the group most recently, Thames Technology and Security Label, have an “inverted” age pyramid. This is due to the significant restructuring carried out due to the loss of market shares during the pandemic. Today, the situation is reversing, and both companies are in the process of recruiting. The situation is similar at ASK-intTag, also currently in the recruitment phase following the pandemic.

Given the specific knowledge and experience of long-serving employees, we need to anticipate their retirement without the loss of knowledge.

Changes in the context: the evolution of Paragon ID’s activities, in particular the launch of new industrial activities in Romania, France and the United Kingdom, will require the hiring of many new employees in the next two fiscal years, having already increased by more than 142 in 2021-2022. This may bring a significant impact on production staff turnover.

The calculation of turnover that we use is the number of voluntary departures (resignation, retirement, and employees choosing to leave at the end of their probationary period) in relation to the total workforce. The current overall rate is 12.84% compared to 8.29% last year and 12.30% the previous year. We are back to a situation comparable to three years ago.

Given the context, it is particularly difficult to provide a turnover target for next year; however, considering the actions in place, we have set a target of less than 15%.

Action plan

Age pyramid

- Work on internship and apprenticeship campaigns to ensure our company appeals to young people. This will be done particularly in the USA and at the Thames Technology site in the UK.
- Work on forward-looking management of jobs and skills at each entity to avoid the loss of skills related to the departure of experienced employees.

Talent retention

- Work on the onboarding process to ensure new hires succeed in their role and seamlessly integrate into the company. Tools are in place at BBP and are being rolled out in France and the United States.
- Further analysis of the causes of voluntary departures (e.g., interviews, analysis of seniority at the time of departure) to create an action plan to mitigate the causes of this risk.
- Internal and external training plan offered for skills development.
- Installation of new industrial tools to develop unskilled jobs. At the Burlington site (USA), robots have been installed to transform assembly-line workstations into more qualified jobs. This is a perfect example of the transformation of low-paid, unskilled positions into more attractive positions.

Findings

Paragon ID aims to retain its talent and strengthen its appeal to recruit new staff, particularly in France, Romania and the United States.

Indicators

Change in the age pyramid (employees aged 50 and over): **+2.8%**

Change in staff turnover: **+54.9%**

Targets

Staff turnover: **<15%**

04. Listening, Communication and Accountability

Paragon ID encourages two-way communication and regularly communicates about the company's results and strategy in each organisation. We expect individuals to be accountable for their duties in line with the company's strategy.

Listening

The COVID-19 pandemic was an extremely challenging time for the entire workforce. COVID restrictions, reduced working hours, working from home, and the dramatic decline in commercial activity in some of our sectors brought the requirement to strategically restructure the company.

After such an emotional change within the business we conducted surveys with our employees in both France and the United Kingdom. We aimed to establish the mood and engagement as well as assess the perceived socio-psychological risks. Following these surveys, an action plan was developed and is gradually being implemented through all sites.

Communication

Developing a close and open dialogue with all our people

We strive to promote team spirit and cohesion between the various departments and management teams - for example:

- celebration of Women's Day / Mental Health Day;
- informal gatherings with all employees at each site (barbecue, "pancake party", etc.);
- participation in sports activities (Sophia Games, Paris marathon, inter-company challenges);
- when necessary, we bring together our people in each organisation to communicate news, events and other topical information.

Maintaining a high-quality relationship with social partners

We meet regularly with the employee representatives of each entity.

In the 2021-2022 financial year, in France, we signed nine agreements in total for the two companies (NAO, working from home, periodic penalty payment, APLD, profit-sharing). In Romania, an agreement is signed every year with employee representatives on minimum wages.

Accountability

We ensure that our people thrive in an environment that promotes responsibility, initiative, commitment and respect for all.

Action plan

- Promote communication with all our people.
- Extend employee engagement studies to other countries / entities.
- Implement targeted actions following the studies carried out and assess the results.

Findings

The company continues to maintain dialogue with all our people and their representatives, and this year focused on psychosocial risks while promoting employee engagement.

Indicators

% of sites having conducted a satisfaction survey: **57%**

Targets

Continue to implement actions following the studies in France and the United Kingdom.

Measure the % of progress of the action plan.

Work and social event at our site in Milton Keynes, United Kingdom.

05. Fight against discrimination

We are committed to ensuring that all our people are treated equally, regardless of their colour, belief, gender, sexual orientation, or any other factor.

We strive to ensure equality, diversity, and inclusion throughout the organisation, so that everyone has equal opportunities and our employees are selected and trained according to their skills and potential. We recognise, however, that we must continue our work to ensure a working environment that is inclusive, respectful, and free from discrimination.

Equal opportunities

Paragon ID is an equal opportunities employer. We apply a policy of fair and impartial treatment for all employees and candidates. We oppose any form of unfair treatment on the basis of direct or indirect discrimination, harassment or victimisation of employees or job candidates, because of their race, religious beliefs, political opinions, ethnicity, nationality, marriage / civil partnership, parental status, gender, sexual orientation, disability, or age.

Gender equality

We work within each entity to ensure that women at Paragon ID are compensated according to their skills, experience and comparably with their male colleagues.

In France, in application of the law "for the freedom to choose your professional future" of 5 September 2018, Paragon ID publishes the gender equality index for its two companies. This law aims in particular to eliminate the gender pay gap between women and men.

This year, a gender equality commission was created in France to develop an action plan to ensure equality and promote women in the company.

Women's Day at the Argent-sur-Sauldre site (France)

Findings

The French companies are very different in terms of their workforce. Due to the low number of employees at PID, the index cannot be calculated. As a result, we use the index of the largest company, PISAS, for this indicator.

The average index in France in 2021 was 85/100.

(source: travail-emploi.gouv.fr)

Indicators

Gender index: **85/100** (France scope)

Targets

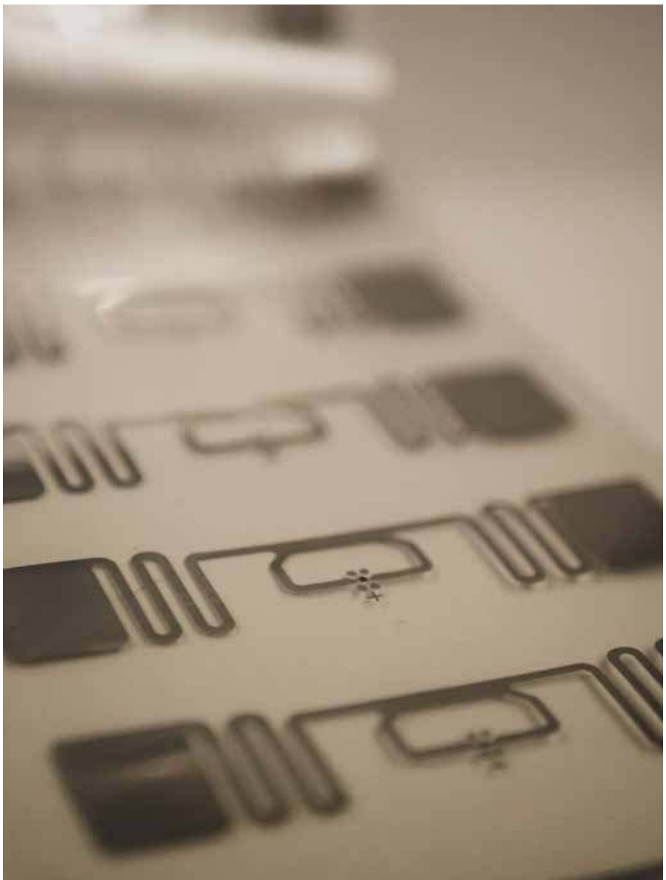
Gender index:

>85 (PISAS scope)

Communication and implementation of the measures listed in the gender equality action plan.

eID

Transport & Smart Cities



Track & Trace

Payment

Environment

01. Environmental policy
02. Reducing environmental impact
03. Climate change
04. Electricity consumption
05. Air quality

01. Environmental policy

Paragon ID is aware of the major issues relating to the environment and has adopted a proactive, environmentally friendly approach for many years.

Paragon ID is committed to improving its environmental performance to comply with regulations, reduce pollution and develop the use of biodiversity-friendly products.

Paragon ID's environmental policy addresses four challenges.

Challenges

1. Reduce environmental impact

2. Participate in the fight against climate change

3. Reduce our ratio of energy consumption to revenue

4. Preserve air quality

ISO 14001 is used as a reference to implement our environmental management systems for all Paragon ID sites. In this context, the following points are considered:

1. Reducing pollution	2. Complying with regulatory requirements	3. Managing the end-of-life and recycling of our products
Awareness-raising sessions are held for all employees so that everyone can play an active part in preserving our environment. In each sector, we carry out analysis to anticipate any risk of water, air and soil pollution.	The requirements for all regulations applicable to our business are known, shared and respected within the organisation.	The end-of-life and recycling of our products must be considered by our R&D teams from the design stage.

02. Reducing environmental impact

Findings

Paragon ID is committed to controlling and reducing its environmental impact at all its production sites through preventive actions established in dedicated working groups.

We are committed to working proportionally to reduce our environmental impact in compliance with regulations and in a context of very strong growth. This is achieved through our environmental action plans as well as the development and marketing of products and solutions to support our customers in their own CSR strategies.

1. ISO 14001 accreditation

The company has seven industrial sites (six in the scope of consolidation). Four of the main production sites (Rayleigh, Hull, Argent-sur-Sauldre and Bucharest) have been ISO 14001 certified since 2010, 2011, 2015 and 2020 respectively. In our action plan, we defined that the Burlington site should be certified in 2023 and the Sarsted site should also be part of this approach.

2. EcoVadis

We obtained EcoVadis Platinum certification on the PISAS site and Silver for Thames Technology.

3. Development of new, less polluting products and paperless solutions

4. Measurement of our electricity and solvent consumption.

5. Use of FSC® and PEFC™ papers.

Items 2 to 5 are dealt with in various sections of this report.

67% of our sites are accredited

Action plan

67% of sites are ISO 14001 accredited. Our objective is to reach 80% in the year 2023/2024.

Indicators and targets

ISO 14001 CERTIFIED PRODUCTION SITES	Thames	BBP	PIROM	PISAS	ASK-intTag	Sarsted
Certification obtained	Yes	Yes	Yes	Yes	No	No

03. Climate change

Reducing CO_2 emissions

In several countries around the world, companies apply the scopes* 1, 2 and 3 method to categorise the different kinds of carbon emissions they create, either through their own operations or their wider value chain.

The term first appeared in the Greenhouse Gas Protocol of 2001 and, today, these scopes form the basis for mandatory GHG reporting (in 2016, 92% of the "Fortune 500" companies have declared their use of this protocol).

Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the company's consumption such as electricity for lighting, heating or cooling. Scope 3 includes all other indirect emissions that occur in a company's value chain.

We have been able to calculate the CO_2 emissions of scopes 1 and 2 linked to electricity consumption (the group's main source of energy) at our six production sites. This represents at least 90% of the group's electricity consumption.

Fighting resource scarcity

Paper consumption: We strive to ensure that our raw materials come from sustainable sources by purchasing FSC® and PEFC™ certified paper. Very specific paper is required to produce magnetic tickets which may be FSC® or PEFC™ certified. Our objective is to ensure that 100% of our magnetic tickets are produced with paper from sustainably managed forests. Indeed, deforestation is a major issue for the climate and Paragon ID wishes, through this action, to help preserve forests.

Findings

CO_2 calculation is based on scopes 1 and 2.

UK rail tickets were not produced on FSC® or PEFC™ certified paper in 2021.

Indicators

% of magnetic products using FSC® / PEFC™ papers

Targets

100% of the materials needed to manufacture the magnetic tickets are PEFC™ or FSC® certified.

* Definition on: https://bilans-ges.ademe.fr/en

04. Electricity consumption

Electricity is the main energy used in factories, and industrial machinery, lighting, air conditioning, ventilation, office equipment and sometimes heating are the main consumption elements.

We have decided to consolidate the electricity consumption of our industrial sites in this report and to compare it with the sum of the external revenue of these sites. (Intercompany revenue is not considered in the table below.)

	Whole Division		
FINANCIAL YEAR	**kW/h**	**Total external revenues of the sites concerned in €K**	**Ratio kWh/€K**
2020-2021	6,439,213	70,591	91.2
2021-2022	7,821,374	109,125	72

Findings

Electricity consumption for 2021-2022 is up by 1.3 MWh. This increase is due to the recovery in activity following the pandemic. In 2020-2021, electricity consumption had decreased in proportion to the decline in activity recorded within the company. However, the increase in electricity consumption is limited compared to the increase in our revenues, 21% increase in consumption compared to a 55% growth in revenues and therefore a decrease of 21% in the kWh/revenue ratio compared to the previous year.

This is due to monitoring the energy saving actions implemented in recent years and the new initiatives implemented this year mainly at the Bucharest and Rayleigh sites (Thames Technology). Installation of low-energy light fixtures, improvement of control and timing systems and installation of motion detectors with timers to manage the switching on and off lighting, (dependent on the plant).

Greenhouse gas emissions related to the electricity consumption of our industrial sites represent 2,417 tCO_2. (Scopes 1 and 2 - Use of the ADEME emission factor).

Action plan

Two industrial sites have initiated action plans to reduce their electricity consumption: The Thames Technology site in the United Kingdom and the Bucharest site in Romania.

We will continue to develop these action plans at the other group sites and measure the effects of our consumption control while our revenues continue to grow.

Findings

Increase in electricity consumption due to business recovery.

Limited increase in proportion to the increase in income.

Indicators

Change in the kWh/€K ratio: **-21%**

Targets

Ratio kWh/€K: **<72**

05. Air quality

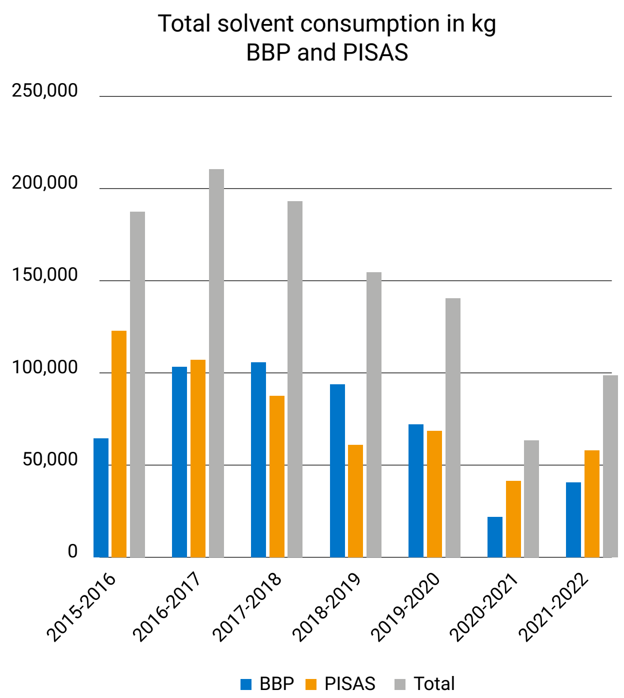
Our BBP and PISAS sites emit solvents into the atmosphere that are subject to regulations.

RELEASE OF POLLUTANTS INTO THE AIR	Thames	BBP	PIROM	PISAS	ASK-intTag	PID	Sarsted
Emissions of VOC (Volatile Organic Compounds)	No	Yes	No	Yes	No	No	No

Findings

In 2020-2021, we summarised our VOC emissions for the first time. This year was unusual due to the health crisis which negatively impacted the demand for magnetic tickets and subsequently the requirement for solvents. 2021-2022 saw a return to a situation close to pre-Covid levels with strong growth in revenues (+49%). This growth led to an increase in solvent consumption, which remained close to that of the previous year. We will continue to measure this ratio to obtain a trend.

	Division		
FINANCIAL YEAR	kg	Sum of site magnetic ticket revenues in €K	kg/€K
2020-2021	63,349	9,929	6.4
2021-2022	98,549	14,769	6.7



Action plan

Water-based magnetic coating

To eliminate the use of solvents used for magnetic tickets, with the approval of Hull City Council and the directors of the organisation to meet the requirements of the **Environmental Permitting (England & Wales) regulations 2016**. The company has launched a project to replace the solvent with a water-based solution to eliminate solvent from our production process and thus eliminate the risk of contravening the emission standard.

We have successfully carried out trials and tests during the 2021-2022 financial year. The new product has been validated with one of our main customers in the United Kingdom.

Following the validation with this customer, the fiscal year 2022-2023 will be devoted to mass production to serve our British customers with the aim of encouraging our other customers to adopt the water-based solution.

Reduction in the number of solvents used

As part of the solvent management plan and to reduce the potential impact on the atmosphere, the Paragon ID has implemented a reduction in the use of solvents. The French site in Argent-sur-Sauldre has reduced its solvent consumption by 60% over a period of nine years. The site has gone from a consumption of 147 t (2013) to 58 t (2021). The increase in 2022 is due to the increase in the volume produced.

As Paragon ID's commitment to continuous improvement and environmental protection is a priority, the group is also working to abolish certain solvent products.

This allows the impact of our activities on the atmosphere to be drastically reduced. For example, the acquisition of airweb is part of the approach to develop innovative products which aim to phase out physical tickets.

Findings

Increase in solvent consumption in 2021-2022 due to business recovery.

Limited increase in proportion to the increase in income.

Targets

Ratio kg/€K: **<6.7**

Indicators

Solvent consumption in 2021/2022:

99 t

Change in the kg/€K ratio:

+4.7%

Innovation and eco-design

01. Meeting stakeholders’ expectations
02. Innovative eco-responsible solutions
03. Industry 4.0

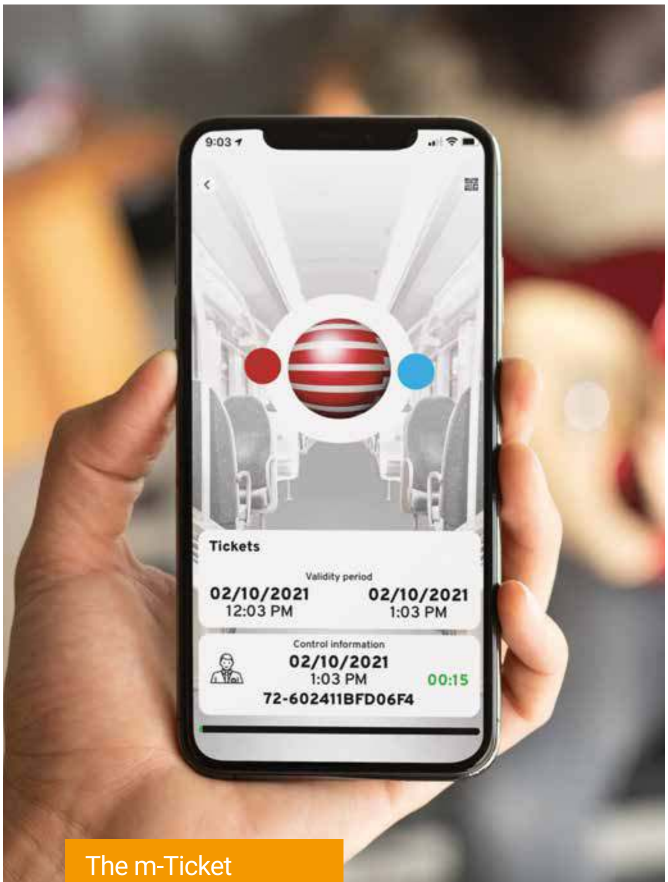
01. Meeting stakeholder expectations

Paragon ID continues to develop innovative security solutions that meet the social and environmental performance expectations of its stakeholders. Eco-design is at the heart of our innovation strategy and contributes to the company's sustainable growth. Our new solutions drive digital transformation for our customers by enabling them to provide an enhanced customer experience while reducing their carbon footprint.

Our digital solutions are already used in many sectors such as public transport, healthcare, industry, and payments.

Public transport

- Paragon ID's subsidiary "airweb" provides the public transport sector with a digital ticketing suite, responding to an increased market need. It constitutes a turning point in Paragon ID's commitment to reduce its carbon footprint in this sector. airweb's solutions make it possible to phase out physical media for accessing public transport, thereby eliminating paper, ink, silicon, and solvents.
- The Open Ticketing solution consists of providing users with P One validators (developed by Paragon ID and Ingenico) that accept different types of payment methods and different ticket media (contactless bank cards / QR code tickets / RFID cards / smartphones, etc.). Open Ticketing is the result of the consolidating the expertise of Paragon ID and its subsidiary airweb in terms of digital and paperless services and also in terms of contactless technologies (NFC), security and interoperability.
- These digital solutions provide more environmental alternatives to physical transport tickets such as magnetic tickets and plastic cards.



The m-Ticket developed by airweb

Healthcare, Industry, logistics, etc.

- RFiD Discovery and Apitrak tracking and geolocation solutions in SaaS mode track the equipment and objects that enable our customers to deploy increased efficiency in the use of their equipment. Tracking each piece of equipment makes it possible to optimise its use and thus avoid buying it back, thus limiting its carbon footprint.

RTLS RFiD Discovery platform

Payment

- AmaTech's technology has enabled Thames Technology to launch the Mastercard-certified Fusion card, and thus become the leading manufacturer of dual-interface metal payment cards in Europe.
- The metal payment card is an alternative to the plastic card. A metal card can replace several plastic cards.

Fusion, the new metal payment card from Thames Technology

02. Innovative eco-responsible solutions

Paragon ID develops solutions that enable our customers to:

- digitise their products;
- reduce waste by improving their processes;
- offer eco-designed products.

Our solutions help our customers to achieve their CSR goals.

Digital solutions for public transport

- airweb's solutions have boomed during the health crisis in parallel with the rise of contactless payments. While many initiatives have been put in place by transport operators during the health crisis to bring back users, the most successful has been the acceleration of the digital transformation with the provision of smartphone tickets, contactless payment, and online ordering of transport tickets.
- airweb's revenue increased from €2 million in 2020/2021 to €2.5 million in 2021/2022. Paragon ID's Open ABT solution has already been installed in several cities such as Bordeaux, Dreux and Menton.

Tracking and geolocation solutions in healthcare and industry

- RFiD Discovery's solutions are also booming with an increase in revenues of around €1.5 million. Not only do our customers benefit from greater efficiency, our solutions enable them to limit the loss, and limit the loss of their equipments and therefore the need to purchase new ones.
- For example, our solution reduced the losses but also the abandonment of fish plastic bins in the ports of Cornouaille, which had a very positive economic and environmental impact.

Tags for retail, aviation and logistics

- Paragon ID provides innovative Ultra High Frequency (UHF) RFID products to the retail sector which allow items to be tagged and read from several metres. These innovative products are already in high demand.
- This technology contributes to the reduction of product losses and to better stock management. Paragon ID also provides Ultra High Frequency (UHF) RFID baggage tags to the airline industry, for real-time baggage tracking.

Green cards in the payment sector

In 2020-2021, Thames Technology launched "environmentally friendly" payment cards made from wood or metal, offering fully recyclable payment solutions.

These products are consistent with the objective of reducing the usage of PVC in our payment cards.

The new "Eden" range offers a selection of more environmentally friendly plastic and non-plastic materials.

REVIVE

- Recycled PVC
- Obtained from industrial waste
- Suitable for bank cards and retail

RESTORE

- Recycled PETG
- Obtained from industrial waste
- Suitable for bank cards and retail

REGENERATE

- Organic PVC
- With a degradable PVC centre and cover
- Suitable for bank cards and retail

TURN THE TIDE

- Plastic recovered from the oceans
- Collected from coastal communities at risk
- Suitable for bank cards and retail

WOOD

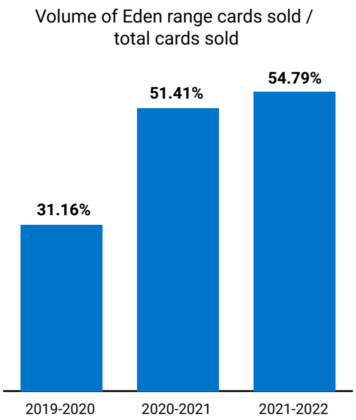
- Made from cherry wood
- Chemical-free production
- Certified by Mastercard

PAPER BOARD

- 100% recyclable and biodegradable cardboard
- Responsible manufacturing
- Rigidity and thickness comparable to PVC

In 2020-2021, Thames sold 35.6 million green cards from the Eden range.

In the 2021-2022 financial year, this figure increased to 41.4 million green cards representing 54% + of the volume of cards sold by Thames Technology. This indicator shows the appeal of these green products among our customers' customers in the financial sector.



03. Industry 4.0

This year, Paragon ID continued its investments in production capacities based on its operational excellence and knowledge, its creativity, and its capacity for innovation.

All of these criteria will remain at the heart of Paragon ID's strategy.

As we emerged from the health crisis, Paragon ID continued the initiatives put in place during this period, in particular the initiatives that have had a positive impact on the environment:

- prioritise MS Teams meetings rather than in person and use hololens for reviews and audits with suppliers to limit travel;
- support for our customers on environmental challenges: recycling, choice of raw materials, etc.

The company also continued to modernise its production tools, including the installation of six robots at the Burlington site, which not only improved efficiency and reduced waste, but also freed up the workforce and transformed unskilled positions into skilled positions thus promoting talent retention. Two additional robots are to be installed in 2023.

Paragon ID will continue to invest in high-tech equipment to become a major player in Industry 4.0.

Modernisation of industrial facilities at the Burlington site (USA)

Methodology

This Non-Financial Performance Statement (the "NFPS") describes Paragon ID's approach, policies, and actions regarding Corporate Social Responsibility ("CSR"). This statement is an integral part of the management report and is based on the main CSR issues that Paragon ID has identified.

Data collection method

The NFPS is reviewed and validated by the board of directors.

Collecting, consolidating, processing, and analysing the related information is carried out by the group's company secretary.

An internal audit is carried out annually by the company secretary and an external audit is carried out by PWC.

The data is provided for the financial year ending 30 June 2022 and is compared with data from previous years, to monitor trends.

Scope of indicators

Social issues have been identified for the entire Group, except for the recently integrated companies airweb and Apitrak (respectively 20 and 5 employees), which provide software solutions. EDM in the USA is not part of the scope of consolidation, knowing that it joined the group only in September 2021.

The scope of consolidation represents 90% of the total number of employees.

The following indicators have been selected to meet the regulatory requirements for non-financial information. The CSR information corresponds to the scope of Paragon ID, the company, including the following sites:

- France: PID and PISAS;
- United Kingdom: BBP and Thames Technology;
- United States: ASK-intTAG;
- Romania: PIROM;
- Germany: Security Label.

The following topics are not considered to be risks, given the nature of our businesses:

- food waste;
- food insecurity, respect for animal welfare, responsible, fair and sustainable food;
- actions to promote physical activities and sports;
- the circular economy (resources, waste) and the protection of biodiversity;
- social commitments to promote sustainable development;
- subcontracting and suppliers;
- air practices: measures taken to promote consumer health and safety.

Contact:

If you need further information, please contact the CSR manager at Paragon ID

Mr Durant des Aulnois - dda@paragon-id.com - +33 6 61 32 85 04

Secure Technology for a Connected World

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2022 FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

		12 months	12 months
In thousands of euros	***Notes***	**June 2022**	**June 2021**
Revenues	**4**	**130,849**	**83,948**
Cost of sales	**5**	(65,578)	(41,579)
Employee costs	**6**	(36,534)	(24,669)
Other operating income and expenses	**7**	(18,406)	(12,174)
Operating income before depreciation, amortisation, impairment and non-recurring items		**10,331**	**5,526**
Amortisation and impairment of intangible assets	**12**	(4,750)	(3,469)
Depreciation of property, plant and equipment	**13**	(5,921)	(5,098)
Other non-recurring income and expenses	**8**	554	(2,068)
Operating income		**214**	**(5,109)**
Finance income/(expenses)	**9**	(2,116)	(1,209)
Income/(Loss) on disposal of fixed assets		-	9
Income/(Loss) on investments	**14.1**	-	-
Pre-tax operating income		**(1,902)**	**(6,308)**
Share in the net income of joint ventures	**1.2.1**	-	408
Income tax	**10**	(534)	263
Net income – Continuing operations		**(2,436)**	**(5,638)**
Losses from discontinued operations		(25)	(19)
Net income – Discontinued operations		**(25)**	**(19)**
Net income		**(2,461)**	**(5,657)**
Attributable to:			
The owners of the Company			
- Continuing operations		(2,468)	(5,590)
- Discontinued operations		(25)	(19)
Non-controlling interests			
- Continuing operations		32	(48)
- Discontinued operations		-	-
Earnings per share from continuing operations			
Basic (euro-cents per share)	**11**	(124.71)	(284.79)
Diluted (euro-cents per share)	**11**	(124.71)	(284.79)
Additional Information			
Operating income		**214**	**(5,109)**
Non-recurring (income)/expenses	**8**	(554)	2,068
Operating income before non-recurring (income)/expenses		**(340)**	**(3,041)**

2. OTHER COMPREHENSIVE INCOME

		12 months	12 months
In thousands of euros	***Notes***	**June 2022**	**June 2021**
Net income		**(2,461)**	**(5,657)**
Items that may subsequently be reclassified to net income			
Currency translation adjustments of controlled investments		(58)	1,611
Items that may not subsequently be reclassified to net income			
Actuarial gains and losses on provisions for retirement benefits	**6.3**	406	67
Deferred taxes related to the provision for retirement indemnities	**6.3**	(62)	(19)
Total income		**(2,175)**	**(3,998)**
Attributable to:			
The owners of the Company		(2,207)	(3,950)
Non-controlling interests		32	(48)

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Notes	30/06/2022	30/06/2021 [1]
Goodwill	**1.2 / 12.1**	62,011	59,766
Intangible assets	**12**	15,056	14,698
Property, plant and equipment	**13.1**	14,459	10,860
Assets related to rights of use of leased assets	**13.2**	6,157	6,425
Deferred tax assets	**10**	3,361	3,906
Interests in joint ventures	**14**	337	336
Other financial assets		114	125
Non-current assets		**101,495**	**96,116**
Inventories	**16**	23,000	13,270
Trade receivables	**17.1**	14,875	8,560
Other receivables	**17.3**	7,477	6,330
Cash and cash equivalents	**18**	14,195	13,654
Current assets		**59,547**	**41,814**
Total Assets		**161,042**	**137,930**
Issued capital	**19**	69,350	69,271
Share premiums		60,887	60,887
Other Reserves		(84,004)	(81,131)
Treasury shares		(187)	(198)
Currency translation adjustment reserve		(236)	(178)
Employee securities revaluation reserve		143	(201)
Reserves attributable to owners of the Parent Company		(23,212)	(20,719)
Equity - owners of the parent		**22,741**	**27,731**
Non-controlling interests		55	23
Equity		**22,796**	**27,754**
Financial debt – non-current portion	**20**	29,035	23,811
Financial debt – non-current portion, with related parties	**20**	22,551	19,469
Liabilities from rights of use – non-current portion	**13.2**	4,472	4,433
Deferred tax liabilities	**10**	1,108	1,277
Deferred consideration – non-current portion	**22**	4,516	3,637
Provisions for long-term compensation		578	-
Provisions for retirement commitments	**6.3**	1,190	1,607
Non-current liabilities		**63,450**	**54,234**
Liabilities from rights of use – current portion	**13.2**	1,636	1,995
Financial debt – current portion	**20**	11,629	8,743
Financial debt – current portion, with related parties	**20**	3,231	3,175
Trade and other payables	**21**	37,346	23,753
Other payables	**21.1**	18,698	14,778
Deferred consideration - current portion	**22**	1,492	2,232
Provisions	**23**	764	1,266
Current liabilities		**74,796**	**55,942**
Total Liabilities		**161,042**	**137,930**

[1] The financial statements at 30 June 2021 have been restated for the effects of the finalisation of the PPA related to the acquisition of Apitrak, negatively impacting the Goodwill and Deferred consideration lines by €3.6 million.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Notes	12 months June 2022	12 months June 2021
Pre-tax operating income		**(1,902)**	**(6,308)**
Adjusted for:			
Losses from discontinued operations		(25)	(19)
Financial interest	9	2,116	1,209
Cost of share-based payments		121	304
Depreciation and amortisation of intangible assets and property, plant and equipment	12/13	10,670	8,567
Share of net income of joint ventures	14	-	(408)
(Reversal)/Charge to provisions		(5)	1,404
(Gains)/Losses on investments		(1,100)	-
Gains on acquisitions of subsidiaries		(87)	-
Amortisation of government grants		-	(16)
Gain or loss on disposal of intangible assets and property, plant and equipment		-	(9)
Cash flows from operations before working capital requirements		**9,788**	**4,724**
(Increase)/decrease in inventories		(7,893)	187
Increase/(decrease) in trade payables		13,041	1,720
(Increase)/decrease in trade receivables		(5,423)	1,614
(Increase)/decrease in other current assets and liabilities		523	734
Cash flows from operating activities		**10,036**	**8,979**
Repayment/(Payment) of taxes		583	150
Net cash flows generated by operating activities		**10,619**	**9,129**
Acquisitions of intangible assets	12	(4,532)	(4,063)
Acquisitions of property, plant and equipment	13	(5,086)	(3,467)
Proceeds from disposals of property, plant and equipment		82	82
Acquisition of subsidiaries, net of cash acquired	1.2	(5,439)	(887)
Deferred payments for Acquisitions of subsidiaries		(1,909)	-
(Increase)/Decrease in other financial assets		11	-
Cash flows from investing activities		**(16,873)**	**(8,335)**
Repayment of lease liabilities	20	(2,391)	(1,888)
Repayment of loans	20	(3,744)	(2,287)
Proceeds from the issue of loans and bonds	20	11,121	2,823
Income from/(Repayment of) loans from related parties	20	3,284	(4,518)
Interest paid		(1,679)	(1,427)
Cash flows from financing activities		**6,601**	**(7,297)**
Increase/(Decrease) in net cash and cash equivalents		**347**	**(6,503)**
Cash and cash equivalents, net of overdrafts – beginning of period		**8,940**	**15,376**
Increase/(Decrease) in net cash and cash equivalents		347	(6,503)
Impact of exchange rate changes on net cash and cash equivalents		506	67
Cash and cash equivalents, net of overdrafts – end of period		**9,793**	**8,940**

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Share capital	Share premiums	Other reserves	Treasury shares	Currency translation adjustment reserve	Employee securities revaluation reserve	Retained earnings	Total Equity - Owners of the parent	Non-controlling interests	Total Equity
Opening position 01/07/2020	**68,787**	**60,887**	**(80,951)**	**(188)**	**(1,789)**	**(249)**	**(15,110)**	**31,387**	**71**	**31,458**
Income for the year							(5,609)	**(5,609)**	(48)	**(5,657)**
Other comprehensive income for the year, after income tax					1,611	48		**1,659**		**1,659**
Total income for the year					**1,611**	**48**	**(5,609)**	**(3,950)**	(48)	**(3,998)**
Capital Increase	484		(484)					**-**		**-**
Issuance of equity warrants/free shares			304					**304**		**304**
Treasury shares				(10)				**(10)**		**(10)**
Closing position 30/06/2021	**69,271**	**60,887**	**(81,131)**	**(198)**	**(178)**	**(201)**	**(20,719)**	**27,731**	**23**	**27,754**
Application of the IFRS IC decision on IAS 19[1]			**122**					**122**		**122**
Opening situation 01/07/2021	**69,271**	**60,887**	**(81,009)**	**(198)**	**(178)**	**(201)**	**(20,719)**	**27,853**	**23**	**27,876**
Income for the year							(2,493)	**(2,493)**	32	**(2,461)**
Other comprehensive income for the year, after income tax					(58)	344		**286**		**286**
Total income for the year					**(58)**	**344**	**(2,493)**	**(2,207)**	**32**	**(2,175)**
Capital Increase	79		(79)					**-**		**-**
Issuance of equity warrants/free shares			121					**121**		**121**
Transactions with non-controlling interests [2]			(3,037)					**(3,037)**		**(3,037)**
Treasury shares				11				**11**		**11**
Closing position 30/06/2022	**69,350**	**60,887**	**(84,004)**	**(187)**	**(236)**	**143**	**(23,212)**	**22,741**	**55**	**22,796**

[1] The Group has taken into account the IFRS IC decision on IAS 19 validated on 20 May 2021 in calculating its retirement commitments. The non-material impact of the revised calculation method on the opening commitments of €122 thousand was recognised in other reserves at the period opening date.
[2] Amendment of the acquisition contract (increase in the price) of Apitrak's non-controlling interests.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRELIMINARY REMARKS AND EVENTS DURING THE PERIOD

1.0. General information

Paragon ID SA (formerly ASK) ("the Company") was incorporated in October 1997 as a public limited company (*société anonyme*) under French law. Its registered office is located at Les Aubépins, 18410 Argent-Sur-Sauldre, France.

Since 1 July 2014, the Company's shares have been listed on Compartment C of the Euronext market.

During the financial year ended 30 June 2017, ASK SA's scope of consolidation was changed following the reverse acquisition of the Paragon Identification Division. Consequently, control over the legal acquirer (ASK SA, "formerly ASK Group") has been transferred to the legally acquired company (Paragon France SAS, "the Paragon Identification Division"), which has since been the subject of a simplified merger within Paragon ID SA).

In terms of business, the Company and all of its subsidiaries design, produce and market contactless technology products for passenger transport, product identification and traceability for the identity market and for the banking industry, such as contactless cards, dual interface cards, contactless tickets, contactless labels, readers and other reading devices, passport covers and driving licences.

1.1. Events during the period

1.1.1 Acquisition of a majority stake in Security Label

On 1 July 2021, Paragon ID SA acquired 93.3% of the securities of Security Label GmbH, thus obtaining control of this company. It also signed an agreement setting out the purchase conditions for the remaining company securities through an option mechanism. The Group has therefore treated this as the acquisition of 100% of the company, which it has fully consolidated in the consolidated financial statements.

Security Label is a German company based near Hanover, founded in 1990 by the Von Wedekind family, and which has become a world leader in the design and manufacture of luggage tags. The company offers its customers the widest range of products for check-in, standard and RFID labelling and baggage tracking.
As part of its resolution 753, IATA supports the global rollout of baggage tracking using RFID chips. Over the next few years, airlines have made a commitment, and some have already begun, to transition from their standard baggage tags to tags equipped with RFID devices.

Security Label's industrial reputation and close relationships with the largest global airlines, and Paragon ID's expertise in RFID technologies, as evidenced by the exclusive contract signed with Air France in 2019 for the supply of RFID baggage tags to the French company, will combine to allow the group to accelerate its development in this sector. In the medium term, as RFID tags are gradually adopted by airlines, Paragon ID aims to become the leading RFID baggage tag company worldwide for air transport.

This operation is an opportunity for Paragon ID to become the world leader in baggage tags for airlines.

The purchase price based on the fair value of the assets and liabilities acquired must be allocated before the end of a period of 12 months following the effective date of the business combination. The purchase price was temporarily allocated by the Group with the assistance of an independent external valuer and is presented in the following table.

At 1 July 2021:

	Security Label In thousands of euros
Allocation of purchase price	
Purchase price	**3,570**
Initial investment 93% - Disbursed during the financial year	3,327
Remaining from non-controlling interests 7% - Indexed to performance by 2025	243
Valuation of assets and liabilities	
Intangible assets	559
Property, plant and equipment	977
Inventories	1,016
Trade and other receivables	573
Cash and cash equivalents	559
Total assets acquired	**3,684**
Current trade and other payables	(645)
Borrowings and financial debt	(920)
Deferred tax liabilities	(82)
Provisions	(101)
Total liabilities acquired	**(1,748)**
Fair value of assets and liabilities	**1,936**
Goodwill	**1,634**

The valuation techniques used to determine the fair value of the significant assets acquired are as follows:

Assets acquired	Valuation techniques

Intangible assets	*Royalty method, excess profit method:* The royalty method is based on an estimate of the discounted royalties that should be avoided following the acquisition of the brand. The profit method takes into account the present value of net cash flows expected to be generated from customer relationships, excluding any cash flows related to support assets.

When measuring the fair value of the assets and liabilities acquired, the value of the brand was analysed on the basis of the future income expected to be generated by this asset existing at the acquisition date. This led the Group to recognise a value of €102 thousand for the brand. The Group also valued its customer relations at €440 thousand.

The cash impact of the transaction is as follows:

	In thousands of euros
Analysis of cash flow on acquisition	
Acquisition cost	(3,570)
Deferred acquisition cost payments	243
Net cash acquired	559
Cash flow net of acquisition	**(2,768)**

Revenues generated by Security Label since 1 July 2021 is included in the consolidated income statement and amounts to €9,664 thousand.

Net income generated by Security Label since 1 July 2021 is included in the consolidated income statement and amounts to €654 thousand.

Acquisition-related costs are included in non-recurring expenses and are not considered by Management to be material.

1.1.2 Acquisition of Electronics Data Magnetics, Inc.

On 20 September 2021, Paragon ID SA acquired, through new entities in the United States, the activities and assets of the American company Electronics Data Magnetics Inc. (EDM).

Founded in 1983 by the Hallman family, EDM has become the leading American manufacturer of tickets for the public transport market.
EDM manufactures and sells magnetic and RFID cards and tickets, and provides transport ticket pre-encoding and programming services from its industrial site in High Point (North Carolina). EDM supplies the main public transport operators in the US, as well as airlines, car park operators, etc. EDM's customers include nearly two-thirds of the transport operators and authorities in the US, including the cities of Boston, Chicago, New York, Philadelphia, Portland, etc.

Prior to the pandemic, EDM generated positive annual revenues of more than US$15 million, however its activity saw a 75% drop due to the closure and reduced passenger flows of public transport systems

over the last 18 months. These major impacts led the company to file for protection under the US Chapter 11 bankruptcy law in April 2021.
Paragon ID expects a gradual recovery in the company's activity to a normalised level over the next two financial years, while making the necessary current investments to support this return to growth.

The purchase price based on the fair value of the assets and liabilities acquired must be allocated before the end of a period of 12 months following the effective date of the business combination. A temporary allocation of the purchase price was made by the Group; it is presented in the following table.

As of 20 September 2021:

	Electronics Data Magnetics In thousands of USD	Electronics Data Magnetics In thousands of euros
Allocation of purchase price		
Purchase price	**2,657**	**2,350**
Valuation of assets and liabilities		
Intangible assets	-	-
Property, plant and equipment	1,254	1,109
Inventories	966	855
Trade and other receivables	910	805
Cash and cash equivalents	-	-
Total assets acquired	**3,131**	**2,769**
Current trade and other payables	(276)	(244)
Deferred tax	(99)	(88)
Total liabilities acquired	**(375)**	**(332)**
Fair value of assets and liabilities	**2,755**	**2,437**
Badwill impacting the income statement for the first half of the year	**(98)**	**(87)**

When measuring the fair value of the assets and liabilities acquired, the values of the assets acquired were reviewed, based on the assets existing at the date of acquisition and the context surrounding the company at that date. Thus, it was determined that the Company's position had severely damaged customer and supplier relationships for which the value at the acquisition date was zero. However, the Group has revised the value of the inventories acquired upwards compared to its purchase offer, due to an increase in inventories between the two dates and following a detailed review of the nature, age and conditions of the inventories acquired. This led the Group to recognise a value of €966 thousand on the inventories taken over.

The cash impact of the transaction is as follows:

	In thousands of USD	In thousands of euros

Analysis of cash flow on acquisition		
Acquisition cost	(2,657)	(2,350)
Net cash acquired	-	-
Cash flow net of acquisition	**(2,657)**	**(2,350)**

The revenues generated by EDM Technology since 20 September 2021 are included in the consolidated income statement and amount to €5.2 million. Over the period from 1 July 2021 to 30 June 2022, these revenues amounted to €6.5 million.

The net income generated by EDM Technology since 20 September 2021 is included in the consolidated income statement and amounts to €0.6 million. Over the period from 1 July 2021 to 30 June 2022, this net income amounted to €0.7 million.

Acquisition-related costs are included in non-recurring expenses and are not considered by Management to be material.

1.1.3 Acquisition of UrbanThings Ltd.

On 28 June 2022, Airweb UrbanThings Ltd acquired 100% of the securities of UrbanThings Ltd, thus obtaining control of this company. The Group therefore consolidated this acquisition in its consolidated financial statements at 30 June 2022.

Based in London, UrbanThings is a software publisher and has developed Bus Checker, one of the main digital public transport applications in the United Kingdom. Launched in 2012, this platform provides real-time information (timetables, journeys, etc.) for bus passengers. It is one of the leading mobility applications in the United Kingdom, with more than 2 million downloads.

The company has developed a central platform allowing it to propose a mobile and web ticketing offer and to analyse the data in order to send them to the public transport operators. This platform allows users to plan and pay for their journeys, while having access to various modules such as vehicle tracking and journey (origin-destination) analysis. It also allows revenue to be shared between the various operators.

Paragon ID and Airweb launched Open ABT, the most comprehensive integrated smart ticketing platform on the market, including in particular payment via the EMV protocol (Europay Mastercard Visa).

The UrbanThings and Open ABT platforms are perfectly complementary: UrbanThings initially focused on passenger information, while Airweb specialised in mobile and web ticketing solutions, with more than 80 deployments in France and around the world.

The acquisition of UrbanThings will considerably strengthen the integrated Open ABT solution with a comprehensive digital platform that can meet the growing demand for Mobility as a Service (MaaS).

The purchase price based on the fair value of the assets and liabilities acquired must be temporarily allocated before the end of a period of 12 months following the effective date of the business combination. A temporary allocation of the purchase price was made by the Group; it is presented in the following table.

As of 28 June 2022:

	UrbanThings In thousands of GBP	UrbanThings In thousands of euros
Temporary allocation of purchase price		
Purchase price	**350**	**408**
Valuation of assets and liabilities		
Intangible assets	17	20
Property, plant and equipment	6	7
Trade and other receivables	33	38
Cash and cash equivalents	76	89
Total assets acquired	**132**	**154**
Current trade and other payables	(58)	(68)
Borrowings and financial debt	(110)	(128)
Deferred tax liabilities	(4)	(5)
Provisions	(107)	(125)
Total liabilities acquired	**(279)**	**(325)**
Fair value of assets and liabilities	**(147)**	**(171)**
Goodwill	**497**	**579**

The cash impact of the transaction is as follows:

	In thousands of GBP	In thousands of euros
Analysis of cash flow on acquisition		
Acquisition cost	(350)	(408)
Net cash acquired	76	89
Cash flow net of acquisition	**(274)**	**(319)**

Over the period from 1 July 2021 to 30 June 2022, UrbanThings revenues amounted to €0.8 million. The portion of this during the period from 28 June 2022 to 30 June 2022 is not material.

During the period from 1 July 2021 to 30 June 2022, the net loss amounted to €0.6 million. The portion of this during the period from 28 June 2022 to 30 June 2022 is not material.

Acquisition-related costs are included in non-recurring expenses and are not considered by Management to be material.

1.1.4 COVID

The effects of the health crisis on the Group's activities eased during the financial year, with people resuming travel, the gradual reopening of borders and a reduction in lockdown measures around the world.

1.1.5 Ukraine/Russia conflict

The Group has no significant exposure in Ukraine or Russia. In particular, the Group has no key suppliers in Ukraine or Russia, or customers active in these regions. The closest production site to the conflict zone is its Bucharest plant, which is not affected by the conflict.
As of the date of publication of this document, the Group does not consider itself to be affected by this conflict.

2. ACCOUNTING RULES AND METHODS

2.0. Scope of consolidation

The scope of consolidation at 30 June 2022 is described in Note 15 of the report.

The Group also holds 56.30% of the share capital and voting rights of the I2PL joint venture (Noida, India), which no longer has any operational activity and is still in the process of liquidation.

2.1. Standard applied

The consolidated financial statements were prepared in accordance with IFRS published by the International Accounting Standard Board (IASB), as adopted by the European Union at 30 June 2022. The IFRS standards as adopted by the European Union may be consulted on the European Commission's website.

These accounting principles are identical to those used to prepare the annual consolidated financial statements for the financial year ended 30 June 2022, with the exception of the new adoptions mentioned below.

On 1 July 2021, the Group also adopted the following IFRIC decisions and standards which had entered into force:

- IAS 19: In May 2021, the IFRS IC issued an agenda decision determining the period over which an entity must attribute the benefit for a particular defined-benefit plan (a lump-sum payment when a specific retirement age is reached). The Group reviewed the attribution periods in line with the note on its defined-benefit pension plans, particularly in France, and recorded a non-material impact on its other reserves at the beginning of the period.

- IAS 38: In April 2021, the IASB ratified a March 2021 IFRS IC agenda decision on configuration or customisation costs in a cloud computing arrangement. This agenda decision could result in a change in accounting policy for entities that are incurring or have already incurred significant configuration or customisation costs associated with a Software as a Service (SaaS) cloud arrangement. The Group reviewed all of these capitalised IT costs and noted that this was not material, concluding that this clarification would not have a significant impact on the Group.

- IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16: On 27 August 2020, the IASB finalised the amendments to phase 2 and published the interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that may affect financial reporting after the reform of a benchmark interest rate, including its replacement by alternative benchmark rates. The changes are effective for annual periods beginning on or after 1 January 2021, with early application being allowed. The application of this interpretation does not have a material impact on the Group.

The Group has not elected for early application of the standards, amendments and interpretations published by the IASB and approved by the European Union at 30 June 2022, which mainly include:

- IFRS 17 & IFRS 4: On 25 June 2020, the IASB published “Amendments to IFRS 17” to address the concerns and implementation challenges that were identified after the publication of IFRS 17 “Insurance Contracts” in 2017. The changes are effective for annual periods beginning on or after 1 January 2023, with early application being allowed. The IASB also published “Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)” to extend the fixed expiry date of the amendment also to annual periods beginning on or after 1 January 2023. The application of this interpretation should not have a material impact on the Group.

The Group has carried out an assessment of the impacts of climate risk and on its financial statements, which is included in the management report and the non-financial performance statement. This does not indicate a significant impact at this stage.

2.2. Basis of preparation and principles of consolidation

The financial statements are presented in euros and rounded to the nearest thousand. The euro is the functional currency of PID SA.

The consolidated financial statements were measured using the historical cost method, except for certain financial instruments, which were measured at fair value at the end of each reporting period, as explained in the accounting methods -below.

The financial statements were approved by the Board of Directors at its meeting of 20 October 2022. They will be submitted to the General Meeting for approval.

2.2.1 Consolidation principles

The Group consolidates:

Entities in which the Company directly or indirectly exercises exclusive control (subsidiaries) are fully consolidated. The Group has control when it: (i) has power over the issuing entity; (ii) is exposed or entitled to variable returns because of its relationship with the issuing entity; and (iii) has the ability to exercise its power to influence the amount of returns it receives. The Group must verify whether it controls the issuing entity if the facts and circumstances indicate that one or more of the three elements of control listed above have changed. The Group consolidates a subsidiary from the date on which it obtains control and ceases to consolidate it when it loses control. More specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of consolidated income and other comprehensive income from the date the Group acquires control of the subsidiary until the date it ceases to control it. Net income and each component of other comprehensive income are attributed to the Group's owners and non-controlling interests. The total comprehensive income of subsidiaries is attributed to the Group's owners and non-controlling interests, even if this results in a deficit balance for them. If necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting methods into line with the Group's accounting methods.

The Group uses the equity method to account for entities in which the parent company exercises joint control (joint ventures). A joint venture is a partnership in which the parties exercising joint control have rights to the net assets of the joint venture. As a joint venture partner, the Group must recognise its interest in a joint venture as an investment using the equity method, unless the investment, or part of it, is classified as held for sale, in which case it is recognised in accordance with IFRS 5.
All inter-company transactions with fully consolidated companies are eliminated.

2.2.2 Foreign currencies

As part of the preparation of the financial statements of each Group entity, transactions denominated in a currency other than the entity's functional currency (foreign currency) are recognised by applying the exchange rate prevailing on the transaction date. At the end of each reporting period, monetary items denominated in foreign currencies are converted using the exchange rate in effect at that date. Non-monetary items recognised at fair value and denominated in foreign currencies are converted using the exchange rates prevailing on the date on which the fair value was determined.
Assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate prevailing at the end of the accounting period until paid. Exchange differences on payment are recognised in the consolidated statement of net income.
For the purposes of presenting the consolidated financial statements, assets and liabilities related to the Group's foreign operations are converted into euros by applying the exchange rates prevailing at the end of each reporting period. Income and expense items are converted at the average exchange rate for the period. Exchange differences, if any, are recognised in other comprehensive income and accumulated in equity (and allocated to non-controlling interests, if any).

2.2.3 Business continuity

The Group's business continuity over the next 12 months is subject to the continued support of its

principal shareholder in order to support the Group's growth strategy and the consequences thereof in terms of equipment purchases and working capital requirement, while continuing to meet its financial debt repayment schedule and deferred considerations.
As documented in the letter of support obtained from its principal shareholder, the latter will continue, as it has done since its takeover, to support the Group financially, as well as in terms of human resources, over the coming 12 months, so that the Group may continue its growth through its development priorities.
As a result of the conditions listed above, the financial statements have been prepared on a going concern basis.

2.3. Public grants

As part of its research and development activities, the Group receives research tax credits, which it recognises in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.
Government grants are not recognised if there is not reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.
Government grants are recognised in net income or as a deduction from an asset that they finance on a systematic basis over the periods in which the Group recognises as expenses the related costs that the grants are intended to offset. More specifically, government grants, whose main condition is that the Group must purchase, build or otherwise acquire non-current assets, are recognised as a deduction from assets in the consolidated statement of financial position and recorded in net income on a systematic and rational basis over the useful life of the related asset.

2.4. Intangible assets

2.4.1 Internally-generated intangible assets – research and development costs

Expenditures for research activities are recognised as expenses in the period in which they are incurred.
Expenditures related to development activities are recognised as intangible assets if and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset with a view to commissioning or selling it;
- the intention to complete the intangible asset and commission or sell it;
- the ability to commission the intangible asset or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of appropriate technical, financial and other resources to complete the development and commission the intangible asset or sell it;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initial amount recognised for an internally-generated intangible asset is equal to the sum of the

expenditures incurred from the date on which that intangible asset first met the recognition criteria listed above. If no internally-generated intangible asset can be recognised, development expenditure is recognised in net profit or loss in the period in which it is incurred.
After initial recognition, internally-generated intangible assets are recognised at cost less cumulative amortisation and cumulative impairment losses using the same method as for intangible assets acquired separately.

2.4.2 Intangible assets acquired separately

Intangible assets with a finite useful life that are acquired separately are recognised at cost less cumulative amortisation and cumulative impairment losses.

2.4.3 Intangible assets recognised as part of business combinations

Intangible assets recognised as part of business combinations concern:

- recognised customer relationships as part of the Group's takeover of BBP and its subsidiaries;
- customer relationships and patents recognised as part of the reverse merger of ASK and its subsidiaries within the Paragon Identification Division;
- patents recognised as part of the Group's takeover of AmaTech and its subsidiaries;
- the customer relationships, industrial software and brand recognition as part of the Group's takeover of Thames Card Technology;
- the software recognised in the context of the Group's takeover of Airweb SAS.
- customer relationships and the brand recognised as part of the Group's takeover of Security Label GmbH.

Patents, trademarks and software are valued using the royalty method, while customer relationships are valued using the discounted future earnings method.
These fixed assets are based on estimates relating to the determination of the fair value of the assets acquired.

2.4.4 Goodwill

The final goodwill determined has been allocated to each of the cash-generating units and is not amortised. It is subject to impairment tests at least once a year and whenever events or circumstances indicate the possibility of an impairment loss. Such events and circumstances involve significant changes that are likely to have a lasting impact on the substance of the original investment.

Goodwill derived from the acquisition of foreign entities is measured in the functional currency of the acquired entity and converted into euros using the exchange rate prevailing at the end of the reporting period.

Goodwill is measured at cost when the price of the business combination is allocated, less any cumulative impairment losses.

2.4.5 Amortisation of intangible assets

Amortisation is recorded on a straight-line basis over the estimated useful life of the asset. Estimated useful lives and the amortisation method are reviewed at the end of each reporting period, and the impact of any changes in estimates is accounted for prospectively.
The following useful lives have been used for the purpose of calculating amortisation:

- Customer relationships: 4 to 10 years, depending on the customer relationship profile;
- Industrial software: 5 to 10 years;
- Brands: 4 years;
- Capitalised development costs: 3 years;
- Patents: 3 to 20 years, depending on the duration of the rights they confer;
- Licences: 2 to 14 years, depending on the lifespan of the licence.

Amortisation starts on the date that the asset is commissioned.

2.5. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less cumulative depreciation and cumulative impairment losses. The fixed value of property, plant and equipment (other than assets under construction), less residual value, is depreciated on a straight-line basis over its estimated useful life:

- for industrial equipment: from 5 to 10 years;
- for furniture and fittings: 10 years.

Estimated useful lives, residual values and the depreciation method are reviewed at the end of each reporting period, and the impact of any changes in estimates is accounted for prospectively.
Assets leased under finance leases are depreciated over their expected useful life using the same method as for assets held. However, where there is no reasonable certainty that the right of ownership will be obtained at the end of the contract, the assets must be depreciated over the shorter of the term of the lease or their useful life.
An item of property, plant and equipment is derecognised when no future economic benefit is expected from its continuing use.
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognised in net profit or loss.

2.6. Impairment of property, plant and equipment, intangible assets and goodwill

At the end of each reporting period, the Group reviews the carrying values of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets are impaired. If any such indication exists, the recoverable value of the asset is estimated to determine the amount of the impairment loss (if any).
The recoverable value is the highest of the fair value less costs to sell and the value in use. When assessing the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If it is not possible to estimate the recoverable value of an individual asset, the Group assesses the

recoverable value of the cash-generating unit to which the asset belongs. If a reasonable and consistent allocation method can be determined, support assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation method can be determined.
If the estimated recoverable value of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value. An impairment loss is recognised immediately in net income. If an impairment loss is subsequently reversed, the carrying value of the asset (or the consolidated entity) is increased to the amount of the revised estimate of its recoverable value, insofar as that increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognised for that asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised immediately in the income statement.

On a case-by-case basis:
- Internally-generated intangible assets that are not yet ready to be put into service are also reviewed once a year according to their completion prospects;

For goodwill impairment tests, the Group has defined six CGUs relating to its activities. The methodology used consists mainly of comparing the recoverable value of the Group's CGUs with the corresponding net assets (including goodwill).
The recoverable value is the higher of the fair value less costs to sell and the value in use. The value in use is determined on the basis of discounted future operating cash flows requiring the use of assumptions, estimates or assessments. Estimates of future operating cash flows are based on a strategic plan, an extrapolation of cash flows beyond the medium-term strategic plan and a terminal value.
Additional impairment tests are performed if particular circumstances or events indicate a potential loss of value. A sensitivity analysis of the impairment tests is provided in Note 12.1. Impairment losses on goodwill are irreversible.

2.7. Inventories

Inventories and work-in-progress are valued at the lower of cost and net realisable value. Inventories of raw materials or goods are valued at purchase cost. Inventories of finished and intermediate products and work-in-progress are valued at their production cost.
This production cost includes the cost of materials and supplies used, production labour and other direct production costs and indirect factory costs, excluding overheads that do not contribute to production.
These costs are determined by reference to the "First In, First Out" method.
Impairment losses are recognised when the probable realisable value is lower than the cost price.

2.8. Financial instruments

Financial assets and liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as the case may be, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities measured at fair value through profit or loss are recognised immediately in net profit or loss. Receivables are valued at their nominal value.

2.8.1 Financial assets

The Paragon ID Group mainly holds loans and receivables.
In addition, the Paragon ID Group does not hold any financial assets that meet the cash equivalent criteria of IAS 7, financial assets at fair value through profit or loss, investments held to maturity and financial assets available for sale.

2.8.1.1. Loans and receivables

Loans are measured at amortised cost using the effective interest rate method, less any impairment loss.
Receivables are initially measured at fair value, which generally corresponds to the transaction price. Interest income is recognised by application of the effective interest rate, except for short-term receivables, for which the impact of discounting is negligible.
The Group uses factoring for most of its trade receivables. Most Group companies have entered into deconsolidating factoring agreements, in which case the Group has assigned the main risks associated with the receivables sold to the factoring company. On the asset side of the statement of financial position, these receivables are therefore deducted from the cash received on their sale to the factoring company.
A Group company uses a consolidating factoring agreement, under which it retains ownership of customer risk, in which case the receivables assigned are kept as statement of financial position assets in return for the cash advance made by the factoring company.

2.8.1.2. Impairment of financial assets

Financial assets are impaired in stages:
First stage: As soon as a financial instrument is created or purchased, the expected credit losses over the life of the trade receivables and “short-term” contractual assets are recognised in net income and a provision for losses is established.
The Group uses an allowance matrix, under which impairment losses are calculated by grouping receivables according to customer type and forward-looking information to determine an allowance for losses from day one equivalent to the expected credit losses over the life of the receivables.
This serves as an indicator for initial expectations of credit losses.
Second stage: If there is objective evidence that the credit risk for a specific financial asset has increased significantly due to the impact of one or more events occurring after the initial recognition of the financial asset, then an impairment loss is recognised for that financial asset.
An objective indication of an impairment loss includes the following situations:

- significant financial difficulties on the part of the issuer or counterparty;

- a breach of contract such as failure to pay interest or the principal;
- for certain categories of financial assets such as trade receivables, disputes or litigation over the nature of the asset that call into question the recovery of the receivable.

Expected credit losses over the life of the loan are recognised in net profit or loss.

2.8.2 Cash and cash equivalents

Cash and cash equivalents consist mainly of bank overdrafts.
In the statement of cash flows, cash is presented net of bank overdrafts.

2.8.3 Financial liabilities and equity instruments

2.8.3.1. Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or equity depending on the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.8.3.2. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest rate method.

2.9. Long-term employee benefits

Contributions paid under defined-contribution pension plans are recognised as an expense when employees have rendered the services entitling them to those contributions.
For defined-benefit pension plans, the cost of benefits is determined using the projected unit credit method and actuarial valuations are performed at the end of each annual reporting period. Revaluations, including actuarial gains and losses, the effect of changes in the asset ceiling (if any) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position and a debit or credit is recognised in other comprehensive income in the period in which they occur.
Revaluations included in other comprehensive income are recognised immediately in retained earnings and will not be reclassified in net income. Past service cost is recognised in net profit or loss in the period in which a change in the plan occurs. Net interest is calculated by multiplying the net defined-benefit liability (asset) at the beginning of the period by the discount rate. Defined-benefit costs are classified in the following categories:

- service cost (current service cost, past service cost and gains and losses from curtailments and settlements);
- net interest (income or expenses);
- revaluations.

The Group presents the first two components of the cost of defined benefits in net income. Gains and losses arising from a curtailment are recognised as a past service cost.
A liability for termination benefits is recognised at the earlier of the date the entity can no longer

withdraw its offer of benefits and the date it recognises the costs of a restructuring in this regard.

2.10. Share-based payment agreements

Share-based payments settled in equity instruments are measured at the fair value of those equity instruments on the grant date.
The fair value determined on the grant date of share-based payments settled in equity instruments is recognised as an expense on a straight-line basis over the vesting period based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase in equity also to be recognised. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of initial estimates, if any, is recognised in net profit or loss so that the cumulative expense takes into account the revised estimates, with a corresponding adjustment to the equity-settled employee benefits reserve.
Share-based payment transactions settled in equity instruments with parties other than employees are measured at the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted, at the date on which the entity obtains the goods or the other party provides the service.

2.11. Provisions

The Group recognises a provision when it has a present obligation (legal or constructive) as a result of a past event whose amount can be reliably estimated and whose settlement is expected to result in an outflow of resources representative of economic benefits.
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties relating to the obligation.

2.12. Taxes

The income tax expense represents the sum of current tax payable and deferred tax.
Current and deferred tax are recognised in net profit or loss unless they relate to items that have been recognised in other comprehensive income or directly in equity, in which case current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.
In accordance with IAS 12, deferred taxes are not discounted.

2.12.1 Tax payable

Current tax payable is based on the taxable income for the year. Taxable income differs from "profit (loss) before tax" recognised in the consolidated statement of net income because of income and expense items that are taxable or deductible in other years as well as items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates fully or partially adopted at the end of the reporting period.

2.12.2 Deferred tax

Deferred tax is determined based on temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable income. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable income against which these deductible temporary differences can be utilised will be available.

The Group's ability to recover its deferred tax assets relating to tax loss carryforwards is assessed by Management at the end of each financial year, taking into account forecasts of future taxable income.

Such deferred tax assets and liabilities are not recognised if the temporary difference stems from the initial recognition of assets and liabilities associated with a transaction (other than a business combination) that affects neither taxable income nor accounting income.

Deferred tax liabilities are recognised for all taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, unless the Group is able to control the date on which the temporary difference will be reversed and it is probable that the temporary difference will not be reversed in the foreseeable future.

The carrying value of deferred tax assets is reviewed at the end of each reporting period and reduced if it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered (Note 10 below

Deferred tax liabilities and assets are valued at the tax rates that are expected to apply in the period when the asset is realised or the liability is paid, based on tax rates (and tax laws) that are fully or partially adopted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would result from the way in which the Group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

2.13. Revenue recognition

The main types of contracts with customers identified within the Group are as follows:

- Sales of passports, driving licences in the eID markets;
- Sales of cards, tickets and validators for transport authorities;
- Sales of labels and traceability solutions to industrial companies and in distribution markets;
- Sales of bank cards and technology licences to banking industry players.

For these types of contracts, the revenue recognition rules under IFRS 15 are presented below.

For the sale of passports, driving licences, cards, tickets, validators, labels, traceability solutions and bank cards, the performance obligation is generally defined at the level of each individual good, not at the level of a batch of goods. Revenues are recognised at the time of the transfer of control of each asset, which most often occurs upon delivery, i.e. "at a specific point in time". If there is a risk that the transaction may be cancelled or the receivable may not be collected, known at the inception of the contract, revenues are not recognised; they will be recognised when the risk is removed. Deposits received from customers are recorded as contract liabilities when they are received. They are recognised as revenue upon delivery of the goods to which they relate.

For licences of banking technologies for which there are performance obligations according to the levels of sales of sub-licensed products by the subscribers of those licences. The revenues recorded are a royalty recognised on the basis of sales made by the customer in accordance with IFRS 15 paragraph B63.

There are no other performance obligations identified by the Group.

In most cases, the payment terms granted by the Group are between 30 and 60 days, and the Group does not offer its customers contracts with a significant financing component.

2.14. Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised over time based on the amount of principal outstanding and at the effective interest rate.

2.15. Leases

All property leases as well as the main asset leases (vehicles, industrial equipment) are accounted for in accordance with IFRS 16.

At the start of the lease, the following are recognised:

- a lease liability equal to the present value of the lease payments to be made over the estimated term of the lease (this corresponds to the sum of fixed rents, variable rents indexed to an index or rate, payments under a residual value guarantee, the exercise price of a purchase or renewal option if exercise is reasonably certain and the early exit penalty unless it is unlikely to be exercised);
- a right of use equal to the lease liability, to which may be added the amount of payments made before the start of the contract, the amount of the initial direct costs relating to the contract (commissions and fees) and the costs of restoration or dismantling.

The term of the lease is determined by taking into account the provisions of the contract and the provisions resulting from the applicable legal framework.

Subsequently:

- the lease liability is measured at amortised cost using the effective interest rate, which is equal to the discount rate originally used;
- the right of use is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if the exercise of a purchase option is reasonably certain. An impairment loss on the right of use may be recognised if necessary.

In the event of a change in the payments to be made as a result of a change in an index or a rate, the lease liability is recalculated using the original discount rate.

If the term of the lease is extended following the exercise of a renewal option not initially taken into account, the lease liability is recalculated using a discount rate determined at the exercise date.

In these cases, the change in the amount of the liability is offset by a change of the same amount in the right of use.

For the purposes of simplification, as permitted by the standard, the Group has chosen not to bring short-term or low-value leases within the scope of IFRS 16. Payments under these contracts are recognised over the term of the lease.

2.16. Operating income before depreciation, amortisation, impairment and non-recurring items

In the consolidated income statement, the Group presents an "Operating income before depreciation, amortisation and non-recurring items" sub-total, which is one of the main indicators monitored by the Group to manage and assess its operating results, make investment and resource allocation decisions and evaluate the performance of its management team. It is calculated on the basis of revenues less the cost of sales, employee costs, taxes and duties, provisions, other operating income and other operating expenses. The Group believes that this indicator is useful to readers of its financial statements since it provides them with a measure of its operating income that excludes non-cash items such as depreciation and amortisation. This indicator also makes it possible to provide information concerning the results of the Group's current business activities and the generation of cash flows that enable investors to better identify trends in its financial performance. The methods used by the Group to calculate this aggregate may not be comparable to other measurements with a similar name used by other entities. In addition, this measurement should not be considered an alternative to operating income, given that the depreciation/amortisation excluded from this unit of measurement ultimately affects operating income. Consequently, the Group also presents "Operating income", which includes all amounts affecting its operating activity.

2.17. Operations held for sale and discontinued operations

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale that:

- represents a distinct major line of business or geographical area;
- is part of a single, coordinated plan to dispose of a distinct major line of business or geographical area; or
- is a subsidiary acquired exclusively for the purpose of resale.

Classification as an operation held for sale takes place at the date of disposal or at an earlier date when the activity meets the criteria to be classified as held for sale.

When an operation is classified as held for sale, the comparative statement of net income is restated as if the business had met the criteria of an operation held for sale from the beginning of the comparative period.

2.18. Critical accounting judgements and key sources of estimation uncertainty

The application of the Group's accounting methods requires Management to exercise judgement and make estimates and assumptions about the carrying values of assets and liabilities that are not readily available. These estimates and assumptions are based on past experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are regularly reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and in subsequent periods if the revision affects the current period and subsequent periods.

The main significant estimates made by the Group's management relate in particular to:

- Revenue recognition (Note 4);
- The measurement of the fair value of the assets acquired (Notes 1.2.1, 1.2.2 and 1.2.3);
- The valuation of deferred tax assets (Note 10);
- Measurement of the recoverable value of goodwill (Note 12.1).

3. SEGMENT INFORMATION

3.1. Products and services from which the income from ordinary activities of the reportable segments is derived

In accordance with IFRS 8, the activities to be presented *are "EMEA", "UK"* and *"US".*

- "*EMEA"* activity corresponds to all of the business generated by the Group's sales and industrial teams on the European continent (France, Germany and Romania) and targeting mainly, but not exclusively, European, African and Middle-Eastern customers.
- "*UK"* activity corresponds to all of the business generated by the Group's sales and industrial teams located in the United Kingdom (Hull, Rayleigh and London) and targeting mainly, but not exclusively, customers in Commonwealth countries.
- "*US"* activity corresponds to all of the business generated by the Group's sales and industrial teams located in the United States (Vermont, North Carolina) targeting mainly, but not exclusively, the Group's American customers. In addition, AmaTech's technology licencing activities, which are mainly aimed at American customers, are also included in the US segment.

The information thus presented corresponds to the measurement that is communicated to the Group's main operational decision-makers (the Chief Executive Officer and the Board of Directors) for the purposes of allocating resources and assessing the performance of the segment. It does not include segment assets and liabilities. The accounting methods of the segments presented are the same as the Group's accounting methods.

3.2. Income from ordinary activities and segment results

The segment income from ordinary activities presented below represents income from external customers. There were inter-segment sales during the years presented that have been eliminated in the information presented below.

	12 months	12 months
In thousands of euros	June 2022	June 2021
EMEA	63,337	43,856
UK	45,770	29,936
US	21,742	10,156
Revenues	**130,849**	**83,948**

12 months ended 30 June 2022, In thousands of euros	EMEA	UK	US	Total
Revenues	**63,337**	**45,770**	**21,742**	**130,849**
Cost of sales	(34,517)	(22,289)	(8,773)	(65,579)
Direct Workforce	(7,192)	(4,503)	(2,934)	(14,629)
Other direct production costs	(3,744)	(3,321)	(2,036)	(9,101)
Income after direct costs	**17,884**	**15,657**	**7,999**	**41,540**
Centralised production and R&D management costs	(7,323)	(3,402)	(1,582)	(12,307)
Commercial expenses	(4,001)	(5,121)	(581)	(9,702)
Administrative costs	(6,230)	(1,624)	(1,346)	(9,200)
Other income and expenses	(4,043)	(4,908)	(1,719)	(10,670)
Other non-recurring income and expenses	458	-	96	554
Operating income	**(3,255)**	**602**	**2,867**	**214**

12 months ended 30 June 2021, In thousands of euros	EMEA	UK	US	Total
Revenues	**43,856**	**29,936**	**10,156**	**83,948**
Cost of sales	(22,875)	(14,271)	(4,433)	(41,579)
Direct Workforce	(4,637)	(3,006)	(1,726)	(9,369)
Other direct production costs	(2,898)	(1,859)	(673)	(5,430)
Income after direct costs	**13,446**	**10,800**	**3,324**	**27,570**
Centralised production and R&D management costs	(5,092)	(2,492)	(327)	(7,911)
Commercial expenses	(2,742)	(3,502)	(183)	(6,427)
Administrative costs	(5,557)	(1,704)	(444)	(7,705)
Other income and expenses	(2,599)	(4,777)	(1,192)	(8,568)
Other non-recurring income and expenses	(1,938)	(105)	(25)	(2,068)
Operating income	**(4,482)**	**(1,780)**	**1,153**	**(5,109)**

3.3. Income from ordinary activities from major geographical areas

The Group operates in three major geographical regions: Continental Europe (where the head office is located), the United Kingdom and North America.
The following table presents income from continuing operations from the Group's external customers by geographic region:

	12 months	**12 months**
In thousands of euros	**June 2022**	**June 2021**
France	40,748	32,290
United Kingdom	36,663	24,150
Other European countries	21,581	11,527
North America	19,985	9,454
Latin America	922	823
Middle East Africa	7,517	3,713
Other	3,434	1,990
Revenues	**130,849**	**83,948**

3.4. Information about the main customers

None of the Group's customers individually represents more than 10% of income from ordinary activities.

3.5. Information on non-current assets

The Group's non-current assets are broken down by geographical area as follows: France: 48.7%, United Kingdom: 37%, United States: 6.3%, Romania: 2.9%, Germany: 2.6%, Ireland: 2.5%.

4. REVENUES

The following table shows the breakdown of the Group's revenues:

	12 months	12 months	12 months	12 months
In thousands of euros	**EMEA**	**UK**	**US**	**June 2022**
eID	1,943	-	7,368	9,311
Mass Transit	22,675	17,357	8,537	48,569
Traceability and Brand Protection	35,351	8,942	-	44,293
Payments	3,368	19,471	5,837	28,676
Revenues	**63,337**	**45,770**	**21,742**	**130,849**

	12 months	12 months	12 months	12 months
In thousands of euros	**EMEA**	**UK**	**US**	**June 2021**
eID	2,591	-	3,506	6,097
Mass Transit	15,881	8,951	2,156	26,988
Traceability and Brand Protection	22,761	4,721	-	27,482
Payments	2,623	16,264	4,494	23,381
Revenues	**43,856**	**29,936**	**10,156**	**83,948**

During the financial year, the Group saw a significant rebound in its activity, particularly in the eID and Mass Transit product lines, which had been very strongly impacted by the health crisis during the previous financial year.
In addition, the acquisitions of Security Label and EDM made during the financial year performed very well. Security Label was able to seize the recovery in the air transport industry to establish itself as the leader in baggage tagging in Europe and the Middle East, accounting for more than half of the growth in Traceability and Brand Protection. As for EDM, thanks to its acquisition by the Group, the company was able to bounce back following its administration procedure and re-engage with almost all of its former customers at the end of the Covid crisis to participate in the growth of the Group's Mass Transit activity.

5. COST OF SALES

The following table breaks down the items presented in cost of sales:

	12 months	12 months
In thousands of euros	June 2022	June 2021
Purchase of materials & goods	42,057	30,948
Subcontracting and royalties	23,521	10,631
Cost of sales	**65,578**	**41,579**

The increase in the purchase cost of sales over the year is directly related to the increase in activity and the strong recovery in the eID and Mass Transit activities, in particular.
The sales mix changed during the financial year with the strong recovery in product sales (passports, tickets, transport cards, tags) as the Covid crisis eased. Slightly decreasing the share of sales related to the technology licence, which have a higher margin, and which grew more slowly: the ratio of purchase cost of sales to revenues was up very slightly year-on-year at 50.1% (2021: 49.5%).

6. EMPLOYEE COSTS

6.1. Workforce

The Group's workforce is as follows:

Workforce at end of month	June 2022	June 2021
Direct production employees	360	283
Indirect production employees	189	141
Sales	79	76
Administrative services	77	63
Workforce at end of month	**704**	**562**

6.2. Breakdown of employee costs

Employee costs include (i) wages and salaries, (ii) social security charges, (iii) defined-benefit pension costs and (iv) share-based payments.

Employee costs break down as follows:

	12 months	12 months
In thousands of euros	June 2022	June 2021
Gross salaries	29,903	19,335
Social security charges	6,162	4,795
Defined-benefit pension costs	348	235

Share-based payments	121	304
Employee costs	**36,534**	**24,669**

The increase in employee costs is linked to the increase in the average number of employees resulting from the hiring of personnel during the financial year, in particular to support the increase in activity but also the development and launch of strategic offers (Mobile ticketing, Real-time asset tracking), as well as external acquisitions made by the Group. The average number of employees in financial year 2022 was 646, compared to 581 in financial year 2021.

6.3. Pensions and employee benefits

6.3.1 Defined-contribution plans

Group employees in the United Kingdom and the United States participate in various defined-contribution pension plans. Group subsidiaries are required to pay contributions corresponding to a percentage of gross salaries into the pension plans to fund the benefits. The Group's only obligation with respect to these pension plans is to pay defined contributions.

The total expense recognised in net income represents the contributions that the Group must pay for these plans at the rates specified under the provisions of the plans.

	12 months	12 months
In thousands of euros	June 2022	June 2021
Contributions included in net income	348	235
Defined-contribution pension plans	**348**	**235**

6.3.2 Defined-benefit plans

The Group is subject to a defined-benefit pension plan in France and obligations to its employees with respect to retirement benefits are limited to a lump-sum payment made on retirement based on compensation and length of service calculated for each employee.
This plan exposes the Group to actuarial risks such as longevity risk (related to participants' mortality rates) and salary risk (related to participants' future salary increases).

Mortality assumption
The present value of defined-benefit plan liabilities is calculated based on the best estimate of mortality rates for plan participants during employment. An increase in the life expectancy of plan members may have the effect of increasing the present value of plan benefits.

Salary assumption
The present value of the defined-benefit plan liability is calculated on the basis of the future salaries of the participants in the plan. Accordingly, any increase in the salaries of those participating in this plan will have the effect of increasing the present value of plan benefits.

Turnover assumption

The present value of the defined-benefit plan liability is calculated based on the probability that plan members will still be employees of the Company at the time of their retirement and takes into account only departures at the employee's initiative. Accordingly, any change in the turnover of employees participating in the plan will have the effect of increasing or decreasing the present value of the benefits of those plans.

No additional retirement benefits are offered to employees.

The present value of the defined-benefit obligation and the related cost of services rendered during the year and past services have been measured using the projected unit credit method.

The main assumptions used for the actuarial valuations are as follows:

Assumptions for Paragon ID SA		
	2022	2021
Collective agreement	Métallurgie Ingénieurs & Cadres (executive employees) and Métallurgie Alpes-Maritimes (non-executive employees).	
Departure age	Executive employees: 65, Non-executive employees: 62; voluntary departure	Executive employees: 65, Non-executive employees: 62; voluntary departure
Social security expense rate	45%	45%
Turnover rate	medium for executive employees and non-executive employees	medium for executive employees and non-executive employees
Annual rate of wage increases	executive employees and non-executive employees: 1.5%	executive employees and non-executive employees: 1.5%
Mortality table	INSEE 2019	INSEE 2018
Discount rate	3.22%	0.86%

Assumptions for Paragon Identification SAS		
	2022	2021
Collective agreement	Printer (NAF Code 0184).	
Departure age	Executive employees: 65, Non-executive employees: 62; voluntary departure	Executive employees: 65, Non-executive employees: 62; voluntary departure
Social security expense rate	43%	43%
Turnover rate	2.04% - 0%, Specific by tranche	2.6% - 0%, Specific by tranche
Annual rate of wage increases	Engineers/Executive employees: 1.5% Other Employment Security Contracts: 1.5%	Engineers/Executive employees: 1.5% Other Employment Security Contracts: 1.5%
Mortality table	INSEE 2019	INSEE 2018
Discount rate	3.22%	0.86%

The cost of services rendered during the year and the net interest for the year are included in employee benefit expenses in net income. However, the revaluation of the defined-benefit liability when it is linked to actuarial assumptions is included in other comprehensive income.

The amounts recognised in net income and comprehensive income for these defined-benefit plans are as follows:

	12 months	12 months
In thousands of euros	June 2022	June 2021
Cost of services rendered during the year	103	89
Finance expense related to the cost of services rendered	11	12
Partial liquidation of the plan as part of restructuring	(3)	(64)
Components of the cost of defined benefits recognised in net income	**111**	**37**
Revaluation of net defined benefit liability:		
Actuarial gains and losses resulting from changes in financial and demographic assumptions	(406)	(67)
Components of the cost of defined benefits recognised in comprehensive income	**(406)**	**(67)**

	12 months	12 months
In thousands of euros	June 2022	June 2021
Defined-benefit obligation at the beginning of the year	1,607	1,760
Application of the IFRS IC decision on IAS 19[1]	(122)	-
Consolidated during the financial year	-	51
Cost of services rendered during the year	103	90
Finance expenses	11	12
Partial liquidation of the plan as part of restructuring	(3)	(64)
Benefits paid	-	(175)
Actuarial gains and losses resulting from changes in financial and demographic assumptions	(406)	(67)
Defined-benefit obligation at the end of the year	**1,190**	**1,607**

The Group's obligation was revalued downwards following the application of the IFRS IC decision relating to IAS 19 validated on 20 May 2021 for the calculation of its retirement commitment. In addition, the costs of services rendered and finance expenses are more than offset by the changes in assumptions and discount rates as presented in the statement of comprehensive income (€406 thousand).

Sensitivity to the various key assumptions had an immaterial impact on the Group's earnings.

[1] The Group has taken into account the IFRS IC decision on IAS 19 validated on 20 May 2021 in calculating its retirement commitments. The non-material impact of the revised calculation method on the opening commitments of €122 thousand was recognised in other reserves at the period opening date.

7. OTHER OPERATING EXPENSES

The Group's other operating expenses break down as follows:

	12 months	12 months
In thousands of euros	June 2022	June 2021
Transport	3,585	1,914
Fees	5,321	3,718
Leases	338	445
Maintenance	1,975	1,430
Insurance costs and charges	1,748	1,367
Energy costs	2,144	1,133
Travelling expenses	923	396
Other	2,372	1,771
Other operating costs	**18,406**	**12,174**

The fees include the costs of filing patents, the costs of legal advice to defend these same patents, as well as the costs of certification and qualification of the Group's sites.
The increases in travel, maintenance and transport costs are all related to the increase in activity at the end of the crisis and the resumption of travel, generating higher associated costs.
The increases in energy and transport costs are linked to both the recovery in activity and the fact that the rates charged by energy suppliers and transport companies have risen sharply during the financial year.
Other operating expenses consist mainly of general subcontracting, which also rose due to the increase in activity.

8. OTHER NON-RECURRING INCOME AND EXPENSES

The Group presented part of its costs as non-recurring income and expenses due to the ongoing changes within the Group, which will transform the Group over the coming financial years:

- items whose non-recurring nature makes their future occurrence unlikely;
- items resulting from an unforeseeable event;
- items that do not fall within the scope of the Company's current operations.

For the two financial years presented, the breakdown is as follows:

	12 months	12 months
In thousands of euros	June 2022	June 2021
Redundancy costs (excluding the Employment Protection Plan)	190	1,380
Employment Protection Plan – reversals not covered by provisions	-	(86)
Fees related to the closure and/or acquisition of subsidiaries	126	25
Earn-outs	578	-

Reversal of provisions for litigation risks	(254)	-
Revision of the Apitrak earn-out	(1,100)	-
Costs of unreplaced employees	-	725
Training of former employees	-	10
Expert cost of restructuring plan	-	14
Negative goodwill	(93)	-
Non-recurring income and expenses	**(554)**	**2,068**

- Redundancy costs (excluding the Employment Protection Plan) mainly relate to departures announced during the financial year and which led to management reorganisations.
- The fees related to the acquisition of subsidiaries are legal and consulting fees incurred for the acquisition of Electronic Data Management in the US.
- The earn-out is linked to the deferred consideration payable to the founders of Apitrak, a portion of the amount payable established at the time of the acquisition of the entity being considered for accounting purposes as post-acquisition compensation.
- The reversal of the provision for risk is related to the settlement of a dispute in favour of the company, with the over-provisioned amounts therefore being returned during the financial year.
- The revision of the earn-out estimate due to Apitrak's management based on the company's lagging behind its initial BP.
- Negative goodwill generated on the acquisition of Electronic Data Management in the US as described in Section 1.2.2 of this document.

9. FINANCE INCOME AND EXPENSES

Finance income and expenses break down as follows:

In thousands of euros	12 months June 2022	12 months June 2021
Interest on bank deposits		
Other finance income	3	352
Finance income	**3**	**352**
Interest on leases	(186)	(129)
Interest on bank loans	(436)	(161)
Interest on factoring agreements	(410)	(230)
Other finance expenses	(1,087)	(1,041)
Finance expenses	**(2,119)**	**(1,561)**
Total finance income/(expenses)	**(2,116)**	**(1,209)**

Other finance expenses consist of interest on loans received from the Paragon Group, whose expense for the past financial year represented €978 thousand (June 2021: €994 thousand), most of which is related to non-convertible bonds attributed to Paragon, accounts receivable and bank charges.

10. INCOME TAX

The effective tax rates used for the financial year are as follows, by country: France: 26.5% (2021: 28%); UK: 19% (2021: 19%); United States: 27.5% (2021: 29.5%); China: 25% (2021: 25%); Ireland: 12.5% (2021: 12.5%).
The tax expense/income for the period breaks down as follows:

	12 months	12 months
In thousands of euros	June 2022	June 2021
Current tax (income)/expense	402	(11)
Deferred tax (income)/expense	131	(252)
Income tax (income)/expense	**534**	**(263)**

The deferred tax income mainly comes from the reversal of deferred taxes recognised on the financial year of allocation of the purchase price of Bemrose Booth Paragon, partially offset by the use of the stock of deferred tax assets recognised on AmaTech losses carried forward.

It should be noted that the Group did not capitalise the additional tax losses available to Paragon ID SA, as the deferred taxes already recognised were reviewed and determined to be appropriate despite the fact that the Company still has a significant amount of tax loss carryforwards. PARAGON ID SA's tax losses before the Company was consolidated for tax purposes amounted to €86,834 thousand, and the cumulative tax losses of the tax consolidation group since the tax consolidation were €23,899 thousand for the financial year ended 30 June 2022.

Deferred Tax Assets

PARAGON ID SA

At 30 June 2021, PARAGON ID SA had recognised deferred tax assets amounting to €1,470 thousand, which correspond to the activation of part of the tax loss carryforwards then available to the Company. As the period over which tax loss carryforwards can be used is limited to three years of taxable income, and in view of a loss-making financial year in 2022, and on the basis of the tax consolidation of French legal structures, the Group has had to review the recoverability of these deferred taxes.

To do this, the Group first determined the taxable income of the tax consolidation group comprising Paragon Identification SAS and PARAGON ID SA for financial years 2023, 2024 and 2025 for which the losses carried forward could be used.
The main assumptions used to determine this taxable income are as follows:

- an increase in income from ordinary activities ("revenues") of between +33% and +44% per annum through organic growth based on 2022 revenues (this measure is in line with the Group's growth ambitions) with a return to a pre-Covid level of activity in the 2022/2023 financial year;
- a continued recovery of the margin as a result of the combination of (i) the maintenance of a low cost base despite the upturn in activity, (ii) the continued transfer of labour-intensive activities to the Group's low cost production sites, (iii) the internal refocusing on

products with higher added value and services generating recurring revenues with high margins, (iv) a ramp-up of the production of products stemming from the Group's strategic developments.

On this basis, together with a 10% risk of not achieving some of its savings targets over the coming financial years, the Group has concluded that a prudent position would be not to recognise additional deferred tax assets.

AmaTech Group Ltd

At 30 June 2021, the Group had recognised deferred tax assets of €241 thousand, which corresponds to the capitalisation of part of the tax loss carryforwards then available to AmaTech Group Limited. As the period over which tax loss carryforwards can be used is limited to three years of taxable income, and in view of profitable financial year in 2022, the Group has confirmed the use of the entire amount of deferred tax assets in conjunction with the use of the amount of tax losses available to the Company during the financial year.

Thames Technology Ltd

At 30 June 2021, Thames Technology Limited had tax losses amounting to £3,795 thousand. As the period over which tax loss carryforwards can be used is limited to three years of taxable income, and in view of a loss-making financial year in 2022 and the Group's projections for the coming years, the Group has confirmed the amount of deferred tax assets present at £900 thousand out of a potential £1,160 thousand.

Deferred Tax Liabilities

Bemrose Booth Paragon

At 30 June 2021, the Group had recognised deferred tax liabilities in the amount of €559 thousand, which correspond to the temporary differences created during the purchase price allocation exercise for BBP and its subsidiaries. These temporary differences are used during the life of the intangible assets with which they are associated, meaning that €148 thousand were used during the financial year.

Thames Technology Ltd

At 30 June 2022, the Group had recognised deferred tax liabilities in the amount of €281 thousand, which correspond to the temporary differences created during the purchase price allocation exercise for Thames.

Deferred Tax

Group Position

As a result, the deferred taxes presented in the consolidated financial position are as follows:

In thousands of euros	30/06/2022	30/06/2021
Deferred tax assets – balance at beginning of period	**3,868**	**3,855**
Result of acquisition	-	-

Partial capitalisation/(utilisation) of deferred tax assets – Losses carried forward	(241)	(251)
Capitalisation/(Reversal) of deferred tax assets – Temporary difference impacting net income	(243)	271
(Utilisation)/Capitalisation of deferred tax assets – Temporary difference impacting comprehensive income	(62)	(19)
Foreign exchange impact	39	12
Deferred tax assets – balance at end of period	**3,361**	**3,868**

Deferred tax liabilities – balance at beginning of period	**1,277**	**1,449**
Result of acquisition	170	20
Use of deferred tax liabilities – Temporary difference impacting net income	(352)	(232)
Foreign exchange impact	13	40
Deferred tax liabilities – balance at end of period	**1,108**	**1,277**

Net deferred taxes – balance at beginning of period	**2,591**	**2,406**
Deferred tax resulting from acquisition	(170)	(20)
Partial capitalisation/utilisation of deferred taxes – Losses carried forward	(241)	(251)
Use of deferred taxes - Temporary difference impacting net income	109	503
(Utilisation)/Capitalisation of deferred tax assets – Temporary difference impacting comprehensive income	(62)	(19)
Foreign exchange impact	26	(28)
Net deferred taxes – balance at end of period	**2,253**	**2,591**

11. EARNINGS PER SHARE

	12 months	12 months
Earnings per share from continuing operations	**June 2022**	**June 2021**
Basic (euro-cents per share)	(124.59)	(282.35)
Diluted (euro-cents per share)	(124.59)	(282.35)
Earnings per share from discontinued operations		
Basic (euro-cents per share)	(1.24)	(0.96)
Diluted (euro-cents per share)	(1.24)	(0.96)

11.1. Basic earnings per share

The following table presents the earnings and the weighted average number of ordinary shares used in the calculation of basic earnings per share:

	12 months	12 months
Earnings per share from continuing operations	**June 2022**	**June 2021**
Earnings for the year attributed to the owners of the Company, in thousands of euros	2,468	(5,588)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share, in thousands of shares	1,981	1,981
Earnings per share from discontinued operations		
Earnings for the year attributed to the owners of the Company, in thousands of euros	(25)	(19)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share, in thousands of shares	1,981	1,981

During the month of March 2022, the Group carried out a capital increase resulting from the definitive acquisition of the 2,250 free shares granted in accordance with the decisions of the Board of Directors of 9 July 2019 and 12 December 2018. Consequently, in accordance with IAS 33.64, earnings per share have been retrospectively adjusted to reflect these capital increases. Consequently, all equity items affected by these capital increases have been adjusted retrospectively.

11.2. Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are the same as those used in the calculation of basic earnings per share, as the instruments are non-dilutive.

12. GOODWILL AND INTANGIBLE ASSETS

12.1. Goodwill

The table below presents a breakdown of goodwill:

In thousands of euros	30/06/2022	30/06/2021
Goodwill related to the consolidation of BBP	32,581	32,550
Goodwill related to the consolidation of ASK	18,208	18,208
Goodwill related to the consolidation of Burall	222	222
Goodwill related to the consolidation of Thames	595	594
Goodwill related to the consolidation of Airweb	6,012	6,012
Goodwill related to the consolidation of Apitrak	2,180	2,180
Goodwill related to the consolidation of Security Label	1,634	-
Goodwill related to the consolidation of UrbanThings	579	-
Goodwill – balance at end of period	**62,011**	**59,766**

The changes presented between the two closings are due to exchange rate differences and the acquisitions of Security Label and UrbanThings during the financial year, as well as the finalisation of the initial recognition of the acquisition of Apitrak in its 12-month review period resulting from a change in the portion of the deferred payment that may be included in the acquisition price.

Goodwill is subject to an impairment test as soon as there are indications of impairment and at least once a year.

Goodwill acquired in business combinations is allocated at the time of acquisition to the cash-generating units (CGUs) that are expected to benefit from the business combination. CGUs represent the lowest level of the Group at which the associated goodwill is controlled for internal management purposes and must not be larger than the operating segments determined in accordance with IFRS 8 (see Note 3).

The Group's CGUs cover the following activities:

- eID: all Passport and electronic driving licence development, production and marketing activities;
- Mass Transit: all development, production and marketing activities for products facilitating the management of access to public transport (Dual Cards and Mobile Applications; Contactless cards; Contactless tickets; Magnetic tickets; Customisation);
- Track And Trace: all activities for the development, production and marketing of products that facilitate the tracking of products and goods (Labels, RFID Tags, Product Services and Marketing);
- Payment: all production and product marketing activities for the banking industry and payment cards (Traditional Cards, Metal Cards, Technology Licencing);
- Airweb: all the activities of the Airweb SAS subsidiary, which develops and markets mobile ticketing technologies for transport authorities. (Mobile ticketing platform);
- Real Time Location Systems: all development and marketing activities for real-time asset and equipment tracking technologies. (Asset tracking platform).

In accordance with IAS 36 Impairment of Assets, the CGUs to which significant goodwill has been allocated are therefore as follows. The allocation was made on the basis of the relative value of the shares concerned:

In thousands of euros	30/06/2022	30/06/2021
eID	1,414	1,414
Mass Transit	27,283	42,573
Traceability and Brand Protection	21,281	6,993
Payments	595	594
Airweb	6,012	6,012
Real Time Location Systems	4,847	2,180
UrbanThings - acquisition during the period, unallocated	579	-
Goodwill – balance at end of period	**62,011**	**59,766**

Goodwill impairment tests

The impairment test consists of comparing the recoverable value of the Group's cash-generating units (CGUs) with the corresponding net assets (including goodwill). This recoverable value corresponds to the higher of the fair value and the value in use of the CGU in question.
If the recoverable value is less than the net carrying value, the difference is recognised as an impairment loss.
The Group reviews the carrying value of each CGU at least once a year or more frequently if there is an indication of impairment.
The cash flow forecasts used for the calculation of the recoverable value are taken from the strategic plans for the next three years that have been formally approved by the Board of Directors. Cash flows for a subsequent period are based on the assumptions underlying those plans. The perpetual growth rate and the discount rate used in creating the impairment tests are noted below.
A discounted value of future cash flows is calculated using a post-tax discount rate that represents the estimated average cost of capital after tax.

The discount rates applied to all CGUs are 11.5% (2021: 10%).
The normative operating income/revenues ratios applied are as follows: 3% for eID, 14% for Mass Transit, 46% for Airweb, 15% for Track and Trace, 22% for RTLS and 24% for Payment.
The perpetual growth rates are based on the long-term European growth rate, determined as being the most representative despite the Group's presence in other regions, of 1.8% (2021: 2.3%).

Key assumptions include management's estimates of sales growth including perpetual growth rates, operating income/revenues ratio and discount rates. Cash flow forecasts and key assumptions are generally determined on the basis of historical performance as well as Management's expectations of future trends affecting the industry. No impairment was recognised in 2022.

No impairment of the goodwill tested would have to be recognised in the event of a reasonably possible change in each of the assumptions used at 30 June 2022. The following table details the percentage points corresponding to the change in assumptions that would trigger an impairment indicator.

In percentage points	eID	Mass Transit	Traceability and Brand Protection	Payments	Airweb	RTLS
Increase in the discount rate	+3	+6.8	+19.6	+47.9	+12.3	+10.5
Deterioration in the operating income/revenues ratio	-0.7	-5.8	-8.4	-16.7	-22.2	-8.6
Decline in perpetual growth rate	-4.3	-11.8	-65.6	Not sensitive	-24.4	-19

Following this review, the Group concluded that the recoverable values of the eID, Mass Transit, Traceability and Brand Protection and Payment, Airweb and RTLS CGUs exceeded their carrying value in the financial statements at 30 June 2022.

12.2. Intangible assets

In thousands of euros	30/06/2022	30/06/2021
Net carrying values		
Development costs	5,991	4,393
Patents	1,176	1,590
Licences and Customer Contracts	4,425	5,243
Software	550	846
Other	2,913	2,626
Balance at end of period	**15,055**	**14,698**

In thousands of euros	Development costs	Patents	Licences and Customer Contracts	Software	Other	Total
Gross values						
Balance at 30 June 2020	**6,524**	**3,299**	**9,383**	**1,382**	**2,932**	**23,520**
Consolidated during the period	665			1,673	3	2,341
Acquisitions of fixed assets			889	62	107	1,058
Internally-generated fixed assets	3,003					3,003
Asset retirements	(17)		(1,107)	(346)		(1,470)
Transfer of fixed assets	98				(98)	-
Effect of exchange rate impacts	35		446	44	19	544
Balance at 30 June 2021	**10,308**	**3,299**	**9,611**	**2,815**	**2,963**	**28,996**
Consolidated during the period			520	85	102	707
Acquisitions of fixed assets			539	177		716
Internally-generated fixed assets	3,148				827	3,975
Asset retirements	(162)	(817)	(941)		(345)	(2,265)
Transfer of fixed assets	106	79			(185)	-
Effect of exchange rate impacts	10		14	(1)	0	23
Balance at 30 June 2022	**13,410**	**2,561**	**9,743**	**3,076**	**3,362**	**32,152**
Cumulative depreciation and impairment losses						
Balance at 30 June 2020	**(4,916)**	**(1,436)**	**(3,368)**	**(911)**	**(244)**	**(10,875)**
Consolidated during the period				(1,157)		(1,157)
Depreciation	(992)	(273)	(1,915)	(216)	(86)	(3,482)
Asset retirements	5		1,107	346		1,458
Effect of exchange rate impacts	(12)		(192)	(31)	(7)	(242)
Balance at 30 June 2021	**(5,915)**	**(1,709)**	**(4,368)**	**(1,969)**	**(337)**	**(14,298)**
Consolidated during the period			(77)	(68)		(145)
Depreciation	(1,991)	(493)	(1,812)	(153)	(298)	(4,747)
Asset retirements	162	817	941		187	2,107
Transfer of fixed assets	335			(335)		-
Effect of exchange rate impacts	(10)		(2)	(1)	(1)	(14)
Balance at 30 June 2022	**(7,419)**	**(1,385)**	**(5,318)**	**(2,526)**	**(449)**	**(17,097)**

Over the financial year, capitalised research and development expense amounted to €3,974 thousand (2021: €3,060 thousand), the increase being due in particular to (i) the acquisition in the previous financial year of Airweb, whose main activity is the development of its mobile ticketing platform; (ii) the strengthening of R&D activities on key projects of the real-time asset locating systems division (United Kingdom), including the acquisition at the end of the previous financial year of Apitrak (France), whose main activity is the development of its real-time asset tracking platform; (iii) RFID tags for the retail market (France), (iv) multi-transport ticket validators (France), (v) the continued development of RFID metal payment card technologies (Ireland), to name but a few. Research and development expense recognised as charges amounted to €2,397 thousand for the financial year ended 30 June 2022 (at 30 June 2021: €1,822 thousand).

At 30 June 2022, of the total capitalised development costs, €1.661 thousand were in assets in progress and not yet amortised, and of the total capitalised patents, €10 thousand were patent applications in progress and not yet amortised. All of these capitalised costs are included in the "other" category above.

This “other” category also includes assets related to acquired brands (Thames Card Technology Ltd).

When measuring the fair value of the assets and liabilities acquired from Security Label, the value of the brand was analysed on the basis of the future revenues expected to be generated by this asset existing at the acquisition date. This led the Group to recognise a value of €102 thousand for the brand. The Group also valued its customer relations at €440 thousand.
This was reflected at the acquisition date and had a positive impact on the value of intangible assets at 30 June 2022.

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHTS-OF-USE OF LEASED ASSETS

13.1. Property, plant and equipment

In thousands of euros	30/06/2022	30/06/2021
Net carrying values		
Land and Buildings	1,790	468
Industrial Equipment	11,216	9,060
Furniture and Fittings	1,223	1,129
Computer Equipment	131	119
Other	99	84
Balance at end of period	**14,459**	**10,860**

	Assets held					
In thousands of euros	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Other	Total
Gross values						
Balance at 30 June 2020	**1,843**	**58,622**	**2,274**	**1,698**	**14**	**64,451**
Acquisitions of fixed assets	222	2,568	335	259	83	3,467
Consolidated during the period		92	14	8		114
Disposals of fixed assets		(1,358)	(891)	(47)		(2,296)
Asset retirements		(58)				(58)
Effect of exchange rate impacts	24	782	44	25		875
Balance at 30 June 2021	**2,089**	**60,648**	**1,776**	**1,943**	**97**	**66,553**
Acquisitions of fixed assets	231	4,337	189	170	8	4,935
Consolidated during the period	1,251	1,947	125	13	23	3,359
Disposals of fixed assets	(240)	(2,123)	(34)	(53)		(2,450)
Effect of exchange rate impacts	200	587	(1)	-	13	799
Balance at 30 June 2022		**65,396**	**2,055**	**2,073**	**141**	**73,196**

	Assets held					
In thousands of euros	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Other	Total
Cumulative depreciation and impairment losses						
Balance at 30 June 2020	**(1,520)**	**(49,471)**	**(1,275)**	**(1,649)**	**(8)**	**(53,923)**
Cumulative depreciation on acquisition		(76)	(9)	(8)		(93)
Depreciation	(77)	(2,746)	(193)	(195)	(5)	(3,216)
Disposals of fixed assets		1,285	873	47		2,205
Asset retirements		62				62
Effect of exchange rate impacts	(24)	(642)	(43)	(19)		(728)
Balance at 30 June 2021	**(1,621)**	**(51,588)**	**(647)**	**(1,824)**	**(13)**	**(55,693)**
Cumulative depreciation on acquisition	(48)	(1,117)	(106)		(23)	(1,294)
Depreciation	(152)	(3,169)	(113)	(167)	(5)	(3,606)
Disposals of fixed assets	159	2,123	34	48		2,364
Effect of exchange rate impacts	(79)	(429)	-	1	(1)	(508)
Balance at 30 June 2022	**(1,741)**	**(54,180)**	**(832)**	**(1,942)**	**(42)**	**(58,737)**

The gross value of fully depreciated property, plant and equipment at 30 June 2022 was €46,433 thousand (2021: €36,270 thousand).

13.2. Right of use of leased assets

3,531

In thousands of euros	30/06/2022	30/06/2021
Net carrying values		
Land and Buildings	5,513	5,328
Industrial Equipment	412	763
Furniture and Fittings	35	-
Computer Equipment	16	-
Other	181	334
Balance at end of period	**6,157**	**6,425**

	Assets related to rights of use of leased assets					
In thousands of euros	Land and Buildings	Industrial and Office Equipment	Furniture and Fittings	Computer Equipment	Other	Total
Gross values						
Balance at 30 June 2020	**3,585**	**2,420**	**-**	**-**	**685**	**6,930**
Consolidated during the period	250				126	376
Acquisitions of fixed assets	2,850				81	2,931
Resulting from the revaluation of assets	528	(9)			22	541
Asset retirements	(319)				(32)	(351)
Effect of exchange rate impacts	47	13			8	68
Balance at 30 June 2021	**6,941**	**2,424**	**-**	**-**	**890**	**10,255**
Consolidated during the period		97	46	22	29	194
Acquisitions of fixed assets	311				120	431
Resulting from the revaluation of assets	1,202					1,202
Asset retirements	(522)	(293)			(111)	(926)
Effect of exchange rate impacts	54	2				56
Balance at 30 June 2022	**7,984**	**2,230**	**46**	**22**	**928**	**11,212**
Cumulative depreciation and impairment losses						
Balance at 30 June 2020	**(813)**	**(1,156)**	**-**	**-**	**(275)**	**(2,484)**
Depreciation	(1,087)	(498)			(293)	(1,878)
Asset retirements	319				16	335
Effect of exchange rate impacts	(32)	(7)			(4)	(43)
Balance at 30 June 2021	**(1,613)**	**(1,661)**	**-**	**-**	**(556)**	**(3,830)**
Depreciation	(1,383)	(457)	(11)	(6)	(304)	(1,878)
Asset retirements	522	293			111	926
Effect of exchange rate impacts	1	7			2	10
Balance at 30 June 2022	**(2,473)**	**(1,818)**	**(11)**	**(6)**	**(747)**	**(5,055)**

13.2.1 Liabilities related to rights of use of leased assets

In thousands of euros	30/06/21	New Borrowings	Resulting from revaluations	Accrued Interest	Repayment	Entry into the Scope of Consolidation	30/06/22	Of which Current Share	Of which Non-Current Share
Lease liabilities	**6,428**	**430**	**1,266**	**182**	**(2,391)**	**193**	**6,108**	**1,636**	**4,472**

Lease liabilities remained relatively stable with a slight decrease due to the fact that repayments on these exceeded contract renewals. The main lease renewals comprised leases of buildings occupied by certain division subsidiaries for terms of three to five years.

13.2.2 Reconciliation of assets and liabilities for rights of use

In thousands of euros	Balance at 30/06/2022	Balance at 30/06/2021
Net Value of assets related to rights of use of leased assets	**6,157**	**6,425**
Accrued interest	(49)	3
Lease liabilities	**6,108**	**6,428**

14. INTERESTS IN JOINT VENTURES

14.1. I2PL

At 30 June 2022, the Group retained its 56.32% stake in the I2PL joint venture (India, Noida, New Delhi). At the end of 2012, the Group and its partner in I2PL decided to dissolve the company. The operational closure of I2PL has been effective since October 2014.

The company is consolidated in the Group's financial statements using the equity method. As the business was shut down, no income was generated for the financial year ended 30 June 2022. During October 2020, the Group learned that I2PL had been put into liquidation. The Group was then in discussion with its partner to finalise the legal closure of the company which had been initiated following the operational closure of the company in October 2014. The Group still believes that a value close to the value of the securities recognised at 30 June 2021 should be recovered once the liquidation process has been completed given the remaining balances owed by the company. No new risk has been identified on the recoverable value of the joint venture and the value of €308 thousand, taking into account the situation and the increased risk brought by the liquidation process that was present in the financial statements of the Group at 30 June 2021 has been maintained as at 30 June 2022.

15. SUBSIDIARIES

The following table presents a breakdown of the Group's subsidiaries:

Name of subsidiary	Main activity	Place of incorporation and operation	Percentage of interest and voting rights held by the Group: 30 June 22	Percentage of interest and voting rights held by the Group: 30 June 21	Change in scope of consolidation over the period
Paragon Identification SAS	RFID product distribution and manufacturing	France, Argent sur Sauldre	100%	100%	In line with IFRS 3, the company being a long-term subsidiary of the accounting acquirer (Paragon France SAS, which was the subject of a simplified merger by absorption by Paragon ID SA with retroactive effect from 1 July 2018) is therefore fully consolidated within the historical consolidations.
Paragon Identification tech SAS	RFID product distribution and manufacturing	France, Argent sur Sauldre	100%	100%	The company has been dormant since its creation in May 2018 and has been fully consolidated since then.
Bemrose Booth Paragon Ltd	RFID product distribution and manufacturing	United Kingdom, Hull	100%	100%	The company has been fully consolidated since March 2017.
Paragon Magnadata Inc	RFID product distribution	USA	100%	100%	The company has been fully consolidated since March 2017.
Paragon Identification Pty Ltd	RFID product distribution	Australia	100%	100%	The company has been fully consolidated since March 2017.
Paragon Identification Srl	RFID product distribution and manufacturing	Romania, Otopeni	100%	100%	The company has been fully consolidated since March 2017.
Burral Infosmart Ltd	RFID product distribution and manufacturing	United Kingdom, Wisbech	100%	100%	The company has been fully consolidated since June 2017
ASK Asia HK Ltd	Holding of securities	Hong Kong	100%	100%	The company has been fully consolidated since May 2017 and the reverse acquisition of ASK SA by Paragon.
Beijing ASK Smart Technologies	Licenced distribution and manufacturing of ASK products	China, Miyun	100%	100%	The company has been fully consolidated since May 2017 and the reverse acquisition of ASK SA by Paragon.
ASK IntTag Llc	Licenced distribution and manufacturing of ASK products	USA, Vermont	99%	99%	The company has been fully consolidated since May 2017 and the reverse acquisition of ASK SA by Paragon.
AmaTech Group Ltd	RFID technology Research and Development &	Ireland, Spiddal	99.72%	99.72%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.

	Licensing, RFID product distribution				
AmaTech Feinics Teoranta	Patent-holding	Ireland, Spiddal	99.72%	99.72%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
AmaTech USA Inc	Licencing of AmaTech technologies	USA	99.72%	99.72%	The company has been fully consolidated since October 2018 and the acquisition of AmaTech by Paragon ID SA.
Thames Card Technology Ltd	RFID product distribution and manufacturing	United Kingdom, Rayleigh	100%	100%	The company has been fully consolidated since November 2019 and the acquisition of Thames by Bemrose Booth Paragon.
Airweb SAS	Mobile and digital solutions	France, Saint Cloud	80%	80%	The company has been fully consolidated since November 2020 and the acquisition by Paragon ID SA of a majority stake in Airweb SAS.
Apitrak SAS	Real-time locating systems	France, Meylan	51.3%	51.3%	The company has been fully consolidated since June 2021 and the acquisition by Paragon ID SA of a majority stake in Apitrak SAS.
Security Label GmbH	RFID product distribution and manufacturing	Germany, Sarstedt	93.3%	-	The company has been fully consolidated since July 2021 and the acquisition of a majority stake in Security Label by Paragon ID SA.
Paragon Property Holdings, llc	Real estate holding company	USA, North Carolina	100%	-	The company has been fully consolidated since its creation in September 2021.
EDM technologies, inc	RFID product distribution and manufacturing	USA, North Carolina	100%	-	The company has been fully consolidated since its creation in September 2021.
Airweb UrbanThings Ltd	Holding of securities	United Kingdom, Hull	100%	-	The company has been fully consolidated since its creation in June 2022.
UrbanThings Ltd	Mobile and digital solutions	United Kingdom, Hull	100%	-	The company has been fully consolidated since June 2022 and the acquisition of UrbanThings Ltd by Airweb UrbanThings Ltd.

16. INVENTORIES

Inventories break down as follows:

In thousands of euros	30/06/2022	30/06/2021
Materials	15,373	8,566
In progress	1,540	767
Finished and semi-finished products	6,086	3,937
Inventories	**23,000**	**13,270**

The Group's inventory levels at 30 June 2022 increased significantly compared to 30 June 2021. This is mainly due to the increase in activity as the health crisis eased, as well as the fact that the risk related to the global shortage of electronic chips means the Group was forced to place chip orders and accept deliveries of these well in advance of their production need. This has resulted in a significant increase in the Group's inventories of materials.

The net amounts presented above include impairment of €1,248 thousand at 30 June 2022 (30 June 2021: €1,546 thousand) due to specific provisions for materials intended for certain Group products that are now dormant or in low demand (due to technological developments).

17. TRADE AND OTHER RECEIVABLES

17.1. Trade receivables

The average credit period for product sales is 60 days.

Before accepting a new customer, the Group uses an external evaluation system to assess the quality of the potential customer. Credit conditions are reassessed on the basis of information provided by the external assessment system and payment history. The Group also has credit insurance coverage that guarantees the repayment of insured receivables in the event of default by the debtor. Insured receivables represent approximately 70% of the Company's trade receivables excluding related-party transactions and are remitted to the factoring company for financing. For the method of accounting for factored receivables, see Note 2.8.1 above

The Group recognises a provision for expected credit losses; see Note 2.9.1.2 above for the method of recognising this provision.

In thousands of euros	30/06/2022	30/06/2021
Trade receivables	15,237	8,985
Provision for expected credit loss	(362)	(425)
Trade receivables	**14,875**	**8,560**
Advance payments	2,553	1,340
Other debtors	4,924	4,989
Trade receivables and related accounts	**22,352**	**14,889**

17.2. Transfer of financial assets

17.2.1 Deconsolidating factoring agreement

The Group sold most of the trade receivables of Paragon ID SA, Paragon Identification SAS, Bemrose Booth Paragon Ltd, Thames Card Technology Ltd, Burall Ltd, ASK InTag Llc, and EDM Technologies to a factoring company.

An analysis of the agreement with regard to the criteria of IFRS 9 allows us to conclude that almost all of the relevant risks were transferred to the factoring company, and the main elements of this analysis are summarised below:

- The transfer of rights to cash flows is evidenced by the fact that the claims are legally assigned (conventional subrogation);
- Transfer of risks and benefits:
  - Credit risk: The agreement is without recourse with regard to credit risk. The factoring company has no recourse against customers or, where applicable, against the centralising agent with respect to the risk of non-payment of the receivables transferred, except in certain specific cases that do not affect the transfer of credit risk.
  - Risk of delay: receivables are subject to a discount calculated on the date of sale on the basis of an observed DSO. Interest is firm and final and receivables are not definanced after a period of time except in the event of dilution. Through this firm and final discount, the risk of late payment is transferred completely to the factoring company.
  - Dilution risk:
    - This risk is retained by the assignor, as is the case in all factoring agreements. This risk is not, moreover, a risk of deterioration of the receivable but a risk of existence, which is traditionally excluded from analysis.
    - Receivables that are the subject of a serious commercial dispute are definanced after a grace period of 90 days and are sold back after 180 days if the serious dispute is not resolved. In view of this grace period, it was considered that almost all of the definanced receivables corresponded to dilution events and that this mechanism had no impact on the assessment of the transfer of credit risk and risk of late payment.
    - A 5% security deposit set up to cover the counterparty risk for these dilution events is not excessive and therefore has no impact on the risk of late payment discussed above.

The agreement taken out by the Group can therefore be described as a full factor agreement, insofar as the receivables are purchased directly by the factoring company, which accepts the risk associated with the receivables at the time of sale.

The carrying value of the trade receivables sold and the carrying value of the reduction in related receivables are detailed in the table below by reporting date:

Receivables transferred to the factoring company under a deconsolidating factoring agreement		
In thousands of euros	**30/06/2022**	**30/06/2021**
Amount of receivables sold	18,928	12,855

Reserves and guarantees	(1,299)	(1,569)
Amount of deconsolidated receivables	**17,629**	**11,286**

17.3. Other receivables

In thousands of euros	30/06/2022	30/06/2021
Taxes receivable	272	831
Grants receivable	3,018	3,129
Advance payments	2,553	1,340
Other	1,634	1,030
Other receivables	**7,477**	**6,329**

Grants receivable mainly represent Research Tax Credit receivables. These receivables are recoverable by charging against the current tax liability. If the tax credit is higher than the tax or if the company is loss-making, the remainder is set off against the tax payable for the following three years and, if applicable, refunded at the end of that period.

Other receivables represent (i) receivables yet to be collected by Paragon ID SA from its former partner in the I2PL joint venture. The Group is currently negotiating to obtain the repayment of these balances, with agreements having been made with the former partner ensuring the recoverability of these balances, (ii) invoices to be issued for recurring mobile ticketing services in SaaS mode provided to the customer and not invoiced at year-end.

18. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with banks, with bank overdrafts classified as current debt. At 30 June 2022, cash and cash equivalents as presented in the consolidated statement of cash flows may be reconciled to the consolidated statement of financial position as follows:

In thousands of euros	30/06/2022	30/06/2021
Cash	14,195	13,654
Sub-total Cash and cash equivalents (statement of financial position)	**14,195**	**13,654**
Bank overdrafts	(4,402)	(4,714)
Cash and cash equivalents, net of overdrafts (TFT)	**9,793**	**8,940**

19. SHARE CAPITAL

In thousands of euros	30/06/2022	30/06/2021
Share capital	69,350	69,271
Share premium	60,887	60,887

Treasury shares	(187)	(193)
Issued capital	**130,092**	**129,965**

19.1. Number of shares and voting rights

	Number of shares	Share capital	Share premium	Treasury shares
	In thousands of shares	*In thousands of euros*		
Balance at 1 July 2020	**1,965**	**68,787**	**60,887**	**(188)**
Other capital increases	14	484	-	-
Issuance of equity warrants	-	-	-	-
Treasury shares	-	-	-	(5)
Balance at 30 June 2021	**1,979**	**69,271**	**60,887**	**(193)**
Balance at 1 July 2021	**1,979**	**69,271**	**60,887**	**(193)**
Other capital increases	2	79	-	-
Issuance of equity warrants	-	-	-	-
Treasury shares	-	-	-	6
Balance at 30 June 2022	**1,981**	**69,349**	**60,887**	**(187)**

Voting rights break down as follows:

In thousands of shares	30/06/2022	30/06/2021
Ordinary shares with single voting rights	273	555
Shares with double voting rights	1,708	1,424
Total number of shares	**1,981**	**1,979**
Voting rights before elimination of treasury shares	**3,690**	**3,404**
Treasury shares	(2)	(2)
Total number of voting rights	**3,688**	**3,402**

Shares with double voting rights are those that have been held for more than two years and are in registered form.

Treasury shares refer to shares held indirectly through the liquidity agreement with the brokerage firm Portzamparc, i.e. 2,017 shares at 30 June 2022. These shares do not have voting rights. The results of this liquidity agreement over the 12-month period are presented in the Group's management report.

19.2. Characteristics of financial instruments giving rights to capital

The financial instruments giving rights to Paragon ID's share capital consist of equity warrants (BSA).

At 30 June 2022, 196,950 equity warrants and free shares had been subscribed for and remained outstanding. They break down as follows:

	Number of rights		Conversion into number of shares			
Number of shares	30/06/2022	30/06/2021	Rate of conversion into shares	30/06/2022	Rate of conversion into shares	30/06/2021
BSA 2015-1	151,000	151,000	35.00	4,311	35.00	4,311
BSA 2018-1	42,950	45,500	1.00	42,950	1.00	45,500
AGA 2018-1	-	3,084	1.00	-	1.00	3,084
AGA 2020-1	3,000	-	1.00	3,000	1.00	-
Total	**196,950**	**199,584**		**50,261**		**52,895**
As a % of total shares in the Company				**2.54%**		**2.69%**

The change in outstanding equity warrants and free shares between 1 July 2021 and 30 June 2022 is as follows:

In shares	BSA 2015-1	BSA 2018-1	AGA 2018-1	AGA 2020-1	Total
Balance at 1 July 2020	**151,000**	**45,500**	**16,900**	**-**	**213,400**
Subscribed	-	-	-		-
Converted	-	-	(13,816)		(13,816)
Lapsed	-	-	-		-
Balance at 30 June 2021	**151,000**	**45,500**	**3,084**	**-**	**199,584**
Balance at 1 July 2021	**151,000**	**45,500**	**3,084**	**-**	**199,584**
Subscribed				3,000	3,000
Converted			(2,250)		(2,250)
Lapsed		(2,550)	(834)		(3,384)
Balance at 30 June 2022	**151,000**	**42,950**	**-**	**3,000**	**196,950**

19.2.1 Equity warrants issued in 2016

The Extraordinary General Meeting of 30 June 2015 delegated to the Board of Directors the authority to issue a maximum number of 180,000 share warrants to the category consisting of employees and/or corporate officers of the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code.

This delegation of authority was granted for a period of 18 months as from 30 June 2015.

On 7 November 2016, the Board of Directors issued 170,000 warrants to employees.

The main characteristics of this plan are set out below:

- unit subscription price: €0.07723 per warrant;
- exercise price: €1.54462 per warrant;
- exercisable at any time, in whole or in part, in one or more instalments, from the issue date until 31 December 2025;

- each group of 35 warrants gives the right to subscribe to one ordinary share, to be fully paid up in cash when the equity warrants are exercised.

Holders of the 2015-1 equity warrants had to pay a subscription fee of 5% of the value of the share when it was granted. This value corresponds to a market value at the grant date. The value of the equity warrants and AGAs was recognised as an offset against equity on the basis of the fair value at the grant date using the Black & Scholes model for said valuation.

19.2.2 Equity warrants issued in 2019

The Extraordinary General Meeting of 12 December 2018 delegated to the Board of Directors the authority to issue a maximum number of 51,250 share warrants to the category consisting of employees and/or corporate officers of the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code.
This delegation of authority was granted for a period of 18 months as from 12 December 2018.
On 9 and 30 July 2019, the Board of Directors issued 51,250 warrants to employees, of which 5,750 were subsequently cancelled before subscription.
The main characteristics of this plan are set out below:

- unit subscription price: €1.75 per warrant;
- exercise price: €33.25 per warrant;
- exercisable in thirds over three years according to the conditions detailed in the following table;

Condition(s)	Proportion of warrants exercisable
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2020	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2021	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2022	33%
Total	**100%**

- each warrant gives the right to subscribe to one ordinary share, to be fully paid up in cash when the equity warrants are exercised.

Holders of the 2018-1 equity warrants had to pay a subscription fee of 5% of the value of the share when it was granted. This value corresponds to a market value at the grant date. The value of the equity warrants was recognised as an offset against equity on the basis of the fair value at the grant date using the Black & Scholes model for said valuation. The impact on employee costs of these instruments was €46 thousand for the financial year.

19.2.3 Free shares issued in 2019

The equity warrants issued in 2019 were issued in addition to the free share allocation plan granted by the Board of Directors in its decisions of 12 December 2018, 9 July 2019 and 30 July 2019.

At the time of these decisions, the Board of Directors decided to grant a total of 16,900 free shares to eligible employees and corporate officers of the Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code.

The terms of the free share plans are as follows:

	AGA 0720	AGA 0121	AGA 0122
Allocation decision	Board of Directors' meeting of 12 December 2018	Board of Directors' meeting of 9 July 2019	Board of Directors' meeting of 9 July 2019
Number of shares	1,216	12,600	3,084
End of vesting period	31 July 2020	31 January 2021	31 January 2022
End of holding period	31 July 2021	31 January 2022	31 January 2023
Proportion to be retained in registered form	10%	10%	10%

The impact on employee costs of these instruments was €3 thousand for the financial year.

19.2.4 Free shares issued in 2021

A free share allocation plan was granted by the Board of Directors at the time of these decisions on 6 December 2021.

At the time of these decisions, the Board of Directors decided to grant a total of 3,000 free shares to eligible employees and corporate officers of the Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code.

The terms of the free share plans are as follows:

	AGA 1223	AGA 1224
Allocation decision	Board of Directors' meeting of 6 December 2021	Board of Directors' meeting of 6 December 2021
Number of shares	2,000	1,000
End of vesting period	06 December 2022	06 December 2023
End of holding period	06 December 2023	06 December 2024
Proportion to be retained in registered form	10%	10%

The impact on employee costs of these instruments was €72 thousand for the financial year.

20. FINANCIAL DEBT

The tables concerning financial debt below include the breakdown of lease liabilities:

In thousands of euros	30/06/2022	30/06/2021

Financial debt – current portion	16,496	13,912
Financial debt – non-current portion	56,058	47,713
Borrowings	**72,554**	**61,625**

Changes in financial debt can be explained as follows:

In thousands of euros	30/06/21	New Borrowings	Resulting from revaluations	Accrued Interest	Repayment	Entry into the Scope of Consolidation	30/06/22	Of which Current Share	Of which Non-Current Share
Bank overdrafts	4,714	-	-	-	(274)	(38)	4,402	4,402	-
Borrowings from:									
- related parties (Grenadier Holdings Plc)	22,643	3,092	-	899	(852)	-	25,782	3,231	22,551
- government	540		-		(540)	-	-	-	-
Bank borrowings	27,300	11,121	-	-	(3,207)	1,048	36,262	7,227	29,035
Lease liabilities	6,428	430	1,266	182	(2,391)	193	6,108	1,636	4,472
Borrowings	**61,625**	**14,643**	**1,266**	**1,081**	**(7,264)**	**1,203**	**72,554**	**16,496**	**56,058**

In thousands of euros	30/06/20	New Borrowings	Resulting from revaluations	Accrued Interest	Repayment	Entry into the Scope of Consolidation	30/06/21	Of which Current Share	Of which Non-Current Share
Bank overdrafts	5,843	-	-	-	(1,129)	-	4,714	4,714	-
Borrowings from:									
- related parties (Grenadier Holdings Plc)	26,116	-	-	1,046	(4,519)	-	22,643	3,174	19,469
- government	1,064		-		(524)	-	540	-	540
Bank borrowings	24,857	2,823	-	-	(1,775)	1,395	27,300	4,029	23,271
Receivables sold to factoring	12		-	-	(12)	-	-	-	-
Lease liabilities	4,394	2,944	540	134	(1,888)	305	6,428	1,995	4,433
Borrowings	**62,286**	**5,767**	**540**	**1,180**	**(9,847)**	**1,700**	**61,625**	**13,912**	**47,713**

Loans from related parties refer to the €10 million in bonds (and related interest) granted by Paragon ID SA to Grenadier Holdings Plc, in accordance with the terms of the contribution agreement put in place for the merger between ASK and the identification division of the Paragon Group in April 2017. An additional loan of €10.3 million was granted in 2019 by Grenadier Holdings to Paragon ID SA.
At 30 June 2022, the breakdown of related-party debt was as follows:

In thousands of euros	Interest rate	30/06/22	Current Share	Non-Current Share
Non-Convertible Bonds	4%	10,000	-	10,000
Long-Term Bullet Borrowing	5%	10,261	-	10,261
Other Borrowings	Miscellaneous	5,521	3,231	2,290
Related-party Borrowings		**25,782**	**3,231**	**22,551**

The increase in bank borrowings is mainly due to the combination of (i) the subscription of new borrowings to finance equipment and (ii) the consolidation of Security Label and UrbanThings, which both contributed bank debt.

Lastly, lease liabilities remained relatively stable with a slight decrease due to the fact that repayments on these exceeded contract renewals. The main lease renewals comprised leases of buildings occupied by certain division subsidiaries for terms of three to five years.

Debt movements have the following effect on cash flow:

In thousands of euros	30/06/21	Cash flow	"Non-Cash" changes				30/06/22
			Resulting from revaluations	Accrued Interest	Foreign exchange effect	Entry into the Scope of Consolidation	
- related parties (Grenadier Holdings Plc)	22,643	1,618	-	899	622	-	25,782
Bank borrowings	27,840	7,374	-	-	-	1,048	36,262
Lease liabilities	6,428	(2,391)	1,651	182	45	193	6,108
Borrowings	**61,625**	**6,601**	**1,651**	**1,081**	**667**	**1,203**	**72,554**

21.TRADE AND OTHER PAYABLES

In thousands of euros	30/06/2022	30/06/2021
Trade payables	28,261	15,936
Related parties	9,085	7,817
Other payables	18,696	14,777
Trade and other payables	**56,042**	**38,530**

No interest is charged on trade payables during the 60-day period following the invoice date.
The rise in trade payables is linked to the increase in activity, which results in the Group ordering more materials from its suppliers, thus increasing the outstanding amount due to them at the end of the financial year.

21.1. Other payables

Other payables are broken down as follows:

In thousands of euros	30/06/2022	30/06/2021
Social security contributions	3,296	5,536
Paid leave and other employee benefits	3,990	3,268
Miscellaneous taxes	2,239	1,887
Advances and deposits received	2,833	1,444
Payables	2,448	589
Deferred income	3,520	2,000
Other	372	53
Other payables	**18,698**	**14,777**

The decrease in social security charges is mainly due to the fact that during the financial year the Group made up most of the delays in the payment of social security charges granted by governments (when the jurisdictions allowed it) as part of the assistance measures to companies to deal with the Covid-19 crisis.

The increase in advances and down payments received is due to the fact that the Group received advances on a certain number of contracts signed at the end of the financial year to enable it to finance supplies and launch production for these contracts.

The increase in accrued expenses is mainly due to the fact that the Group was expecting invoices from its suppliers for certain deliveries and/or services received at the end of the financial year.

The increase in deferred income is mainly due to the increase in the portion of the business related to service contracts containing recurring and long-term invoices, which may be invoiced in advance depending on the terms of the customer contracts, such as real-time locating solutions or mobile ticketing solutions.

22. DEFERRED CONSIDERATION

In thousands of euros	30/06/2022	30/06/2021[1]
Short term	1,492	2,232
Long term	4,516	3,637
Deferred consideration	**6,009**	**5,869**

The increase in deferred considerations, which correspond to earn-outs due to sellers in the context of business combinations, is due to the recognition of deferred considerations on the acquisition of Security Label during the period as described in Section 1.2.1 of this document, as well as the increase in the deferred consideration recognized on the acquisition of Apitrak, as explained in Section 8 of this document. These effects are partly offset by the deferred payments made during the period for Airweb, Apitrak and Thames in accordance with the contracts in place.

[1] The financial statements at 30 June 2021 have been restated for the effects of the finalisation of the PPA related to the acquisition of Apitrak, negatively impacting the Deferred consideration by €3.6 million.

23.OTHER CURRENT LIABILITIES

23.1. Provisions

The provisions created by the Group are as follows:

In thousands of euros	30/06/2022	30/06/2021
Provisions for charges	648	874
Provision for restructuring	114	392
Provisions	**762**	**1,266**

In thousands of euros	Provisions for Charges	Provision for Restructuring	Total
Balance at 30 June 2020	**676**	**936**	**1,612**
Consolidated during the period	35	-	35
Allowances	454	1,040	1,494
Utilisations	(297)	(1,496)	(1,793)
Reversals not applicable		(86)	(86)
Effect of exchange rate impacts	6	(2)	4
Balance at 30 June 2021	**874**	**392**	**1,266**
Consolidated during the period	101	-	101
Allowances	215	-	215
Utilisations	(543)	(278)	(821)
Reversals not applicable		-	-
Effect of exchange rate impacts	1	-	1
Balance at 30 June 2022	**648**	**114**	**762**

The provision for restructuring includes:

- a provision for restructuring due to Covid-19 initiated within the Group’s various subsidiaries;
- the provisions and uses for the period are related to the update of the provisions mentioned above.

24. RISK MANAGEMENT POLICY

The Company carried out a detailed and comprehensive update of its risk factors during the preparation of its universal registration document, filed with the French Financial Markets Authority (AMF - *Autorité des Marchés Financiers*) on 30 March 2022 under number R.22-007. They are presented in Chapter 3 “Risk factors” of said document.

In particular, the main types of risks are:

- risks related to the Company’s activities;
- risks related to the Company’s organisation and key employees;
- market risks;
- financial risks.

As regards financial risks, the Group pursues an active risk management policy aimed at anticipating and controlling the risks associated with its business and international business as much as possible. Financial risk management consists of analysing and mapping the financial risks inherent in the management of any activity, determining action plans to deal with them and deploying the necessary resources.

The Group's financial risk management strategy is based on:

- a rigorous risk identification policy based on reporting, monitoring and internal control systems;
- a high-performance crisis management structure and tools to identify and handle the emergence of potential risks as quickly as possible.

The risks faced by the Group are of several types and are described in the following paragraphs.

24.1. Dilution risk

As part of its policy of motivating its managers and employees and to attract additional skills, the Company may in future issue or allocate shares or new financial instruments giving access to the Company's share capital, which could result in additional, potentially significant, dilution for the Company's current and future shareholders.

Since its inception, the Company has granted equity warrants (BSAs). At the date of this report, the exercise of its equity warrants and free shares would result in the creation of 50,261 new shares in the Company, generating a dilution of 2.54%.

24.2. Market risks

24.2.1 Foreign exchange risks

The Group conducts transactions in US Dollars and Pounds Sterling. As such, it is exposed to the risk of fluctuations in the rates of those currencies, as analysed below:

In thousands of USD	**30/06/2022**
Accounts receivable	10,411
Loans to joint ventures	-
Cash value of receivables sold	(2,622)
Accounts payable	(9,935)
US dollar exposure	**(2,146)**
Difference in euros in the event of a 10% rise in the currency rate	(203)

In thousands of GBP	**30/06/2022**
Accounts receivable	7,009
Loans to joint ventures	-
Cash value of receivables sold	(5,149)
Accounts payable	(338)
GBP exposure	**(1,528)**

Difference in euros in the event of a 10% rise in the currency rate	(119)

24.2.2 Interest rate risks

Since the Company has taken out loans at indexed rates, an increase in interest rates would have an impact on the financial result.

For information purposes, the following table simulates the impact of a one-point increase in interest rates:

In thousands of euros	<1 year	<5 years	TOTAL
Impact on overdraft interest	49	-	49
Impact on factoring interest *	133	-	133
Difference in euros in the event of a 1% rise in interest rates	**182**	**-**	**182**

* The impact on factoring interest was calculated based on the average factoring debt during the 12-month financial year ended 30 June 2022.

24.3. Credit risks

The Group has a wide variety of customers, some of which (until now, a quite rare occurrence) are experiencing financial difficulties that could, if necessary, lead to their total insolvency. In particular, the Group's customers include a number of state and local authorities. In the event of a deterioration in the economic and macroeconomic situation, the Group could face an increasing number of customers in such difficulties, which could negatively impact the Group's earnings and cash flow.

The degree of exposure to counterparty risk is low in commercial activities due to the profile of the Group's customers and the procedures put in place when orders are taken (e.g. solvency reviews and requests for prepayments where applicable). Over the last five financial years, the Group has not recorded any doubtful receivables following a default by its customers, and all of its receivables are considered recoverable.

24.4. Liquidity risks

The Group's financial debt is described in Section 20 of this document. The Group's available cash and the continued support of its reference shareholder will enable it to meet its maturities over the next 12 months while extending its growth.

The Group has carried out a specific review of its liquidity risk as of the date of this document and considers that it will be able to meet its future maturities over the next 12 months.

25. STATUTORY AUDITORS' FEES

In thousands of euros	Certification Annual financial statements	Other Services	Total
PwC & COGEP	51		51
PwC & Saint-Germain Audit	182	15	197
PwC	58	-	58
GT	128	6	134
Statutory Auditors' fees	**419**	**21**	**440**

26. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Group and its subsidiaries that are related parties to the Group have been eliminated on consolidation and are not presented in this note. A breakdown of transactions between the Group and other related parties is presented below.

26.1. Related parties

The flows and balances for related parties are as follows:

26.1.1 Joint ventures

I2PL remains a joint venture as at 30 June 2022. As the company is in the process of closing, no transactions took place during the period.

The unsettled positions as at 30 June 2022 are as follows:

	Trade payables to related parties		Trade receivables from related parties		Financial receivables from related parties	
In thousands of euros	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
I2PL	1,837	2,037	753	753	-	-
Amount due	**1,837**	**2,037**	**753**	**753**	**-**	**-**

26.1.2 Other related entities of the Paragon Group

The following table presents the significant transactions during the 12-month financial year ended 30 June 2022 between the entities of the division and the rest of the Paragon Group, as well as the remaining balances at 30 June 2022.

In thousands of euros	Assets	Liabilities	Income	Expenses
Paragon Customer Communications UK				

Sale of various Bemrose Booth products	100		402	
Sale of various Thames products	168		487	
Sale of various PISAS products	6		6	
Purchases of PCC services and products		750		1,462
Paragon Group UK				
Sale of various Bemrose Booth products			16	
Sale of various Thames products			7	
Sale of various PGUK products		165		266
Paragon Transaction France				
Sale of PISAS products (customisation)	418		940	
Purchase of material and service (envelope stuffing)		13		272
Paragon Customer Communications Poland				
Sale of services	88		41	
Purchase of materials and services		9		
Office Team				
Sale of services	3		2	112
Paragon Romania Srl				
Sale of services			107	
Purchase of materials and services		32		
Immobilière Paragon France				
PISAS buildings leases		133		260
Grenadier Holdings				
Non-convertible bonds		10,000		400
Bullet loan		10,261		513
Other loans and interest		5,868		62
Provision of services and licences		6,277		890
Total	**783**	**33,508**	**2,008**	**4,237**

26.1.3 Current and former shareholders

The Group owes interest on various bonds to its current and former shareholders in the following amounts:

Interest on bonds	**Amounts due to related parties**	
In thousands of euros	**30/06/2022**	**30/06/2021**
EQUIMAX Investment Ltd	2	2
ACCESS SHIPPING Ltd	10	10
VESTER FINANCE	12	12
BLUESKY Ltd	1	1
LEIGNON	7	7

Loans from related parties	**32**	**32**

26.2. Executive compensation

The following table sets out the compensation of directors and other senior executives during the financial year (Chairman and Chief Executive Officer, who make up the Group's management bodies):

In thousands of euros	30/06/2022	30/06/2021
Short-term benefits	228	230
Long-term benefits	26	26
Payment in shares	15	20
Executive compensation	**269**	**276**

27.OFF-BALANCE SHEET COMMITMENTS

The Company's off-balance sheet commitments are summarised in the following table:

In thousands of euros	30/06/2022	30/06/2021
Endorsements and guarantees, of which:	3,169	3,019
Bank guarantees	-	20
Market and performance guarantees	3,169	2,999
Pledge on industrial equipment to banking partners	2,550	2,550
Pledge for the amount of bonds	10,000	10,000
Pledge for the amount of the bullet loan	10,261	10,261
Total Off-balance sheet commitments	**25,980**	**25,830**

The Company's off-balance sheet commitments still in force at the date of this report are as follows:

- Paragon Identification SAS has obtained bank guarantees from its banking partners to guarantee its exports of goods to international markets in the amount of €3,019 thousand;
- Paragon Identification SAS has granted its banking partners pledges on a portion of its industrial equipment to guarantee loans in the amount of €2,550 thousand;
- Paragon ID SA granted Grenadier Holdings Plc pledges on the shares of its subsidiaries and holdings (PISAS and Airweb) to guarantee its loans and (non-convertible) bonds with its main shareholder.

28. EVENTS AFTER THE REPORTING PERIOD

28.1. Acquisition of Tracktio securities

On 19 July 2022, Paragon ID SA acquired all of the securities of Tracktio SA , thus obtaining control of this company.

Based in Barcelona, Spain, Tracktio's aim is to improve the security and productivity of companies operating in hostile environments such as construction and civil engineering, oil and gas, mining operations, etc. Its TrackSphereTM software suite provides intelligent operational solutions for applications such as real-time monitoring of equipment flows, geolocalisation analyses, and inventories, or personnel supervision for security and productivity purposes.

The acquisition of Tracktio will enable Paragon ID to extend its real-time tracking solutions to other technologies such as GPS, LoRa, UWB, Quuppa and optical identification, and to strengthen its offer in the sectors of industry, mining and logistics. Furthermore, the TrackSphereTM software platform, designed to be configurable and customisable for white label use, and with no-code configuration and API scalability, is an ideal tool for Paragon ID's partner network to promote.
Both companies will work closely together to combine their expertise and thereby create a complete geolocalisation platform capable of integrating all available technologies to provide the most appropriate solutions for various applications, environments and customer requirements.

The purchase price based on the fair value of the assets and liabilities acquired must be temporarily allocated before the end of a period of 12 months following the effective date of the business combination. A temporary allocation of the purchase price is in progress; this is not expected to have a significant impact on the Group’s financial statements.

29. OTHER INFORMATION RELATING TO EXECUTIVE COMPENSATION

The following table indicates the specific conditions concerning the Chief Executive Officer of the Company:

	Start date of term of office	End date of term of office
Clement GARVEY	12 December 2018	Unlimited
Employment contract	No	
Supplementary pension plan	No	
Indemnities or benefits due or likely to be due as a result of a termination or change in their functions	No indemnities will be payable to the Chief Executive Officer in the event of resignation. However, the Board of Directors has approved the purchase by the Company of a social security charge insurance policy on behalf of its Chief Executive Officer, which is in place with an effective date of 1 January 2019.	

Indemnities relating to a non-competition clause	No indemnities relating to a non-competition clause shall be payable to the Chief Executive Officer.	

PARAGON ID SA

Individual financial statements at 30 June 2022

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- 1 -	STATEMENT OF FINANCIAL POSITION - ASSETS	2050

Name: PARAGON ID

Address: LES AUBEPINS 18410 ARGENT SUR SAULDRE — Duration year N: 12

SIRET number: 41396715900091 — Duration year N-1: 12

Headings		Gross amount		Depr., Amort. and Impairment	30/06/2022	30/06/2021
Uncalled subscribed capital **I**	AA					
INTANGIBLE ASSETS						
Start-up expenses	AB		AC			
Development costs	CX	8,067,554	CQ	7,425,441	642,113	881,202
Concessions, patents, similar rights	AF	1,730,318	AG	1,511,687	218,631	396,396
Goodwill (1)	AH		AI			
Other intangible assets	AJ	2,519,837	AK		2,519,837	2,165,441
Advances, down payments on intangible ass	AL		AM			
PROPERTY, PLANT AND EQUIPMENT						
Land	AN		AO			
Buildings	AP		AQ			
Technical installations, equipment, tooling	AR	4,788,269	AS	4,739,518	48,751	41,626
Other property, plant and equipment	AT	1,373,815	AU	1,105,798	268,017	311,778
Assets in progress	AV	25,814	AW		25,814	2,022
Advances and down payments	AX		AY			
NON-CURRENT FINANCIAL ASSETS (2)						
Equity interests	CS		CT			
Other interests	CU	60,374,745	CV	2,609,564	57,765,181	54,171,777
Receivables related to equity investments	BB		BC			
Other long-term investment securities	BD		BE			
Loans	BF		BG			
Other non-current financial assets	BH	66,439,884	BI		66,439,884	66,436,840
TOTAL II	**BJ**	**145,320,235**	**BK**	**17,392,008**	**127,928,227**	**124,407,081**
INVENTORIES AND WORK-IN-PROGRESS						
Raw materials, supplies	BL	1,262,216	BM	152,525	1,109,691	502,417
Work in progress - goods	BN	3,701	BO	4,736	(1,035)	1,377
Work in progress - services	BP	19,713	BQ		19,713	
Intermediate and finished products	BR	221,347	BS	232	221,115	2,671
Merchandise	BT	233,780	BU	75,330	158,450	1,064,311
Advances, deposits paid/orders	BV	147,679	BW		147,679	62,722
RECEIVABLES						
Trade receivables & related accounts (3)	BX	14,605,400	BY	6,083,630	8,521,770	6,650,100
Other receivables (3)	BZ	7,711,163	CA	1,011,017	6,700,146	4,146,008
Capital subscribed and called, not paid	CB		CC			
MISCELLANEOUS						
Marketable securities	CD	7,467	CE		7,467	7,467
(incl. treasury shares)						
Cash and cash equivalents	CF	449,409	CG		449,409	1,559,502
ACCRUALS						
Prepaid expenses (3)	CH	227,146	CI		227,146	197,694
TOTAL III	**CJ**	**24,889,022**	**CK**	**7,327,470**	**17,561,552**	**14,194,269**
Loan issuance costs to be spread **IV**	CW					
Bond redemption premiums **V**	CM					
Unrealised exchange losses **VI**	CN	145,158			145,158	30,736
GENERAL TOTAL (I to VI)	**CO**	**170,354,415**	**1A**	**24,719,478**	**145,634,937**	**138,632,086**
Notes: (1) leasehold rights		(2) Share at <1 year o	CP		(3) Share at >1 year [CR]	
N-1		N-1			N-1	
Own reserves clause						
Non-current assets:		Inventories:			Receivables:	

STATEMENT OF FINANCIAL POSITION - LIABILITIES 2051

Name: PARAGON ID

Headings		30/06/2022	30/06/2021
EQUITY			
Share or individual capital (1) (of which paid: 69,349,105.00)	DA	69,349,105	69,270,355
Issue, merger and contribution premiums	DB	59,570,492	59,649,242
Revaluation differences (2) (of which equity difference: EK)	DC		
Legal reserve (3)	DD		
Statutory or contractual reserves	DE		
Regulated reserves (3) (including current prov. res. B1)	DF		
Other reserves (including purchase of orig. works EJ)	DG		
Retained earnings	DH	(48,144,931)	(44,220,554)
INCOME FOR THE FINANCIAL YEAR (profit or loss)	DI	(5,397,565)	(3,924,376)
Investment grants	DJ		
Regulated provisions	DK		
TOTAL I	**DL**	**75,377,101**	**80,774,667**
OTHER CAPITAL			
Proceeds from the issuance of equity securities	DM		
Conditional advances	DN		
TOTAL II	**DO**		
PROVISIONS FOR RISKS AND CHARGES			
Provisions for risks	DP	373,735	390,901
Provisions for charges	DQ	108,879	296,503
TOTAL III	**DR**	**482,614**	**687,404**
DEBT (4)			
Convertible bonds	DS	31,541	31,541
Other bonds	DT	10,000,000	10,000,000
Borrowings and debts from credit institutions (5)	DU	3,086,822	3,882,870
Borrowings, misc. fin. debt (including participative borrowing EI)	DV	42,781,156	29,914,167
Advances and deposits received on orders in progress	DW	1,523,895	19,006
Trade payables	DX	6,284,219	5,227,384
Tax and social security liabilities	DY	3,187,225	3,958,187
Debt on non-current assets	DZ	35,967	1,276,915
Other debt	EA	1,872,778	1,779,632
ACCRUALS			
Deferred income (4)	EB	342,765	872,853
TOTAL IV	**EC**	**69,146,368**	**56,962,555**
Unrealised exchange gains **V**	ED	628,854	207,460
GENERAL TOTAL (I to V)	**EE**	**145,634,937**	**138,632,086**

Notes			
(1) Revaluation difference included in share capital	1B		
(2) Including - Special revaluation reserve (1959)	1C		
(2) Including - Voluntary revaluation difference	1D		
(2) Including - Revaluation reserve (1976)	1E		
(3) Including regulated long-term capital gains reserve	FE		
(4) Payables and deferred income at less than 1 year	EG	45,385,927	37,013,032
(5) Including bank overdrafts, bank credit balances, current accounts (balo)	EH	852,089	859,652

- 3 -	INCOME STATEMENT (list)	2052

Name: PARAGON ID

Headings		France		Export		30/06/2022	30/06/2021
Sales of merchandise	FA	472,893	FB	1,475,517	FC	1,948,410	1,863,311
Production - goods	FD	3,162,119	FE	2,439,240	FF	5,601,359	4,512,495
sold - services	FG	3,092,868	FH	1,790,468	FI	4,883,336	3,992,024
NET REVENUES	**FJ**	**6,727,880**	**FK**	**5,705,225**	**FL**	**12,433,105**	**10,367,830**
Production stored					FM	98,090	(57,127)
Capitalised production					FN	881,739	869,699
Operating subsidies					FO		
Reversals of depreciation, amortisation and provisions, expense transfers (9)					FP	335,176	129,754
Other income (1) (11)					FQ	27	35,329
TOTAL OPERATING INCOME (2)				**I**	**FR**	**13,748,137**	**11,345,485**
Purchases of merchandise (including customs duties)					FS	1,146,435	2,895,976
Change in inventory (merchandise)					FT	909,855	(884,649)
Purchases of raw materials, other supplies (and customs duties)					FU	3,011,603	1,370,346
Changes in inventory (raw materials and supplies)					FV	(509,345)	50,735
Other external purchases and expenses (3) (6a)					FW	4,972,697	4,347,488
Taxes, duties and similar payments					FX	134,385	259,815
Wages and salaries					FY	3,521,150	4,002,774
Social security charges (10)					FZ	1,609,673	1,543,213
OPERATING ALLOCATIONS							
To non-current assets: - depreciation and amortisation					GA	509,222	238,422
- provisions					GB	0	0
On current assets: provisions					GC	262,908	61,393
For risks and charges: provisions					GD	98,577	99,754
Other expenses (12)					GE	694,898	471,027
TOTAL OPERATING EXPENSES (4)				**II**	**GF**	**16,362,058**	**14,456,295**
1. OPERATING INCOME (I - II)					**GG**	**(2,613,921)**	**(3,110,809)**
JOINT TRANSACTIONS							
Profit allocated or loss transferred				**III**	GH		
Loss incurred or profit transferred				**IV**	GI		
FINANCIAL INCOME							
Financial income from equity investments (5)					GJ		
Income from other marketable securities and receivables from fixed assets (5)					GK		
Other interest and similar income (5)					GL	39,410	397,125
Reversals of provisions and expense transfers					GM	0	1,047,485
Positive exchange rate differences					LARP	213,342	67,975
Net income on sales of marketable securities					GO		
TOTAL FINANCIAL INCOME				**V**	**GP**	**252,752**	**1,512,585**
Financial allowances for depreciation, amortisation and provisions					GQ	114,422	729,798
Interest and similar expenses (6)					GR	2,243,042	1,399,194
Negative exchange rate differences					GS	237,145	107,150
Net expenses on sales of marketable securities					GT		
TOTAL FINANCIAL EXPENSES				**VI**	**GU**	**2,594,609**	**2,236,142**
2. NET FINANCE INCOME (EXPENSE) (V - VI)					**GV**	**(2,341,857)**	**(723,557)**
3. PRE-TAX OPERATING INCOME (I - II + III - IV + V - VI)					**GW**	**(4,955,778)**	**(3,834,366)**

INCOME STATEMENT (continued)				2053
Name: PARAGON ID				
			30/06/2022	30/06/2021
Exceptional income on management transactions		HA	37,507	
Exceptional income on capital transactions		HB	209,335	445,099
Reversals of provisions and expense transfers		HC	283,951	712,354
TOTAL EXCEPTIONAL INCOME (7)	**VII**	**HD**	**530,793**	**1,157,453**
Exceptional expenses on management transactions (6a)		HE	2,100	42,431
Exceptional expenses on capital transactions		HF	690,325	596,414
Exceptional allowances for depreciation, amortisation and provisions		HG	326,158	838,686
TOTAL EXCEPTIONAL EXPENSES (7)	**VIII**	**HH**	**1,018,583**	**1,477,531**
4. EXCEPTIONAL INCOME (VII - VIII)		**HI**	**(487,790)**	**(320,078)**
Employee profit-sharing	**IX**	HJ		
Income tax	**X**	HK	(46,003)	(230,068)
TOTAL INCOME (I + III + V + VII)		**HL**	**14,531,682**	**14,015,523**
TOTAL EXPENSES (II + IV + VI + VIII + IX + X)		**HM**	**19,929,247**	**17,939,900**
5. PROFIT OR LOSS (total income - total expenses)		**HN**	**(5,397,565)**	**(3,924,377)**
Notes				
(1) Including partial net income on long-term transactions		HO		
(2) Including income from real estate leases		HY		
operating income from prior years (8)	(balo)	1G		
(3) Including: - Movable property leasing	(balo)	HP	3,033	3,333
- Real estate leasing	(balo)	HQ		
(4) Including operating expenses from prior years (8)	(balo)	1H		
(5) Including income from related companies	(balo)	1J		
(6) Including interest from related companies	(balo)	1K		
(6a) Including donations made to general interest organisations (Article 238a of the French Gene		HX		
(6b) Including amortisation of subscriptions in innovative SMEs (Article 217g)		RC		
(6b) Including exceptional depreciation of 25% of new buildings (Article 39d D)		RD		
(9) Including transfers of expenses		A1		
(10) Including operator personnel contributions (13)		A2		
(11) Including fees for patent and licence concessions (income)		A3		0
(12) Including fees for patent and licence concessions (expenses)		A4	647,277	423,175
(13) Including premiums & add. personal contr. A6				
mandatory A9				

(7) Breakdown of exceptional income and expenses	Financial year N	
	Expenses	Income

For the EDI-TDFC standard, please complete this information in the notes
"2053 - Exceptional income and expenses", presented under the EDI - TDFC Additional contribution.

(8) Breakdown of income and expenses from prior years	Financial year N	
	Expenses	Income

For the EDI-TDFC standard, please complete this information in the notes
"2053 - Income and expenses from prior years", presented under the EDI - TDFC Additional contribution.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

1. PRELIMINARY REMARKS AND EVENTS DURING THE PERIOD

1.1. General information

Paragon ID SA (formerly ASK) ("the Company") was incorporated in October 1997 as a public limited company (*société anonyme*) under French law. Its registered office is located at Les Aubépins, Argent sur Sauldre (18410), France.

The Paragon ID Group (hereinafter "the Group"), consisting of the Company and its subsidiaries, has been listed on compartment C of the Euronext market since 1 July 2014.

In terms of business, the Company and all of its subsidiaries design, produce and market contactless technology products for passenger transport, product identification and traceability, and the identity market, such as contactless cards, dual interface cards, contactless tickets, contactless labels, readers and other reading devices, passport covers and driving licences.

The Company and the Group close their financial statements on 30 June of each year. These financial statements for the period ended 30 June 2022 were approved by the Board of Directors at its meeting on 20 October 2022.

The Company prepares consolidated financial statements available on the website http://www.paragon-id.com/en. The Company also provides a management report, with the Non-Financial Performance Statement included as an appendix.

Lastly, the Company has been majority-owned by the Paragon Group since 28 April 2017 and is thus consolidated in the financial statements of Paragon Group Limited. The financial statements of Paragon Group Limited are not publicly available.

1.2. Key events

1.2.1. Allocation of free shares and capital increase

The Board of Directors, at its meeting of 24 March 2022, noted the definitive completion of the capital increase resulting from the definitive vesting:

- in accordance with the decision of the Board of Directors of 9 July 2019, of 2,250 free shares granted to their beneficiary and definitively vested since 1 February 2022, it being specified that these shares will be freely tradable from 1 February 2023.

The Board of Directors accordingly noted that:

- the capital increase resulting from the definitive vesting of the aforementioned free shares will be paid up by incorporation, in the share capital account, of the corresponding amounts taken from the Company's reserve and share premium accounts;
- each share thus issued is issued at a unit price of thirty-five (35) euros, i.e. a total capital increase of €78,750 through the issue of 2,250 new ordinary shares.

1.2.2. Impact of Covid-19

The effects of the health crisis on the Group's activities eased during the financial year, with people resuming travel, the gradual reopening of borders and a reduction in lockdown measures around the world.

1.2.3. Impact of the crisis in Ukraine

The Company has no significant exposure in Ukraine or Russia. In particular, the Company has no key suppliers in Ukraine or Russia, nor any active customers in these territories. The closest production site to the conflict zone is the Bucharest plant, which is not affected by the conflict.

As of the date of publication of this document, the Company does not consider itself to be affected by this conflict.

1.2.4. Consolidation and acquisition of new equity interests

As part of its development plan, the Company acquired the following companies during the financial year:

- 93.3% of Security Label GmbH

Security Label is a German company based near Hanover, founded in 1990 by the Von Wedekind family, and which has become a world leader in the design and manufacture of luggage tags. The company offers its customers the widest range of products for check-in, standard and RFID labelling and baggage tracking.

- 100% of EDM technology Inc.

EDM manufactures and sells magnetic and RFID cards and tickets, and provides transport ticket pre-encoding and programming services from its industrial site in High Point (North Carolina). EDM supplies the main public transport operators in the US, as well as airlines, car park operators, etc. EDM's customers include nearly two-thirds of the transport operators and authorities in the US, including the cities of Boston, Chicago, New York, Philadelphia, Portland, etc.

- 100% of Paragon Property Holding llc

- 100% of Airweb Urbanthings LTD

Based in London, UrbanThings is a software publisher and has developed Bus Checker, one of the main digital public transport applications in the United Kingdom. Launched in 2012, this platform provides real-time information (timetables, journeys, etc.) for bus passengers. It is one of the leading mobility applications in the United Kingdom, with more than 2 million downloads.

2. ACCOUNTING RULES AND METHODS

The financial statements have been prepared in accordance with Regulation No. 2016-07 of the French Accounting Standards Authority (*Autorité des Normes Comptables*) on the general chart of accounts and subsequent amendments. The accounting conventions have been applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- business continuity;
- consistency of accounting methods from one financial year to another;
- independence of financial years; and
- in accordance with the general rules for preparing and presenting annual financial statements.

The financial statements are presented in euros.

The method used to value the items recorded in the accounts is the historical cost method.

The main methods used are described in the following sections.

2.1. Intangible assets

2.1.1. Internally-generated intangible assets – research and development costs

Expenditures for research activities are recognised as expenses in the period in which they are incurred. These research expenses are mainly employee costs.

Expenditures related to development activities are recognised as intangible assets if and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset with a view to commissioning or selling it;
- the intention to complete the intangible asset and commission or sell it;
- the ability to commission the intangible asset or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of appropriate technical, financial and other resources to complete the development and commission the intangible asset or sell it;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initial amount recognised for an internally-generated intangible asset is equal to the sum of the expenditures incurred from the date on which that intangible asset first met the recognition criteria listed above. If no internally-generated intangible asset can be recognised, development expenditure is recognised in net profit or loss in the period in which it is incurred.

After initial recognition, internally-generated intangible assets are recognised at cost less cumulative amortisation and cumulative impairment losses using the same method as for intangible assets acquired separately.

2.1.2. Intangible assets acquired separately

Intangible assets acquired separately are carried at cost, less accumulated amortisation and accumulated impairment losses. In particular, the Company capitalises the cost of patents filed.

2.1.3. Amortisation of intangible assets

Amortisation is recorded on a straight-line basis over the estimated useful life of the asset. Estimated useful lives and the amortisation method are reviewed at the end of each reporting period, and the impact of any changes in estimates is accounted for prospectively.

The following useful lives have been used for the purpose of calculating amortisation:

- Capitalised development costs 3 years
- Patents 3 to 20 years, depending on the duration of the rights they confer
- Software 1 year

Amortisation starts on the date that the asset is commissioned.

2.2. Property, plant and equipment

Property, plant and equipment are recognised at cost, less cumulative depreciation and cumulative impairment losses. The capitalised value of property, plant and equipment, less the residual value, is depreciated on a straight-line basis over a useful life estimated at:

- Industrial equipment and tools 5 years
- Fixtures and fittings 10 years
- Office and IT equipment 3 to 5 years

An item of property, plant and equipment is derecognised when a future economic benefit is no longer expected from its continuing use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognised in net profit or loss.

2.3. Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying values of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets are impaired. If any such indication exists, the recoverable value of the asset is estimated to determine the amount of the impairment loss (if any).

The recoverable value is the higher of the fair value less costs to sell and the value in use. When assessing the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the estimated recoverable value of an asset is lower than its carrying amount, an impairment loss is recognized to reduce it to its recoverable value.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased by the revised estimate of its recoverable value, insofar as this increased carrying amount is not greater than the carrying amount that would have been determined if no impairment loss had been recognized for this asset in previous years. The reversal of an impairment loss is recognised immediately in the income statement.

On a case-by-case basis:

- internally-generated intangible assets are subject to an annual impairment test based on the future cash flows expected from said projects;
- internally-generated intangible assets that are not yet ready to be put into service are also reviewed once a year according to the completion prospects;
- the Company conducts a comprehensive valuation of these patents in accordance with standard patent portfolio valuation practice. This approach results in the consideration of the overall value on the following bases:
    - patents used for products currently sold,
    - unused patents with a defensive value against competition.

2.4. Non-current financial assets

Non-current financial assets consist of equity interests in the following subsidiaries and joint ventures:
See page 37 - List of subsidiaries and equity interests

Non-current financial assets are recognized at their acquisition date at acquisition cost, excluding ancillary costs or at their contribution value.

A provision for impairment of securities is recognized when the recoverable value is lower than the gross value, for the amount of the difference. Their recoverable value is the higher of the fair value less costs to sell and the value in use. Value in use is determined on the basis of discounted future cash flows from operations requiring the use of assumptions, estimates or assessments, including the calculation of the discount rate applied to expected cash flows as well as the long-term growth rate used to project the cash flows of the last estimated year to infinity.

Estimates of future operating cash flows are based on a strategic plan, an extrapolation of cash flows beyond the medium-term strategic plan and a terminal value and are approved by the Board of Directors.

When the recoverable value is lower than the net book value, the net book value is reduced to its recoverable value. An impairment loss is recognised immediately in net income.

2.5. Inventories

Inventories of raw materials and goods are valued at purchase cost. Inventories of finished and intermediate products as well as work in progress are valued at their production cost, including the cost of materials and supplies used, production labour and other direct production costs. and indirect plant costs, excluding overheads not contributing to production.

A provision for impairment is recognised when the probable realisable value is lower than the net value.

In order to estimate the probable realisable value of inventories, the Company combines two approaches:

- an initial analysis makes it possible to calculate a provision based on the difference between the production cost of work-in-progress and finished goods in stock and their estimated selling price, based on sales forecasts and the order book;
- a second analysis takes into account the rotation of inventory: when the quantities in stock at the end of the year have not changed during the financial year, the company applies an impairment coefficient of 50%; when the quantities in stock at the end of the period have not changed over the last two years, the impairment coefficient is 100%.

2.6. Receivables

Receivables are valued at their nominal value. A provision for impairment is made when the inventory value is lower than the carrying value.

The Company uses factoring for most of its trade receivables. The Company has taken out a deconsolidating factoring contract; in this case, the Company has therefore transferred to the factoring company the main risks related to the receivables sold. These receivables are consequently deducted from the cash received on their sale to the factoring company on the assets side of the statement of financial position.

2.7. Marketable securities

Marketable securities consist of a portfolio of short-term money market funds (1 to 3 months) held with banking institutions.

2.8. Provisions

Provisions for risks and charges are made to cover the probable outflows of resources to third parties, with no counterparty for the Company. These provisions are estimated by taking into consideration the most probable assumptions at the financial statements reporting date.

2.9. Foreign currency transactions

Income and expenses in foreign currencies are recorded at their equivalent value on the transaction date. Receivables and payables are adjusted at the rate applicable on the last day of the financial year.

2.10. Critical accounting judgements and key sources of estimation uncertainty

The application of the Company's accounting methods requires Management to exercise judgement and make estimates and assumptions about the carrying values of assets and liabilities that are not readily available. These estimates and assumptions are based on past experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are regularly reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and in subsequent periods if the revision affects the current period and subsequent periods.

Significant estimates made by the Company’s management relate in particular to:

- assessment of the value of non-current financial assets, in particular equity interests in subsidiaries (Note 2.4).

3. COMMENTS ON THE MAIN STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ITEMS

3.1. Property, plant and equipment

During the financial year, the Company invested in property, plant and equipment at its Mouans Sartoux site for €75 thousand in various small equipment, such as IT equipment and low-value production equipment.

3.2. Intangible assets

During the financial year, the capitalised research and development expense amounted to €123 thousand, through the transfer of intangible assets in progress.

In addition, ongoing research and development expense was recognised for €886 thousand, corresponding to new projects with high economic potential.

At 30 June 2022, of the total intangible assets, €2,520 thousand were in progress and not amortised (€2,510 thousand in research and development expense and €10 thousand in pending patents).

3.3. Non-current financial assets

Events concerning non-current financial assets are described in Section 1.2.3.

3.4. Share capital

3.4.1. Issued capital

In thousands of euros	30/06/2022	30/06/2021
Share capital	69,349	69,270
Share premium	59,570	59,650
Issued capital	**128,920**	**128,920**

3.4.2. Number of shares and voting rights

	Number of shares	Share capital	Share premium
	In thousands of shares	*In thousands of euros*	
Balance at 1 July 2020	**1,965**	**68,787**	**60,133**
Increase in Paragon's share capital	14	483	-
Definitive allocation of free shares			- 483
Issuance of equity warrants	-	-	
Balance at 30 June 2021	**1,979**	**69,270**	**59,650**
Balance at 1 July 2021	**1,979**	**69,270**	**59,650**
Increase in Paragon's share capital	2	79	-
Definitive allocation of free shares			- 79
Issuance of equity warrants	-	-	
Balance at 30 June 2022	**1,981**	**69,349**	**59,571**

Voting rights break down as follows:

In thousands of shares	30/06/2022	30/06/2021
Ordinary shares with single voting rights	273	555
Shares with double voting rights	1,708	1,425
Total number of shares	**1,981**	**1,979**
Voting rights before elimination of treasury shares	**3,689**	**3,404**
Treasury shares	- 2	- 2
Total number of voting rights	**3,687**	**3,402**

Shares with double voting rights are those that have been held for more than two years and are in registered form.

Treasury shares refer to shares held indirectly through the liquidity agreement with the brokerage firm Portzamparc, i.e. 2,017 shares at 30 June 2022. These shares do not have voting rights. The results of this liquidity agreement over the 12-month period are presented in the Group's management report.

3.4.3. Financial instruments giving rights to share capital

The financial instruments giving rights to Paragon ID's share capital consist of equity warrants (BSA).
At 30 June 2022, 196,950 equity warrants had been subscribed for and remained outstanding. They break down as follows:

		Number of rights			Conversion into number of shares			
Number of shares		30/06/2022	30/06/2021		Rate of conversion into shares	30/06/2022	Rate of conversion into shares	30/06/2021
BSA 2015-1		151,000	151,000		35.00	4,311	35	4,311
BSA 2018-1		42,950	45,500		1.00	42,950	1.00	45,500
AGA 2018-1		0	3,084		1.00		1.00	3,084
AGA 2020-1		3,000			1.00	3,000	1.00	
Total		**196,950**	**199,584**			**50,261**		**52,895**
As a % of total shares in the Company						**2.54%**		**2.69%**

The change in outstanding equity warrants between 1 July 2021 and 30 June 2022 is as follows:

In thousands of shares	BSA 2015-1	BSA 2018-1	AGA 2018-1	AGA 2020-1	Total
Balance at 1 July 2020	**151,000**	**45,500**	**16,900**		**213,400**
Subscribed					-
Converted			(13,816)		(13,816)
Lapsed					-
Balance at 30 June 2021	**151,000**	**45,500**	**3,084**		**199,584**
Balance at 1 July 2021	**151,000**	**45,500**	**3,084**		**199,584**
Subscribed				3,000	3,000
Converted			(2,250)		(2,250)
Lapsed		(2,550)	(834)		(3,384)
Balance at 30 June 2022	**151,000**	**42,950**	**-**	**3,000**	**196,950**

3.4.4. Equity warrants issued in 2016

The Extraordinary General Meeting of 30 June 2015 delegated to the Board of Directors the authority to issue a maximum number of 180,000 share warrants to the category consisting of employees and/or corporate officers of the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code.

This delegation of authority was granted for a period of 18 months as from 30 June 2015.

On 7 November 2016, the Board of Directors issued 170,000 warrants to employees.

The main characteristics of this plan are set out below:

- unit subscription price: €0.07723 per warrant;
- exercise price: €1.54462 per warrant;
- exercisable at any time, in whole or in part, in one or more instalments, from the issue date until 31 December 2025;
- each warrant gives the right to subscribe to one ordinary share, to be fully paid up in cash when the equity warrants are exercised.

Holders of the 2015-1 equity warrants had to pay a subscription fee of 5% of the value of the share when it was granted. This value corresponds to a market value at the grant date. The value of the equity warrants and AGAs was recognised as an offset against equity on the basis of the fair value at the grant date using the Black & Scholes model for said valuation.

3.4.5. Equity warrants issued in 2019

The Extraordinary General Meeting of 12 December 2018 delegated to the Board of Directors the authority to issue a maximum number of 51,250 share warrants to the category consisting of employees and/or corporate officers of the Company and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code.

This delegation of authority was granted for a period of 18 months as from 12 December 2018.

On 9 and 30 July 2019, the Board of Directors issued 45,500 warrants to employees.

The main characteristics of this plan are set out below:

- unit subscription price: €1.75 per warrant;
- exercise price: €33.25 per warrant;
- exercisable in thirds over three years according to the conditions detailed in the following table;

Condition(s)	Proportion of warrants exercisable
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2020	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2021	33%
Presence of the beneficiary in the workforce of the Company, Grenadier Holdings PLC or the companies under their control within the meaning of article L. 233-3 dated 1 January 2022	33%
Total	**100%**

- Each warrant gives the right to subscribe to one ordinary share, to be fully paid up in cash when the equity warrants are exercised.

Holders of the 2018-1 equity warrants had to pay a subscription fee of 5% of the value of the share when it was granted. This value corresponds to a market value at the grant date.

These equity warrants were issued in addition to the free share allocation plan granted by the Board of Directors in its decisions of 12 December 2018, 9 July 2019 and 30 July 2019.

3.4.6. Free shares issued in 2019

At the time of these decisions, the Board of Directors decided to grant a total of 16,900 free shares to eligible employees and corporate officers of the Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code.

The terms of the free share plans are as follows:

	AGA 0720	AGA 0121	AGA 0122
Allocation decision	Board of Directors' meeting of 12 December 2018	Board of Directors' meeting of 9 July 2019	Board of Directors' meeting of 9 July 2019
Number of shares	1,216	12,600	3,084
End of vesting period	31 July 2020	31 January 2021	31 January 2022
End of holding period	31 July 2021	31 January 2022	31 January 2023
Proportion to be retained in registered form	10%	10%	10%

3.4.7. Free shares issued in 2020

A free share allocation plan was granted by the Board of Directors at the time of these decisions on 6 December 2021.

At the time of these decisions, the Board of Directors decided to grant a total of 3,000 free shares to eligible employees and corporate officers of the Company or related companies within the meaning of Article L. 225-197-2 of the French Commercial Code.

The terms of the free share plans are as follows:

	AGA 1223	AGA 1224
Allocation decision	Board of Directors' meeting of 6 December 2021	Board of Directors' meeting of 6 December 2021
Number of shares	2 000	1 000
End of vesting period	6 December 2022	6 December 2023
End of holding period	6 December 2023	6 December 2024
Proportion to be retained in registered form	10%	10%

The impact on employee costs of these instruments was €72 thousand for the financial year.

3.5 Borrowings and financial debt

The change in borrowings and financial debt can be explained as follows:

In thousands of euros	At 01/07/2021	New Borrowing s	Accrued Interest	Repayments	Other	At 30/06/2022
Paragon non-convertible bonds	10,000					10,000
Paragon convertible bonds	0					0
Borrowings from related parties (Grenadier Holdings Plc	8,571	2,600		(562)		10,609
Bank borrowings	2,720			(642)		2,078
Borrowings from local authorities or government agencies	540	371		(237)		674
Accrued Interest	32				0	32
Bank overdrafts	769			(288)		481
	22,632	**2,971**	**0**	**(1,729)**	**0**	**23,874**

3.5.1 Borrowings from local authorities or government agencies

The Company obtained funding from the CICE 2018 in the amount of €371 thousand.

The Company repaid outstanding borrowings in the amount of €237 thousand.

The balance at the end of June 2022 amounted to €674 thousand, all with BPI, and breaks down as follows:

- €156 thousand in innovation financing via a Zero Rate Innovation Loan (PTZI);
- €147 thousand as an advance for commercial prospecting;
- €371 thousand in pre-financing of the French Employment Competitiveness Tax Credit (CICE 2018).

3.6 Provisions

At 30 June 2022, the breakdown of provisions was as follows:

In thousands of euros	At 30/06/2021	Allocation	Allocated reversal	Unallocated reversal	At 30/06/2022
Provisions for restructuring	297	96	(284)		109
Other provisions for risks	360	99		(230)	229
Provisions for foreign exchange lo	31	145	(31)		145
	687	**340**	**(315)**	**(230)**	**483**

3.6.1 Provisions for restructuring

An additional provision for economic layoffs was recognised in the amount of €96 thousand over the financial year. At 30 June 2022, €284 thousand had been consumed and a balance of €109 thousand remained.

3.6.2 Other provisions for risks

Other provisions for risks and charges correspond to

- an ongoing dispute with an employee;
- an ongoing dispute with a customer.

3.6.3 Retirement benefits

In accordance with ANC recommendation no. 2013-02 of 7 November 2013 and Article 531-4 of the French General Accounting Plan, the Company has chosen not to recognise its retirement benefit commitments and to report on them in the notes to the annual financial statements.

The present value of the defined-benefit obligation was calculated at 30 June 2022 by an external service provider. The present value of the defined-benefit obligation and the related cost of services rendered during the financial year and past services have been measured using the projected unit credit method.

Based on the assumptions below, it amounts to €343 thousand.

- Method: projected unit credit forward-looking option
- Employer social security contribution rate 45%
- Mortality table INSEE 2019 (non-executives and non-executives)
- Departure age 65 for executives and 62 for non-executives, voluntary departure
- Collective agreements Métallurgie Ingénieurs & Cadres (executive employees) and Métallurgie Alpes-Maritimes (non-executive employees).
- Turnover rate medium for non-executives; medium for executives and senior executives
- Wage increase rate: non-executives 1.5%; executives and senior executives 1.5%
- Discount rate 3.22%

3.7 Corporate income tax

The Company has been consolidated for tax purposes with one of its subsidiaries, the French company Paragon Identification SAS, since 1 July 2017.

The tax consolidation group recorded an overall loss of €4,306 thousand. As a result, none of the companies belonging to this consolidation group had provisioned a tax expense in these financial statements at 30 June 2022.

Given the Company's research and development efforts, this work is eligible for research tax credits. This tax credit was recorded for an amount of €125 thousand.

As of 30 June 2022, the amount of tax loss carryforwards, prior to joining the tax consolidation group, was €87 million. The tax consolidation group's tax loss carryforwards amounted to €23,900 thousand at 30 June 2022. These losses can be carried forward indefinitely.

Paragon Identification SAS had no tax loss carryforwards prior to joining the consolidation group. Finally, it should be noted that no other member of the consolidation group had attributable cumulative tax losses before joining the current group.

3.8 Executive compensation

The amount of compensation allocated to executives is not disclosed as this would amount to disclosing individual compensation.

3.9 Statutory Auditors' fees

Audit fees are presented in the annual report on the consolidated financial statements

3.10 Business continuity

The Group's business continuity over the next 12 months is subject to the continued support of its principal shareholder in order to support the Group's growth strategy and the consequences thereof in terms of equipment purchases and working capital requirement, while continuing to meet its financial debt repayment schedule and deferred considerations.
As documented in the letter of support obtained from its principal shareholder, the latter will continue, as it has done since its takeover, to support the Group financially, as well as in terms of human resources, over the coming 12 months, so that the Group may continue its growth through its development priorities.
As a result of the conditions listed above, the financial statements have been prepared on a going concern basis.

3.11 Events after the reporting period

3.11.1 Acquisition of Tracktio securities

On 19 July 2022, Paragon ID SA acquired all of the securities of Tracktio SA, thus obtaining control of this company.

Based in Barcelona, Spain, Tracktio's aim is to improve the security and productivity of companies operating in hostile environments such as construction and civil engineering, oil and gas, mining operations, etc. Its TrackSphereTM software suite provides intelligent operational solutions for applications such as real-time monitoring of equipment flows, geolocation analyses, and inventories, or personnel supervision for security and productivity purposes.

The acquisition of Tracktio will enable Paragon ID to extend its real-time tracking solutions to other technologies such as GPS, LoRa, UWB, Quuppa and optical identification, and to strengthen its offer in the sectors of industry, mining and logistics. Furthermore, the TrackSphereTM software platform, designed to be configurable and customisable for white label use, and with no-code configuration and API scalability, is an ideal tool for Paragon ID's partner network to promote.

Both companies will work closely together to combine their expertise and thereby create a complete geolocation platform capable of integrating all available technologies to provide the most appropriate solutions for various applications, environments and customer requirements.

2054	Non-current assets					
Name: PARAGON ID					Period ended:	30/06/2022

PART A - NON-CURRENT ASSETS		Gross value of non-current assets at start of the financial year	Increases			
			by revaluation during the financial year.		acquisitions, creations contributions, transfers	
Start-up and development expenses TOTAL I	CZ	7,944,390	D8		D9	123,164
Other intangible asset items TOTAL II	KD	4,601,248	KE		KF	934,040
Land	KG		KH		KI	
Of which components						
Buildings - on own land (L9)	KJ		KK		KL	
Buildings - on third party land (M1)	KM		KN		KO	
Buildings - general installations (M2)	KP	0	KQ		KR	
Tech. installations, equip., ind. tooling (M3)	KS	4,766,354	KT		KU	21,915
Other property plant and equ - general installations, fixtures, fittings	KV	709,542	KW		KX	12,579
Other property plant and equ - transport equipment	KY	0	KZ		LA	
Other property plant and equ - office and IT equipment, furniture	LB	635,175	LC		LD	16,520
Other property plant and equ - recoverable and miscellaneous packaging	LE	0	LF		LG	
Property, plant and equipment in progress	LH	2,022	LI		LJ	23,792
Advances and down payments	LK		LL		LM	
TOTAL III	**LN**	**6,113,093**	**LO**	**0**	**LP**	**74,806**
Equity interests valued using the equity method	8G		8M		8T	
Other interests	8U	56,781,341	8V		8W	3,593,404
Other long-term investment securities	1P		1R		1S	
Loans and other financial assets	1T	66,436,840	1U		1V	3,044
TOTAL IV	**LQ**	**123,218,181**	**LR**	**0**	**LS**	**3,596,448**
GENERAL TOTAL (I + II + III + IV)	**0G**	**141,876,912**	**0H**	**-**	**0D**	**4,728,458**

PART B - NON-CURRENT ASSETS	Decreases						Gross value of non-current assets at year-end	Legal remeasurement Original value non-curr. ass. at year-end
		by transfer from one item to another		by assignment, asset retirement equity method				
Start-up and development costs. Tot. I	IN		C0		D0	8,067,554	D7	
Other intangible asset items Tot. II	IO	123,164	LV	1,161,969	LW	4,250,155	1X	
Land	IP		LX		LY	0	LZ	
Buildings - on own land	IQ		MA		MB	0	MC	
Buildings - on third party land	IR		MD		ME	0	MF	
Buildings - gen. install., fittings	IS		MG		MH	0	MI	
Tech. installations, equip., ind. tooling	IT		MJ		MK	4,788,269	ML	
Other property plant and equ - gen. install., fittings	UI		MM		MN	722,121	MO	
Other property plant and equ - transport equipment	IV		MP		MQ	0	MR	
Other property plant and equ - office and IT equipmen	IW		MS		MT	651,695	MU	
Other property plant and equ - recovered packaging	IX		MV		MW	0	MX	
Property, plant and equipment in progre	MY		MZ		NA	25,814	NB	
Advances and down payments	NC		ND		BN		NF	
TOTAL III	**IY**	**-**	**NG**	**-**	**NH**	**6,187,899**	**NI**	
Equity interests valued using the equity	IZ		OR		M7		OW	
Other interests	I0		OX		OY	60,374,745	OZ	
Other long-term investment securities	I1		2B		2C	0	2D	
Loans and other non-current financial as	I2		2E		2F	66,439,884	2G	
TOTAL IV	**I3**	**0.00**	**NJ**	**0**	**NK**	**126,814,629**	**2H**	
GENERAL TOTAL (I + II + III + IV)	**I4**	**123,164**	**0K**	**1,161,969**	**0L**	**145,320,237**	**0M**	

2055	DEPRECIATION AND AMORTISATION				
Name: PARAGON ID				Period ended:	30/06/2022

PART A	POSITION AND CHANGES IN TECHNICAL DEPRECIATION AND AMORTISATION IN THE FINANCIAL YEAR			
Depreciable/amortisable non-current assets	Depr. and amort. at the start of the financial year	Increases Allowances	Decreases Reversals	Depr. and amort. at the end of the financial year
Start-up and development costs I	7,063,188	362,254		7,425,442
Other intangible assets II	2,039,411	289,149	816,873	1,511,687
Land				
Buildings - on own land				
Buildings - on third party land				
Buildings - gen. inst.				
Technical installations, equipment, tooling	4,724,728	14,791		4,739,519
Other property, plant and equip - inst. and fittings	429,912	51,140		481,052
Other property, plant and equip - transport equip.				
Other property, plant and equip - office equip.	603,026	21,719		624,745
Other property, plant and equip - misc. rec. packaging				
TOTAL III	**5,757,666**	**87,650**	**0**	**5,845,316**
TOTAL (I to III)	**14,860,265**	**739,053**	**816,873**	**14,782,445**

2056 PROVISIONS

Name: PARAGON ID   Period ended: 30/06/2022

Nature of provisions		Amount at start of financial year		INCREASES Additions		DECREASES Reversals		Amount at end of financial year
Prov. mining and oil deposits	3T		TA		TB		RC	
Prov. for investment	3U		TD		TE		TF	
Prov. for price increase	3V		TG		TH		TI	
Accelerated depr. and amort.	3X		TM		TN		TO	
Including except. 30% incr.	D3		D4		D5		D6	
Pro. for installation loans	IJ		IK		IT		IM	
Other regulated provisions	3Y		TP		TQ		TR	
TOTAL I	**3Z**	**0**	**TS**	**0**	**TT**	**0**	**TU**	**0**
Prov. for disputes	4A		4B		4C		4D	
Prov. for customer guarantees	4E		4F		4G		4H	
Prov. forward market losses	4J		4K		4L		4M	
Prov. for fines and penalties	4N		4P		4R		4S	
Prov. for foreign exchange losses	4T	30,736	4U	145,158	4V	30,736	4W	145,158
Prov. pensions, similar obligations	4X		4Y		4Z		5A	
Prov. for taxes	5B		5C		5D		5E	
Prov. for real estate renewal	5F		5H		5J		5K	
Prov. for major maintenance and re	EO		EP		4Q		ER	
Prov. expenses for paid leave	5R		5S		5T		5U	
Other prov. risks and charges	5V	656,668	5W	194,904	5X	514,116	5U	337,456
TOTAL II	**5Z**	**687,404**	**TV**	**340,062**	**TW**	**544,852**	**TX**	**482,614**
Prov. for intangible assets	6A		6B		6C		6D	
Prov. for property, plant and equipr	6E		6F		6G		6H	
Prov. for investments in associates	02		03		04		05	
Prov. for equity investments	9U	2,609,564	9V		9W		9X	2,609,564
Prov. for other non-current financia	06		07		08		09	
Prov. for inventories and work in pr	6N	335,532	6P	232,823	6R	335,532	6S	232,823
Prov. for accounts receivable	6T	5,739,013	6U	365,617	6V	21,000	6W	6,083,630
Other prov. for impairment	6X	1,111,017	6Y	-	6Z	100,000	7A	1,011,017
TOTAL III	**7B**	**9,795,126**	**TY**	**598,440**	**TZ**	**456,532**	**UA**	**9,937,034**
GENERAL TOTAL (I + II + III)	**7C**	**10,482,530**	**UB**	**938,502**	**UC**	**1,001,384**	**UD**	**10,419,648**
Including additions and reversals	- operating		EU	697,017	UF	670,708		
	- financial		UG	145,158	UH	30,736		
	- exceptional		UJ	96,327	UK	283,951		
Impairment of equity-accounted investments at year-end							10	

STATEMENT OF MATURITIES OF RECEIVABLES AND PAYABLES 2057

Name: PARAGON ID — Period ended: 30/06/2022

PART A	STATEMENT OF RECEIVABLES		Gross amount		At 1 year or less		At more than one year
Receivables related to equity investments		UL		UM		UN	
Loans (1) (2)		UP		UR		US	
Other non-current financial assets		UT	66,439,884	UV		UW	66,439,884
Doubtful or disputed receivables		VA	32,353		32,353		
Other trade receivables		UX	14,573,047		14,573,047		
Receivables rep. securities loaned	UO	Z1					
Personnel and related payables		UY	11,970		11,970		
Social security and other social organisations		UZ	0		0		
	- income tax	VM	1,201,572		1,201,572		
State and other - VAT	- value added tax	VB	646,837		646,837		
local authorities	- other taxes, duties and similar payments	VN					
- vario	- miscellaneous	VP	67,431		67,431		
Group and associates (2)		VC	5,609,322		5,609,322		
Miscellaneous debtors (including repurchase agreements)		VR	174,031		174,031		
Prepaid expenses		VS	227,146		227,146		
	TOTALS	**VT**	**88,983,593**	**VU**	**22,543,709**	**VV**	**66,439,884**
(1) Amount:	- loans granted during the financial year	VD					
	- reimbursements obtained during the financial y	EV					
(2) Loans and advances granted to associates		VF					

PART B	TATEMENT OF DEBT		Gross amount		At 1 year or less	More than 1 year and 5 years or less	At more than 5 years
Convertible bonds (1)		7Y	31,541		31,541		
Other bonds (1)		7Z	10,000,000		-	10,000,000	
Borrowings, debts	- at 1 year or less	VG	852,089		852,089		
Credit institution	- at more than 1 year	VH	2,234,733		607,917	1,599,796	27,020
Borrowings, miscellaneous financial debt (1) (2)		8A	10,756,202		146,471	10,609,731	
Trade payables		8B	6,284,219		6,284,219		
Personnel and related payables		8C	1,027,026		1,027,026		
Social security, other social org.		8D	1,254,129		1,254,129		
	- corporate income ta	8E					
State and other	- VAT	VW	838,705		838,705		
local authorities	- secured bonds	VX					
	- other taxes	VQ	67,365		67,365		
Non-current debt, related accounts		8J	35,967		35,967		
Group and associates (2)		VI	32,024,954		32,024,954		
Other debt (repurchase agreements)		8K	1,872,778		1,872,778		
Debt securities		Z2					
Deferred income		8L	342,765		342,765		
	TOTALS	**VY**	**67,622,473**	**VZ**	**45,385,926**	**22,209,527**	**27,020**
(1) Borrowings subscribed in the fin. yr.		VJ					
Borrowings to be repaid in the fin. yr.		VK	-				
(2) Borrowings and related debts		VL	8,603,071				

CURRENCY TRANSLATION ADJUSTMENTS ON RECEIVABLES AND PAYABLES IN FOREIGN CURRENCIES

In euros

Nature of differences	Assets Unrealised loss	Differences offset by currency hedging	Provision for FX loss	Liabilities Unrealised gain
Non-financial assets				
Non-current financial assets				
Receivables	145,158		145,158	625,759
Financial debt	0		0	
Operating payables	0		0	3,095
Debt on non-current assets				
TOTAL	**145,158**		**145,158**	**628,854**

DETAILS OF ACCRUED INCOME

Name:	PARAGON ID	Period ended:	30/06/2022

Accrued income		Amount
TRADE RECEIVABLES		
41810000	Inv. to be prepared - Paragon Identification SAS	0
OTHER RECEIVABLES		
44870000	Statement of accrued income	62,525

DETAILS OF ACCRUED EXPENSES

Name:	PARAGON ID	Period ended:	30/06/2022

Accrued expenses		Amount
BORROWINGS AND FINANCIAL DEBT		
16881000	Accrued int./conv. bonds	31,541
TRADE PAYABLES		
40800000	Suppl. Inv. not received	621,629
40807100	Suppliers, Inv. not received Interco - PI SRL	32,457
TAX AND SOCIAL DEBT		
42802000	Accrued pers. exp. CP	397,402
42804000	Personnel CAP Bonus AN and Qtly	512,206
42822000	Pers. prov. RTT additional days off	55,467
42862000	Pers. prov. compensatory rest	2,260
42864000	Pers. prov. accrued expenses	34,457
43,800,000	Social bodies - Accrued exp.	459,329
43822000	Prov for soc sec expenses on bonuses	7,506
43870000	Daily soc sec indeminities Received on Subrogations	1,084
44861000	CFE and CVAE to be paid	3,592
44861100	Apprenticeship tax payable	1,516
44861300	Participation in Construction Effort payable	23,525
44863000	Company vehicle tax payable	4,485

DETAILS OF PREPAID EXPENSES					
Name:	PARAGON ID			Period ended:	30/06/2022
Prepaid expenses			**Amount**		
			Operations	**Finance**	**Exceptional**
48600000	Prepaid expenses		227,146		
GENERAL TOTAL			**227,146**	**0**	**0**

Breakdown by type of expense:

Commissions	91,808
Patent royalties	43,753
Maintenance	20,988
Real estate leases	17,122
Fees	15,892
Trade fairs	14,219
Software leases	11,416
Miscellaneous	6,352
Financial communication	5,595
	227,146

DETAILS OF DEFERRED INCOME					
Name:	PARAGON ID			Period ended:	30/06/2022
Deferred income			**Amount**		
			Operations	**Finance**	**Exceptional**
48700000	Deferred income		342,765		
GENERAL TOTAL			**342,765**	**0**	**0**

All PCAs consist of sales that have not met the Incoterm conditions allowing the transfer of ownership;

SUPPLEMENT TO THE INCOME STATEMENT (continued)
Exceptional income and expenses

2053

Name: PARAGON ID

Period ended: 30/06/2021

(7) Breakdown of exceptional income and expenses	Financial year N	
	Expenses	Income
NBV Intangible assets sold	203,721	
NBV Non-current financial assets	206,132	
Other exceptional expenses	2,100	
Exceptional restructuring expenses	280,472	
Alloc/Prov for exc. risks and charges	229,831	
Alloc/Prov for restructuring	96,327	
Income on disposals of Intang. assets		0
Income on disposals of non-current financial assets		209,335
Miscellaneous exceptional income		37,507
Exceptional rev/prov.		0
Reversal of provision for restructuring		283,951
GENERAL TOTAL	**1,018,582**	**530,793**

COMPOSITION OF SHARE CAPITAL

2059-F

SHARE CAPITAL HELD BY LEGAL PERSONS

Name: PARAGON ID

Period ended: 30/06/2022

Legal form		Company name		Additional information	SIREN no.	No. of shares
LTD		GRENADIER HOLDINGS				1,591,603
No.	B/T/Q	Street			Additional address details	% holding
		16/18 Finsbury Circus				80.94%
	Locality		Postcode	Town	Country code (if not France)	
				London EC2M 7EB	GB	
Legal form		Company name		Additional information	SIREN no.	No. of shares
No.	B/T/Q	Street			Additional address details	% holding
	Locality		Postcode	Town	Country code (if not France)	

BREAKDOWN OF REVENUES IN K EUROS

In thousands of euros

Headings	France revenues	Export revenues	Total 30/06/2022	Total 30/06/2021	%
FINISHED PRODUCT SALES	3,162	2,439	5,601	4,512	24%
SALES OF MERCHANDISE	473	1,476	1,948	1,863	5%
SALES OF STUDIES	0	0	0	0	0%
SALES OF SERVICES	859	19	878	462	90%
OTHER PRODUCTS	2,233	1,771	4,005	3,530	13%
TOTAL	**6,728**	**5,705**	**12,433**	**10,368**	**20%**

CHANGE IN EQUITY

Position at the beginning of the financial year		Balance
Equity before distributions on prior earnings		80,774,666
Distributions on prior results		
Equity after distributions on prior earnings		80,774,666
Changes during the financial year	**Decrease**	**Increase**
Changes in share capital	0	78,750
Changes in share capital premiums	78,750	
Changes in reserves		
Changes in investment grants		
Changes in regulated provisions		
Other changes	5,397,565	
BALANCE	**5,476,315**	**78,750**
Position at the end of the financial year		**Balance**
Equity before distribution		75,377,101

FINANCE-LEASE COMMITMENTS

In euros

Headings	Land	Buildings	Equipment Tooling	Other non-current assets	Total
ORIGINAL VALUE			**1,008,090**		**1,008,090**
DEPRECIATION AND AMORTISATION					
Cumul prior financial year			1,008,090		
Current financial year			0		
TOTAL			**1,008,090**		**1,008,090**
NET VALUE			**0**		**0**
FEES PAID					
Cumul prior financial year			1,121,854		
Current financial year			3,033		
TOTAL			**1,124,887**		**1,124,887**
FEES PAYABLE					
At 1 year or less			0		
At more than 1 year and less than 5 years					
At more than five years					
TOTAL			**0**		**0**
RESIDUAL VALUE			**0**		**0**
Amount assumed in fin. yr.					

OFF-BALANCE SHEET COMMITMENTS

in euros

Headings	Off-balance sheet amount
Unmatured commitments	
Endorsements and guarantees	150,440
Pension commitments	343,287
Other commitments given	**493,727**

AVERAGE WORKFORCE

Workforce	Salaried personnel	Personnel available to the Company
EXECUTIVES	**43**	
NON-EXECUTIVES	**3**	
TOTAL	**46**	

IDENTITY OF PARENT COMPANIES CONSOLIDATING THE COMPANY'S FINANCIAL STATEMENTS

Company name - registered office	Form	Amount of share capital	% held
Paragon Group Limited	Limited	**30,000,000**	**81.00%**

LIST OF SUBSIDIARIES AND EQUITY INTERESTS

Company name Registered office	Share capital Equity	Share Held Divid. receiv	Gross val. of se Net val. of secu	Loans, advances grante Guarantees given	Revenues Result
SUBSIDIARIES (more than 50%)					
ASK ASIA HK LTD (1)	983	100	983	1,010,773	0
Hong Kong	(350)		983		0
ASK IntTag LLC (2)	9,612,879	99	6,375,124	3,369,125	12,342,472
USA	1,048,002		6,375,124		509,250
Paragon Identification SAS (3)	42,000,000	100	42,000,007		45,415,809
France	42,192,069		42,000,007		(406,255)
Amatech Group LTD (4)	1,939,895	99	1,907,475		5,809,815
Ireland	6,992,769		1,907,475		2,015,401
Airweb SAS (5)	427,794	80	3,805,848	1,946,624	1,922,130
France	(1,262,943)		3,805,848		(975,115)
Apitrak SAS (6)	41,876	51	1,151,477	300,000	334,830
France	19,051		1,151,477		(126,174)
Security Label GmbH (7)	100,002	93.3	3,408,514		9,663,898
Germany	2,129,994		3,408,514		654,241
EDM technology INC (8)	10	100	10		5,699,126
USA	686,609		10		686,609
Paragon Property Holding llc (9)	10,000	100	10,000		0
USA	53,435		10,000		43,345
Airweb Urbanthings LTD (10)	9	100	9	350,000	0
United Kingdom	9				0
EQUITY INTERESTS (10 to 50%)					
Inlays India Private Limited (6)	67,484	56	2,929,660		
India	1,150,363		320,096		

(1) in euros
ASK ASIA Ltd (HongKong)
itself holding:
- Beijing ASK SMART — *100% (China)*

(2) in USD

(3) in euros
Paragon Identification SAS, itself holding:
- Paragon Identification Srl — *99.99% (Romania)*
- Bemrose Booth Paragon Ltd and its subsidiaries — *100% (US and its subsidiaries)*
- Paragon Identification Technologies SAS — *100% (France)*

(4) (5) (6) (7) in euros

(8) (9) in USD

(10) in GBP

Related party transactions

	Assets	Liabilities
PARAGON IDENTIFICATION SAS		
Trade payables		1,042,052.70
Trade receivables	3,722,546.28	
Borrowings		29,283,231.42
ASK Inttag LLC		
Trade payables		212,503.81
Trade receivables	885,767.85	
Loans	3,243,793.62	
PARAGON IDENTIFICATION SRL		
Trade payables		240,427.54
Bemrose Booth Paragon LTD		
Trade payables		181,767.41
Trade receivables	355,307.00	
GRENADIER HOLDING PLC		
Trade payables		20,786.00
Trade receivables	7,139.00	
Borrowings		22,550,241.19
THAMES TECHNOLOGY LTD		
Trade payables		4,711.23
Trade receivables	516,894.00	
AIRWEB SAS		
Trade payables		15,660.00
Trade receivables	17,622.90	
Loans	646,624.09	
Inlays India Private Limited		
Trade payables		1,837,365.15
Trade receivables	752,898.52	
Ask Smart		
Trade payables		35,967.46
Trade receivables	6,048,484.11	
ASK Asia HK Ltd		
Loans	1,010,773.00	
AmaTech Group		
Borrowings		778,612.13
Apitrak SAS		
Loans	300,000.00	
Airweb UrbanThings Ltd		
Loans	408,131.50	