

# SA ESKER

French corporation (*société anonyme*) with an Executive Board and a Supervisory Board  
with stated capital of €11,504,436

Registered Office: 113 Boulevard de la Bataille de Stalingrad, 69100 Villeurbanne  
Lyon Trade and Company Register (RCS) No. 331 518 498

## 2020 half-year financial report<sup>1</sup>

Translation disclaimer: This document is a free translation of the original French language version of the interim financial report (*rapport semestriel*) provided solely for the convenience of English-speaking readers. This report should consequently be read in conjunction with, and construed in accordance with French law and French generally accepted accounting principles. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, this English version has not been audited by the company's statutory auditors and in all matters of interpretation of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, the translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Aubay expressly disclaims all liability for any inaccuracy herein.

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<sup>1</sup> The summary financial statements have not been audited

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## RESPONSIBILITY STATEMENT FOR THE FRENCH VERSION OF THE INTERIM FINANCIAL STATEMENTS

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I hereby declare that to the best of my knowledge that the condensed financial statements presented for the first six months were prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the operations of the company and consolidated companies and that the interim management report included herein presents a true and fair view of the important events occurring during the first six months of the fiscal year, their impact on the interim financial statements, the main transactions with related parties and the principal risks and uncertainties for the remaining six months of the fiscal year."

Villeurbanne, September 21, 2020

Jean-Michel Bérard

Chairman of the Executive Board

## CONSOLIDATED BALANCE SHEET

ASSETS (€ thousands)	Notes	06/30/20	12/31/19
Goodwill	2	6,194	6,178
Intangible assets	3	24,302	23,145
Property, plant and equipment	4/5	10,429	10,434
Financial assets		6,035	6,177
Equity-accounted investments		1,441	1,267
<b>Non-current assets</b>		<b>48,401</b>	<b>47,201</b>
Inventories		233	185
Trade receivables		22,276	24,884
Deferred tax assets		465	465
Other receivables and accruals		5,517	5,131
Cash and marketable securities	6	33,798	21,357
<b>Current assets</b>		<b>62,289</b>	<b>52,022</b>
<b>TOTAL ASSETS</b>		<b>110,690</b>	<b>99,223</b>
SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands)	Notes	06/30/20	12/31/19
Share capital		11,642	11,504
Additional paid-in capital		20,821	20,424
Consolidated income (loss)		5,423	9,745
Reserves and retained earnings		22,533	14,974
<b>Shareholders' equity</b>	<b>7</b>	<b>60,419</b>	<b>56,647</b>
<i>Attributable to the parent</i>		<i>60,419</i>	<i>56,647</i>
<i>Attributable to non-controlling interests</i>		<i>0</i>	<i>0</i>
<b>Provisions for contingencies and expenses</b>	<b>9</b>	<b>1,909</b>	<b>1,760</b>
Borrowings and financial liabilities	10	16,577	6,516
Trade payables		7,615	8,772
Tax and employee-related payables		14,505	15,293
Deferred tax liabilities		628	626
Other payables and accruals	11	9,037	9,609
<b>Payables</b>		<b>48,362</b>	<b>40,816</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>110,690</b>	<b>99,223</b>

## CONSOLIDATED INCOME STATEMENT

(€ thousands)	Note	06/30/20	% of sales	06/30/19	% of sales
<b>Sales</b>	<b>12</b>	<b>54,240</b>	<b>100%</b>	<b>50,135</b>	<b>100%</b>
Own production of goods and services capitalized	13	3,961	7%	3,192	6%
Other operating income		766	1%	562	1%
Cost of sales		-918	-2%	-897	-2%
Change in inventory		42	0%	28	0%
Other operating expenses		-13,773	-25%	-13,309	-27%
Staff costs		-33,372	-62%	-27,883	-56%
Tax and similar expenses		-769	-1%	-668	-1%
Net allowances for amortization and depreciation		-4,066	-7%	-3,650	-7%
Net allowances for provisions		95	0%	-287	-1%
<b>Operating profit</b>		<b>6,206</b>	<b>11%</b>	<b>7,223</b>	<b>14%</b>
<b>Net financial income / (expense)</b>	<b>14</b>	<b>-204</b>	<b>0%</b>	<b>116</b>	<b>0%</b>
<b>Current operating income of consolidated operations</b>		<b>6,002</b>	<b>11%</b>	<b>7,339</b>	<b>15%</b>
<b>Net exceptional items</b>		<b>852</b>	<b>2%</b>	<b>139</b>	<b>0%</b>
Income taxes		-1,605	-3%	-2,279	-5%
Share of income from equity-accounted associates		174	0%	251	1%
Allowances for goodwill amortization		0		0	
<b>Net income</b>		<b>5,423</b>	<b>10%</b>	<b>5,450</b>	<b>11%</b>
<i>Basic earnings per share in euros</i>	<i>15</i>	<i>0.96</i>		<i>1.02</i>	
<i>Diluted earnings per share in euros</i>		<i>0.96</i>		<i>1.00</i>	

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Capital stock and additional paid-in capital	Translation difference	Net income and retained earnings	Equity attributable to the parent	Non-controlling interests	Consolidated shareholders' equity
Balance at January 1, 2019	30,899	-446	17,316	47,769	0	47,769
Annual profit/(loss)			5,450	5,450		5,450
Currency translation adjustments		122		122		122
Stock options	554			554		554
Treasury shares				0		0
Dividends			-2,237	-2,237		-2,237
Change in Group structure				0		0
Other changes				0		0
Balance as of June 30, 2019	31,453	-324	20,529	51,658	0	51,658
Balance at January 1, 2019	31,928	120	24,599	56,647	0	56,647
Annual profit/(loss)			5,423	5,423		5,423
Currency translation adjustments		-196		-196		-196
Stock options	535			535		535
Treasury shares				0		0
Dividends			-1,896	-1,896		-1,896
Change in Group structure			0	0		0
Other changes			-94	-94		-94
Balance as of June 30, 2020	32,463	-76	28,032	60,419	0	60,419

## CONSOLIDATED STATEMENT OF CASH FLOWS

(€ thousands)	06/30/20	06/30/19	12/31/19
<b>Consolidated net income</b>	<b>5,423</b>	<b>5,450</b>	<b>9,745</b>
<b>Adjustments to reconcile non-cash items to cash generated from operations :</b>			
Net allowances for depreciation and provisions	4,066	3,676	7,902
- Carrying value of assets sold	8	11	23
- Proceeds from the disposal of assets	-29	-15	-37
<b>Cash flows after net financial expense</b>	<b>9,468</b>	<b>9,122</b>	<b>17,633</b>
Tax liabilities	1,605	2,279	3,402
Taxes paid	-1,107	-1,887	-3,329
Interest expense and income	14	25	84
<b>Change in operating working capital</b>	<b>-448</b>	<b>-3,035</b>	<b>-477</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>9,532</b>	<b>6,504</b>	<b>17,313</b>
Acquisition of intangible assets	-5,271	-5,954	-10,995
Acquisition of property, plant and equipment	29	15	37
Proceeds from the disposal of PPE and intangible assets	15	-80	-2,544
Change in non-current investments	-190	-282	-523
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-5,417</b>	<b>-6,301</b>	<b>-14,025</b>
Dividends paid to shareholders of the parent company	-1,896	-2,237	-2,237
Capital increases or contributions			
Issuance costs for capital increases			
Amount received from the exercise of stock options	535	554	1,029
Change in treasury shares			
Repayment of borrowings – finance leases	-1,453	-2,177	-3,937
Change in borrowings	11,500		
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>8,686</b>	<b>-3,860</b>	<b>-5,145</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>12,801</b>	<b>-3,657</b>	<b>-1,857</b>
Effect of exchange rate changes on cash	-360	110	420
<b>Cash and cash equivalents at beginning of year</b>	<b>21,357</b>	<b>22,794</b>	<b>22,794</b>
<b>Cash and cash equivalents at end of year</b>	<b>33,798</b>	<b>19,247</b>	<b>21,357</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### Significant first-half events

#### The Covid-19 pandemic

The first half of this year was marked by the health crisis linked to Covid-19. This pandemic has impacted the worldwide economy and, in consequence, the activity of Esker Group as well.

Through our decentralized organization, with subsidiaries based in the Americas, Europe and the Asia/Pacific region, we were able to very rapidly adopt health security measures. Fortunately, no employees have been seriously affected by the Covid-19 pandemic. The digital transformation of our company was already very advanced in March 2020. Homeworking measures were rapidly and efficiently adopted for all employees able to perform their activities remotely.

The main impacts of the pandemic are as follows:

- Growth in revenue has been impacted by the slowdown of the world economy

In the second quarter, the global economic slowdown adversely impacted the variable portion of the Group's sales linked to the volume of use by its customers of Esker platforms. Sales for the second quarter were in consequence stable. When combined with the good first quarter, sales for the first six months grew 8%.

- Operating expenses were lowered

Consolidated operating profit includes savings achieved in marketing, travel and hotel expenses linked to the cancellation of marketing events (exhibitions, the Lyon Dance Biennial, etc.)

A portion of recruitments were postponed until the second half

- The Group's cash position has been strengthened

A government-backed loan was obtained for an amount totaling €11.5 million from its three main banks in France.

The dividend was reduced from €0.41 to €0.33 per share.

#### The French “patent box” tax regime

In France, the 2019 Finance Act reformed the tax provisions applying to revenue from patents and notably extended the patent box regime to include software. Under these provisions, revenue from patents and software is subject to a preferential corporate income tax up 10%. Esker opted for the application of this regime on a retroactive basis for 2019. The net impact of this reduction in corporate income tax for 2019 was €700,000 which was recognized under exceptional items in the 2020 first-half consolidated financial statements.



## 1. Significant accounting policies, basis of consolidation

### Adoption and approval of the accounts

The condensed\*\*\* interim consolidated financial statements of Esker Group at June 30, 2020 were adopted by the Executive Board and submitted for approval to the Supervisory Board on September 10, 2020.

### Accounting policies and compliance statement

The consolidated financial statements were presented on the basis of French law and French GAAP and notably the accounting policies set out in Regulation 99-02 of April 29, 1999 on the French General Chart of Accounts (*Plan Comptable Général*) of France's Accounting Regulations Committee (*Comité de Réglementation Comptable* or "CRC") and CRC Regulations 2005-05 and 2000-06.

Also applied were CRC Regulation 2004-06 of November 23, 2004 on the definition, recognition and measurement of assets and CRC Regulation 2002-10 of December 12, 2002 on the depreciation, amortization and impairment of assets.

### Use of estimates

The financial statements reflect the assumptions and estimates made by the Group. The preparation of financial statements requires the use of estimates and assumptions to measure certain assets, liabilities expenses and commitments. Actual data may differ from those resulting from these assumptions and estimations.

### Consolidated Group structure

There have been no changes in the consolidation scope in the 2020 first half.

Company	Head office	2020		2019		Consolidation method <sup>(1)</sup>
		Controlling interest (%)	Ownership interest (%)	Controlling interest (%)	Ownership interest (%)	
ESKER	Lyon (France)	<b>Parent company</b>				
Esker GmbH	Essen (Germany)	100.0%	100.0%	100.0%	100.0%	F
Esker Ltd	Derbyshire (United Kingdom)	100.0%	100.0%	100.0%	100.0%	F
Esker Srl	Milan (Italy)	100.0%	100.0%	100.0%	100.0%	F
Esker Iberica SI	Madrid (Spain)	99.8%	99.8%	99.8%	99.8%	F
Esker Inc.	Madison (United States)	100.0%	100.0%	100.0%	100.0%	F
Esker Australia Pty Ltd	Sydney (Australia)	100.0%	100.0%	100.0%	100.0%	F
Esker Documents Automation Asia Pte Ltd	Singapore	100.0%	100.0%	100.0%	100.0%	F
Esker Documents Automation (M) Sdn Bhd	Kuala Lumpur (Malaysia)	100.0%	100.0%	100.0%	100.0%	F
Esker Solution Canada Inc.	Montreal (Canada)	100.0%	100.0%	100.0%	100.0%	F
CalvaEDI	Paris (France)	100.0%	100.0%	100.0%	100.0%	F
TermSync	Madison (United States)	100.0%	100.0%	100.0%	100.0%	F
E-integration	Ratingen (Germany)	100.0%	100.0%	100.0%	100.0%	F
Neotouch Cloud Solution	Dublin (Ireland)	30.0%	30.0%	30.0%	30.0%	E.M.

(1): F : Full consolidation

E.M.: Equity method

## Seasonal nature of business for the period

The Group's business is characterized by a degree of seasonality with revenue historically higher in the last quarter. However, the magnitude of this seasonal variation is nevertheless variable in nature and as such difficult to quantify.

## 2. Notes to the balance sheet, income statement and statement of cash flows

### Note 1 Segment reporting

Esker Group has chosen to apply geographical segmentation as its sole criteria for segment reporting. According to the criteria, business is broken down into six main segments: France (of which CalvaEDI), Germany (of which e-integration), the United Kingdom, southern Europe, Asia-Pacific and the Americas.

As of June 30, 2020 <i>In thousands of euros</i>	France	Germany	United Kingdom	Southern Europe	Australia, Asia	Americas	Total Group
External sales	20,495	3,048	2,786	2,983	3,272	21,656	<b>54,240</b>
Property, plant and equipment and intangible assets	29,495	392	229	755	100	3,760	<b>34,731</b>

As of June 30, 2019 <i>In thousands of euros</i>	France	Germany	United Kingdom	Southern Europe	Australia, Asia	Americas	Total Group
External sales	21,057	2,919	2,248	2,811	2,562	18,538	<b>50,135</b>
Property, plant and equipment and intangible assets	27,066	210	17	658	128	3,263	<b>31,342</b>

### Note 2 Goodwill

<i>In thousands of euros</i>	06/30/20			12/31/19
	Gross	Amortization	Net	Net
TermSync	5,165	95	5,070	5,054
CalvaEDI	137	2	135	135
E-integration	989		989	989
<b>TOTAL GOODWILL</b>	<b>6,291</b>	<b>97</b>	<b>6,194</b>	<b>6,178</b>

Changes recorded in H1 2020

As of 06/30/2020 <i>In thousands of euros</i>	Opening balance	Increase s	Reduction s	Currency effect	Closing balance
TermSync	5,149			16	5,165
CalvaEDI	137				137
E-integration	989				989
<b>GOODWILL - GROSS VALUE</b>	<b>6,275</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>6,291</b>
TermSync	95				95
CalvaEDI	2				2
E-integration	0				0
<b>GOODWILL - AMORTIZATION</b>	<b>97</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97</b>
<b>GOODWILL - NET VALUE</b>	<b>6,178</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>6,194</b>

As from July 1, 2016, goodwill is amortized over the period of its useful life. Goodwill is considered indefinite and is no longer amortized.

Goodwill is tested for impairment in the period.

### Note 3 Intangible assets

	06/30/20			12/31/19
<i>In thousands of euros</i>	Gross	Amortization	Net	Net
Development expenditures	43,008	30,185	12,823	12,304
Trademarks	1,638		1,638	1,636
Software	1,743	1,840	(97)	116
Customer-related intangible assets	7,410	1,430	5,980	6,003
Intangible assets in progress	3,958		3,958	3,086
<b>TOTAL INTANGIBLE ASSETS</b>	<b>57,757</b>	<b>33,455</b>	<b>24,302</b>	<b>23,145</b>

Development expenditures recorded under intangible assets include:

- Costs incurred for the development of document process automation applications;
- Costs for the development of on-demand services for our complete offering of solutions.

Changes recorded in H1 2020:

As of 06/30/20 <i>In thousands of euros</i>	Opening balance	Increases	Reductions	Other changes	Closing balance
Development expenditures	39,916			3,092	43,008
Trademarks	1,636			2	1,638
Software	1,746	2	-7	2	1,743
Customer-related intangible assets	7,410				7,410
Intangible assets in progress	3,086	3,961		-3,089	3,958
<b>INTANGIBLE ASSETS – GROSS VALUE</b>	<b>53,794</b>	<b>3,963</b>	<b>-7</b>	<b>7</b>	<b>57,757</b>
Development expenditures	27,612	2,573			30,185
Software	1,630	210			1,840
Customer-related intangible assets	1,407	22		1	1,430
<b>INTANGIBLE ASSETS – AMORTIZATION</b>	<b>30,649</b>	<b>2,805</b>	<b>0</b>	<b>1</b>	<b>33,455</b>
<b>INTANGIBLE ASSETS – NET VALUE</b>	<b>23,145</b>	<b>1,158</b>	<b>-7</b>	<b>6</b>	<b>24,302</b>

Changes recorded concern development expenditures capitalized in the period and concerning mainly expenditures incurred in connection with our SaaS (Software as a Service) solutions.

#### Note 4 Property, plant and equipment

In thousands of euros	06/30/20			12/31/19
	Gross	Amortization	Net	Net
Land	1,077		1,077	1,077
Buildings	1,179	141	1,038	1,067
Office and computer equipment	7,142	4,495	2,647	2,727
Fixtures and improvements	4,834	1,269	3,565	3,210
Equipment and tooling	7,729	6,308	1,421	1,678
Transport equipment	62	34	28	34
Furniture	1,151	498	653	641
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>23,174</b>	<b>12,745</b>	<b>10,429</b>	<b>10,434</b>

Changes recorded in H1 2020

As of 06/30/2020 In thousands of euros	Opening balance	Increases	Reductions	Other changes	Closing balance
Land	1,077				
Buildings	1,179				
Office and computer equipment	6,649	541	-46		-2
Fixtures and improvements	4,211	642	-6		-13
Equipment and tooling	7,828	26	-116		-9
Transport equipment	62				
Furniture	1,056	99	-3		-1
<b>PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE</b>	<b>22,062</b>	<b>1,308</b>	<b>-171</b>		<b>-25</b>
Buildings	112	29			
Office and computer equipment	3,922	604	-28		-3
Fixtures and improvements	1,001	278	-2		-8
Equipment and tooling	6,150	278	-116		-4
Transport equipment	28	6			
Furniture	415	87	-3		-1
<b>PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION</b>	<b>11,628</b>	<b>1,282</b>	<b>-149</b>		<b>-16</b>
<b>PROPERTY, PLANT AND EQUIPMENT – NET VALUE</b>	<b>10,434</b>	<b>26</b>	<b>-22</b>		<b>-9</b>

#### Note 5 Finance leases

In thousands of euros	Gross	Accumulated amortization	Net
<b>As of December 31, 2018</b>	<b>5,947</b>	<b>-4,973</b>	<b>974</b>
Increase	1,135	-709	426
Decrease	0	0	0
<b>As of December 31, 2019</b>	<b>7,082</b>	<b>-5,682</b>	<b>1,400</b>
Increase	0	-235	-235
Decrease	0	0	0
<b>As of June 30, 2020</b>	<b>7,082</b>	<b>-5,917</b>	<b>1,165</b>

Finance lease commitments for the six-month period ended June 30, 2020 break down as follows:

<i>In thousands of euros</i>	Less than 1 year	2-5 years	More than 5 years	TOTAL
Total value of future minimum lease payments	310	681		991
Discounted value of future minimum lease payments	307	671		978

#### Note 6 Cash and marketable securities

<i>In thousands of euros</i>	Net value 06/30/20	Net value 12/31/19
Marketable securities	546	383
Cash and cash equivalents	33,252	20,975
<b>TOTAL CASH AND MARKETABLE SECURITIES</b>	<b>33,798</b>	<b>21,358</b>

Marketable securities correspond to shares in Sicav money market funds and time deposits not subject to a risk of loss in value.

#### Note 7 Shareholders' equity

	Amount (€ thousands)	Number of shares
<b>Capital stock at 12/31/18</b>	<b>11,218</b>	<b>5,608,965</b>
Capital increase	98	48,900
Exercise of stock options and warrants	189	94,353
<b>Capital stock at 12/31/19</b>	<b>11,505</b>	<b>5,752,218</b>
Capital increase	92	46,200
Exercise of stock options and warrants	45	22,659
<b>CAPITAL STOCK AT 06/30/20</b>	<b>11,642</b>	<b>5,821,077</b>

The Company is subject to no specific regulatory or contractual obligations in respect to the share capital. The Group does not have a specific policy concerning share capital. The balance between recourse to external financing and equity financing through capital increases by the issue of new shares is assured on a case-by-case basis according to the transactions under consideration. Share capital monitored by the Group includes the same components as consolidated shareholders' equity.

A dividend of € 0.33 per share was paid for the period.

### Note 8 Stock option and restricted stock unit plans

Changes in the number of stock options, restricted stock units ("*actions gratuites*") and warrants granted to Group employees in the 2020 first half break down as follows:

	Stock options		Bonus shares granted, not issued	
	Quantity	Weighted average exercise price in €	Quantity	Weighted average exercise price in €
<b>Balance exercisable at 12/31/19</b>	<b>131,277</b>	<b>40.97</b>	<b>98,300</b>	<b>79.75</b>
Granted	28,750	99.60	50,450	99.60
Exercised	-22,659	19.51	-46,200	79.75
Matured or forfeited for reason of departure	-1,751	72.22	0	0.00
<b>Balance exercisable at 06/30/20</b>	<b>135,617</b>	<b>56.58</b>	<b>102,550</b>	<b>89.52</b>

### Note 9 Provisions

<i>In thousands of euros</i>	12/31/19	Increases, allowances of the period	Payments in the period	Reversals of provisions unused in the period	Other changes	06/30/20
Provisions for contingencies and expenses	0					0
Pension liabilities	1,760	149				1,909
<b>TOTAL PROVISIONS</b>	<b>1,760</b>	<b>149</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,909</b>

Pension liabilities consist of commitments relating to retirement severance payments for employees of Esker France and contributions payable to employees of Esker Italy.

Pension obligations for retirement severance benefits for Esker France employees are calculated annually using the projected unit credit method. This calculation is made in accordance with the provisions provided for under the applicable collective bargaining agreement (SYNTEC) according to the following criteria:

- Estimated age of retirement,
- Seniority of personnel on the retirement date;
- Probability of continued presence at retirement age;
- Salary escalation rate;
- Discount rate.

In addition, since 2016, a portion of the pension obligations in France have been partially covered by an external plan destined to be gradually increased through premium payments. There were no additional payments in the 2020 first half.

### Note 10 Financial liabilities

<i>In thousands of euros</i>	06/30/20	12/31/19
Finance leases	1,147	1,382
Bank debt	15,430	5,143

<b>TOTAL BORROWINGS</b>	<b>16,577</b>	<b>6,525</b>
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#### Finance leases

Borrowings recognized represent the reverse entry of capitalized finance leases as described above in note 4.

#### Bank debt

For the first half, Esker SA obtained government-backed loans from its main banking partners in the amount of €11.5 million.

#### Note 11 Other payables and accruals

<i>In thousands of euros</i>	<b>06/30/20</b>	<b>12/31/19</b>
Deferred revenue	5,728	6,420
Customer deposits and guarantees	3,178	3,051
Other payables	130	138
<b>TOTAL OTHER PAYABLES AND ACCRUALS</b>	<b>9,037</b>	<b>9,609</b>

Deferred revenue concerns primarily maintenance contracts for which sales are recognized on a straight-line basis over the duration of the contract.

#### Note 12 Revenue

<i>In thousands of euros</i>	<b>06/30/20</b>	<b>06/30/19</b>
Software sales	531	1,225
Fax card sales	133	164
Contracts for product updates and maintenance	3,237	3,494
Services	10,073	8,657
Traffic	40,266	36,595
<b>NET SALES</b>	<b>54,240</b>	<b>50,135</b>

#### Note 13 Research and development expenses

<i>In thousands of euros</i>	<b>06/30/20</b>	<b>06/30/19</b>
R&D expenses for the period	-6,088	-4,627
Capitalized development expenditures	3,961	3,192
Amortization of capitalized development expenditures	-2,574	-2,272
<b>RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED</b>	<b>-4,701</b>	<b>-3,707</b>

An analysis of development expenditures recorded under intangible assets in the 2020 first half is presented in Note 3.

#### Note 14 Net financial income (expense)

<i>In thousands of euros</i>	06/30/20	06/30/19
Financial income	38	288
Net currency gains/(losses)	-108	-5
Financial expenses	-134	-167
<b>NET FINANCIAL INCOME / (EXPENSE)</b>	<b>-204</b>	<b>116</b>

#### Note 15 Earnings per share

	06/30/20		06/30/19	
	Net earnings (in euros)	Weighted average number of shares	Net earnings (in euros)	Weighted average number of shares
<b>Basis of calculation for basic earnings per share</b>	<b>5,423,000</b>	<b>5,619,851</b>	<b>5,450,000</b>	<b>5,353,058</b>
Dilutive stock options		29,896		83,415
Dilutive bonus shares		26,484		3,277
<b>Basis of calculation for diluted earnings per share</b>	<b>5,423,000</b>	<b>5,676,231</b>	<b>5,450,000</b>	<b>5,439,750</b>
<b>Basic earnings per share</b>	<b>0.96</b>		<b>1.02</b>	
<b>Diluted earnings per share</b>	<b>0.96</b>		<b>1.00</b>	

Basic net earnings per share and diluted net earnings per share are calculated by dividing the portion of net income reverting to the Group by the appropriate number of shares. For basic net earnings per share, this is the weighted average number of ordinary shares outstanding after excluding treasury shares held by the company.

For diluted net earnings per share, the calculation is based on the weighted average number of potential shares outstanding in the period. This includes notably shares taken into account to calculate basic net earnings per share plus dilutive stock options, warrants and restricted stock units (*actions gratuites*).

#### Note 16 Transactions with related parties

##### Commercial relations between majority-owned Esker Group companies

In connection with commercial relations between Esker Group member companies, amounts are invoiced for the following:

- Sales of solutions by the parent company to subsidiaries;
- Royalties,
- Marketing expense chargebacks,
- Staff costs chargebacks.

All these transactions are carried out on an arms-length basis and fully eliminated in the consolidated financial statements.



### Other transactions with related parties

Compensation and benefits of any nature paid to corporate officers considered as related parties are presented below.

<i>In thousands of euros</i>	06/30/20	06/30/19
Supervisory Board	50	50
Executive Board	508	463
<b>Total</b>	<b>558</b>	<b>513</b>

### Note 17 Off-balance sheet commitments

Off-balance sheet commitments and contingent liabilities are presented below.

<i>Contractual obligations</i> (€ thousands)	TOTAL	Payables by maturity			
		Less than 1 year	1-5 years	More than 5 years	Expense of the period
Long-term debt	-				
Lease finance obligations	Information disclosed in note 4				
Operating leases	11,655	3,064	6,759	1,832	1,634
Irrevocable purchase obligations	-				
Other long-term obligations	-				
<b>TOTAL</b>	<b>11,655</b>	<b>3,064</b>	<b>6,759</b>	<b>1,832</b>	<b>1,634</b>

### Note 18 Post-closing events

None.

## Esker 2020 Half-Year Results

Outlook positive thanks to resilience of economic model and pursuit of development plans

LYON, France, and MIDDLETON, Wis. — September 10, 2020

VALUE IN THOUSANDS OF €	1H 2020*	1H 2019*	CHANGE IN %
SALES	54,240	50,135	+8.2%
OPERATING INCOME	6,206	7,223	-14.1%
CURRENT INCOME	6,002	7,339	-18.2%
NET INCOME BEFORE TAXES	7,028	7,729	-9.1%
NET INCOME	5,423	5,450	-0.5%

VALUE IN THOUSANDS OF €	06/30/2020	12/31/2019	CHANGE IN THOUSANDS OF €
SHAREHOLDERS' EQUITY	60,419	56,647	+3,772
CASH POSITION	33,798	21,357	+12,441

\*Accounts prepared under French accounting standards (CRC 99-02) and unaudited

### Resilience despite the pandemic

Esker's 2020 half-year sales revenue grew 8%, driven by the continued success of cloud-based solutions (+11%), representing 92% of total company revenue. This performance combines two strongly contrasting quarters.

Despite confinement measures put in place in several countries in March, Q1 2020 confirmed Esker's growth momentum, established over the past years. Revenue increased by +16% in Q1 (+21% for cloud-based activities). In Q2, the COVID-19-driven economic slowdown strongly impacted the variable share of the company's sales revenue that depends on the level of customer activity on its platforms. The impact on this variable share reached 24% in April and May on 45% of revenue. During this period, the fixed subscription portion invoiced to customers (23% of revenue in 2019) lessened the impact. Q2 revenue was therefore stable, with a slight growth in cloud solutions (+2%). This performance reinforces the company's objective to prioritize the subscription component in its revenue to protect itself from further economic fluctuations.

At the geographic level, first-half activity in Europe (54% of sales revenue) was more severely impacted by the pandemic, recording very slight revenue growth (+1%). The situation was particularly difficult in France, with a 3% decline for the half-year. Conversely, the Asia-Pacific zone (6% of sales revenue) was more dynamic with a 32% increase in revenue, and the Americas (40% of sales revenue) confirmed their established growth pattern (+14%).

The economic situation also delayed the closing of new deals at the end of Q2. Despite this impact, the cumulative value of new contracts signed in the first half of 2020 increased by 3% compared to 2019, to reach 12 million euros.

#### Maintaining profitability and controlling investments

The COVID-19 crisis came as Esker anticipated another year of strong revenue growth, in line with 2019 (+20%). Despite the situation, the company decided to maintain the investments it had already made while controlling its expenses. Esker demonstrates its desire to control its financial results, without limiting its ability to regain dynamic growth in future years.

Average employee numbers this half-year were up 14% compared to the first half of 2019. This increase is slightly lower compared to the effort made in 2019 (+18%). This reflects the will to continue to serve its customers with no compromise on quality, but also allows the investments necessary for the pursuit of strategic development. Efforts focused particularly on the R&D (+19%) and consulting (+14%) departments. The investment in personnel was partly offset by the control of other expenses. For the first half of 2020, total operating expenses increased by only 12% compared to 2019. Operating income came to 6.2 million euros, down 14%. Profitability remains at 11.4% of sales, despite the impact of the pandemic on Q2.

#### Lower tax rate in France

Esker decided to take advantage of the favorable tax regime traditionally reserved for profits derived from the exploitation of patents (known as the Patent Box), which was recently extended for French companies to software activities. The company thus benefits from its constant commitment to maintaining the vast majority of its investments in software development in France.

For the first half of 2020, the impacts are twofold. The retroactive application of the new tax system to the 2019 financial year generates a decrease in tax expense of 0.8 million euros net. This gain over the previous financial year was classified as exceptional income. On the other hand, the effect on the 2020 results leads to a decrease of four points in the effective company tax rate (27% compared to 31% in the first half of 2019). The corresponding tax charge therefore fell from 2.3 million euros to 1.6 million euros.

### Stable net income

Interest income/loss declined due to slightly negative currency impacts for the first half of 2020, as well as unfavorable market conditions for the company's cash management. Additionally, the share of profit attributable to Esker in the joint venture with Quadient declined significantly, mainly due to the impact of the crisis. Net income rests at 5.4 million euros, stable compared to the first half of 2019.

### Strengthened financial structure

Esker has benefited from the French government's economic support measures in the form of state-guaranteed loans of 11 million euros. These loans bring the company's total debt to 16.6 million euros, compared to shareholders' equity of over 60 million euros. This financial strength will enable the company to seize attractive opportunities and ensure its regular operations during this period of crisis. As of June 30, 2020, company cash rests at 33.8 million euros, up 12 million euros, of which only 8.7 million euros came from financing activities.

### Positive outlook for 2020

The first half of 2020 demonstrates the resilience of Esker's cloud business model. The gradual economic recovery should make it possible to progressively regain the company's growth rate before the crisis. Depending on the global pandemic evolution and any protective measures taken by governments, Esker expects 2020 growth close to 9% (excluding currency fluctuations), with stable profitability compared to 2019. The lifting of protective measures in the world's major economies and the enhanced relevance of Esker's cloud-based solutions during a pandemic should also result in an increase in signed contracts in the second half of 2020 and the start of the 2021 fiscal year.