SA ESKER

French corporation with an Executive Board and a Supervisory Board

Stated capital: €11,660,642

Registered Office: 113 Boulevard de la Bataille de Stalingrad

69100 Villeurbanne

Lyon Trade and Company Register (RCS) No. 331 518 498

Consolidated interim financial statements

Sixth-month period ended June 30, 2021

TABLE OF CONTENTS

ESKER

CONSOLIDATED BALANCE SHEET

ASSETS (€ thousands)	Notes	06/30/2021	12/31/2020
Goodwill	2	5,901	5,752
Intangible assets	3	26,297	25,035
Property, plant and equipment	4/5	9,513	10,036
Financial assets		6,637	6,405
Equity-accounted investments		2,380	1,759
Non-current assets		**50,728**	**48,986**
Inventories		256	257
Trade receivables		28,929	25,994
Deferred tax assets		800	800
Other receivables and accruals		7,143	5,446
Cash and marketable securities	6	30,696	40,421
Current assets		**67,824**	**72,918**
TOTAL ASSETS		**118,552**	**121,904**

SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands)	Notes	06/30/2021	12/31/2020
Share capital	7	11,810	11,661
Additional paid-in capital		22,024	21,202
Consolidated income (loss)		7,575	11,562
Reserves and retained earnings		30,170	20,987
Shareholders' equity		**71,579**	**65,412**
Attributable to the parent		*71,579*	*65,412*
Attributable to non-controlling interests		*0*	*0*
Provisions for contingencies and expenses	**9**	**2,816**	**2,698**
Borrowings and financial liabilities	10	2,362	15,144
Trade payables		9,088	8,617
Tax and employee-related payables		20,778	18,601
Deferred tax liabilities		721	698
Other payables and accruals	11	11,208	10,734
Payables		**44,157**	**53,794**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**118,552**	**121,904**

CONSOLIDATED INCOME STATEMENT

(€ thousands)	Note	06/30/2021	% of sales	06/30/2020	% of sales
Sales	**12**	**64,352**	**100%**	**54,240**	**100%**
Own production of goods and services capitalized	13	4,309	7%	3,961	7%
Other operating income		780	1%	766	1%
Cost of sales		-1,020	-2%	-918	-2%
Change in inventory		14	0%	42	0%
Other operating expenses		-13,664	-21%	-13,773	-25%
Staff costs		-40,534	-63%	-33,372	-62%
Tax and similar expenses		-672	-1%	-769	-1%
Net allowances for amortization and depreciation		-4,334	-7%	-4,066	-7%
Net allowances for provisions		-103	0%	95	0%
Operating profit		**9,128**	**14%**	**6,206**	***11%***
Net financial income / (expense)	**14**	**67**	**0%**	**-204**	**0%**
Current operating income of consolidated operations		**9,195**	**14%**	**6,002**	**11%**
Net exceptional items		**57**	**0%**	**852**	**2%**
Income taxes		-2,298	-4%	-1,605	-3%
Share of income from equity-accounted associates		621	1%	174	0%
Allowances for goodwill amortization		0		0	
Net income		**7,575**	**12%**	**5,423**	**10%**
Basic earnings per share in euros	*15*	*1.31*		*0.96*	
Diluted earnings per share in euros		*1.30*		*0.96*	

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, 2021	**32,863**	**-1,372**	**33,921**	**65,412**	**0**	**65,412**
Annual profit/(loss)			7,575	7,575		7,575
Currency translation adjustments		711		711		711
Stock options	971			971		971
Treasury shares				0		0
Dividends			-2,897	-2,897		-2,897
Change in Group structure				0		0
Other changes			-191	-191		-191
Balance as of June 30, 2021	**33,834**	**-661**	**38,408**	**71,581**	**0**	**71,581**
Balance at January 1, 2020	**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)	06/30/2021	06/30/2020	12/31/2020
Consolidated net income	**7,575**	**5,423**	**11,562**
Adjustments to reconcile non-cash items to cash generated from operations :			
Net allowances for depreciation and provisions	4,452	4,066	9,275
- Carrying value of assets sold	1	8	7
- Proceeds from the disposal of assets	-4	-29	0
Cash flows after net financial expense	**12,024**	**9,468**	**20,844**
Tax liabilities	2,298	1,605	2,966
Taxes paid	-2,204	-1,107	-1,375
Interest expense and income	49	14	37
Change in operating working capital	**-1,510**	**-448**	**1,003**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**10,657**	**9,532**	**23,475**
Acquisition of intangible assets, property, plant and equipment	-4,979	-5,271	-10,167
Proceeds from the disposal of PPE and intangible assets	4	29	0
Increase, decrease of financial assets	-317	15	-532
Change in non-current investments	-770	-190	-492
NET CASH USED IN INVESTING ACTIVITIES	**-6,062**	**-5,417**	**-11,191**
Dividends paid to shareholders of the parent company	-2,897	-1,896	-1,896
Capital increases or contributions			
Issuance costs for capital increases			
Amount received from the exercise of stock options	970	535	935
Change in treasury shares			
Repayment of borrowings – finance leases	-12,831	-1,453	-2,872
Change in borrowings	0	11,500	11,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	**-14,758**	**8,686**	**7,667**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-10,163**	**12,801**	**19,951**
Effect of exchange rate changes on cash	438	-360	-887
Cash and cash equivalents at beginning of year	**40,421**	**21,357**	**21,357**
Cash and cash equivalents at end of year	**30,696**	**33,798**	**40,421**

Significant first-half events

Repayment of the Covid-relief government-backed loan

In 2020, following the global economic downturn in response to the health pandemic, the French government adopted several Covid-relief measures to support companies.

These measures included aid in the form of a government-backed loan. Esker SA obtained a loan in the amount of €11.5 million from its three main banking partners.

However after continuing to achieve growth in 2020 and early 2021 the Group determined that this loan would not be needed as the Group had sufficient resources to finance its development and thus decided to repay the full amount of the loan has been in consequence repaid.

Increase in the dividend distribution

Because of the pandemic, the company decided to reduce the amount of the dividend distributed in 2020. This year, the distributed dividend was increased to €0.50 per share (up from €0.33 in 2020).

1. Significant accounting policies, basis of consolidation

Adoption and approval of the accounts

The condensed consolidated financial statements of Esker Group at June 30, 2021 were adopted by the Executive Board and submitted for approval to the Supervisory Board on September 14, 2021.

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 Reglementation 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 companies

There have been no changes in the consolidation scope in the 2021 first half.

Company	Head office	2021		2020		Consolidation method (1)
		Controlling interest (%)	Ownership interest (%)	Controlling interest (%)	Ownership interest (%)	
ESKER	Lyon (France)	**Parent company**				
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 Sl	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
Esker EDI Services	Ratingen (Germany)	100.0%	100.0%	100.0%	100.0%	F
Esker Hong Kong	Hong Kong	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 this criteria, business is broken down into six main segments: France (of which CalvaEDI), Germany (of which Esker EDI Services), the United Kingdom, Southern Europe, Asia-Pacific and the Americas.

As of June 30, 2021 *In thousands of euros*	France	Germany	United Kingdom	Southern Europe	Asia-Pacific Region	Americas	Total Group
External sales	25,309	3,587	3,581	3,477	3,929	24,468	**64,351**
Property, plant and equipment and intangible assets	30,708	485	302	850	161	3,304	**35,810**

As of June 30, 2020 *In thousands of euros*	France	Germany	United Kingdom	Southern Europe	Asia-Pacific Region	Americas	Total Group
External sales	20,495	3,048	2,786	2,983	3,272	21,656	**54,240**
Property, plant and equipment and intangible assets	29,495	392	229	755	100	3,760	**47,341**

Note 2 Goodwill

	06/30/2021			12/31/2020
In thousands of euros	Gross	Amortization	Net	Net
TermSync	4,867	90	4,777	4,628
CalvaEDI	137	2	135	135
E-integration	989		989	989
TOTAL GOODWILL	**5,993**	**92**	**5,901**	**5,752**

Changes recorded in H1 2021

As of 06/30/2020 *In thousands of euros*	Opening balance	Increases	Reductions	Currency effect	Closing balance
TermSync	4,714			154	4,867
CalvaEDI	137				137
E-integration	989				989
GOODWILL - GROSS VALUE	**5,840**	**0**	**0**	**154**	**5,993**
TermSync	87			3	90
CalvaEDI	2				2
E-integration	0				0
GOODWILL - AMORTIZATION	**89**	**0**	**0**	**3**	**92**
GOODWILL - NET VALUE	**5,751**	**0**	**0**	**151**	**5,901**

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

	06/30/2021			12/31/2020
In thousands of euros	Gross	Amortization	Net	Net
Development expenditures	50,572	35,883	14,689	13,887
Trademarks	1,609		1,609	1,595
Software	1,716	1,614	102	119
Customer-related intangible assets	7,410	1,963	5,447	5,578
Intangible assets in progress	4,450		4,450	3,856
TOTAL INTANGIBLE ASSETS	**65,757**	**39,460**	**26,297**	**25,035**

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 2021:

As of 06/30/2021 In thousands of euros	**Opening balance**	**Increases**	**Reductions**	**Other changes**	**Closing balance**
Development expenditures	46,787			3,785	50,572
Trademarks	1,595			14	1,609
Software	1,687	5	0	24	1,716
Customer-related intangible assets	7,410				7,410
Intangible assets in progress	3,856	4,309		-3,715	4,450
INTANGIBLE ASSETS – GROSS VALUE	**61,335**	**4,314**	**0**	**108**	**65,757**
Development expenditures	32,900	2,949		34	35,883
Software	1,568	24		22	1,614
Customer-related intangible assets	1,832	131			1,963
INTANGIBLE ASSETS – AMORTIZATION	**36,300**	**3,104**	**0**	**56**	**39,460**
INTANGIBLE ASSETS – NET VALUE	**25,035**	**1,210**	**0**	**52**	**26,297**

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	06/30/2021 Gross	06/30/2021 Amortization	06/30/2021 Net	12/31/2020 Net
Land	1,077		1,077	1,077
Buildings	1,179	200	979	1,008
Office and computer equipment	7,887	5,433	2,454	2,519
Fixtures and improvements	5,028	1,597	3,431	3,602
Equipment and tooling	7,667	6,716	951	1,155
Transport equipment	68	43	25	22
Furniture	1,236	640	596	653
TOTAL PROPERTY, PLANT AND EQUIPMENT	**24,142**	**14,629**	**9,513**	**10,036**

Changes recorded in H1 2021

As of 06/30/2020 *In thousands of euros*	Opening balance	Increases	Reductions	Other changes	Closing balance
Land	1,077				1,077
Buildings	1,179				1,179
Office and computer equipment	7,323	538	-34	60	7,887
Fixtures and improvements	4,920	94	-32	46	5,028
Equipment and tooling	7,704		-53	16	7,667
Transport equipment	62	9	-3		68
Furniture	1,189	26	-1	22	1,236
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**23,454**	**667**	**-123**	**144**	**24,142**
Buildings	171	29			200
Office and computer equipment	4,804	618	-28	39	5,433
Fixtures and improvements	1,318	298	-32	13	1,597
Equipment and tooling	6,549	209	-54	12	6,716
Transport equipment	40	5	-2		43
Furniture	536	95	-1	10	640
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**13,418**	**1,254**	**-117**	**74**	**14,629**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**10,036**	**-587**	**-6**	**70**	**9,513**

Note 5 Finance leases

In thousands of euros	Gross	Accumulated amortization	Net
As of December 31, 2019	**7,082**	**-5,681**	**1,401**
Increase	0	-460	-460
Decrease	0	0	0
As of December 31, 2020	**7,082**	**-6,141**	**941**
Increase	0	-175	-175
Decrease	0	0	0
As of June 30, 2021	**7,082**	**-6,316**	**766**

Finance lease commitments for the six-month period ended June 30, 2021 break down as follows:

In thousands of euros	Less than 1 year	2-5 years	More than 5 years	TOTAL
Total value of future minimum lease payments	228	453		**681**
Discounted value of future minimum lease payments	226	446		**672**

Note 6 Cash and marketable securities

In thousands of euros	Net value 06/30/2021	Net value 12/31/2020
Marketable securities	1,149	1,004
Cash and cash equivalents	29,547	39,417
TOTAL CASH AND MARKETABLE SECURITIES	**30,696**	**40,421**

Marketable securities correspond mainly to risk-free time deposits.

The decrease in cash and cash equivalents reflects the repayment of the €11.5 million government-backed loan over the period.

Note 7 – Share capital

	Amount *(€ thousands)*	Number of shares
Capital stock at 12/31/2019	**11,505**	**5,752,218**
Capital increase	92	46,200
Exercise of stock options and warrants	64	31,903
Capital stock at 12/31/2020	**11,661**	**5,830,321**
Capital increase	104	52,100
Exercise of stock options and warrants	45	22,557
CAPITAL STOCK AT 06/30/2021	**11,810**	**5,904,978**

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 € 0.50 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 2021 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 €
Balance exercisable at 12/31/2020	**123,123**	**57.18**	**102,950**	**89.55**
Granted	0	0.00	65,900	188.00
Exercised	-22,557	38.18	-52,100	79.75
Matured or forfeited for reason of departure	-375	79.75	0	0.00
Balance exercisable at 06/30/2021	**100,191**	**61.37**	**116,750**	**149.50**

Note 9 Provisions

In thousands of euros	12/31/2020	Increases, allowances of the period	Payments in the period	Reversals of provisions unused in the period	Other changes	06/30/2021
Provisions for contingencies and expenses	717					717
Pension liabilities	1,981	157	-39			2,099
TOTAL PROVISIONS	**2,698**	**157**	**-39**	**0**	**0**	**2,816**

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 2021 first half.

NOTE 10 Financial liabilities

In thousands of euros	06/30/2021	12/31/2020
Finance leases	1,147	1,382
Bank debt	15,430	5,143
TOTAL BORROWINGS	**16,577**	**6,525**

Finance leases

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

Bank debt

In the first half, Esker SA reimbursed in full the €11.5 million Covid-relief government-backed loan.

Note 11 Other payables and accruals

In thousands of euros	06/30/2021	12/31/2020
Deferred revenue	7,116	7,000
Customer deposits and guarantees	3,357	3,292
Other payables	735	442
TOTAL OTHER PAYABLES AND ACCRUALS	**11,208**	**10,734**

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

In thousands of euros	06/30/2021	06/30/2020
Software sales	1,178	531
Fax card sales	88	133
Contracts for product updates and maintenance	2,657	3,237
Services	10,994	10,073
Traffic	49,435	40,266
NET SALES	**64,352**	**54,240**

Note 13 Research and development expenses

In thousands of euros	06/30/2021	06/30/2020
R&D expenses for the period	-7,025	-6,088
Capitalized development expenditures	4,309	3,961
Amortization of capitalized development expenditures	-2,948	-2,574
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-5,664**	**-4,701**

An analysis of development expenditures recorded under intangible assets in the 2021 first half is presented in Note 3.

Note 14 Net financial income (expense)

In thousands of euros	06/30/2021	06/30/2020
Financial income	49	38
Net currency gains/(losses)	28	-108
Financial expenses	-10	-134
NET FINANCIAL INCOME / (EXPENSE)	**67**	**-204**

Note 15 Earnings per share

	06/30/2021		06/30/2020	
	Net earnings (in euros)	Weighted average number of shares	Net earnings (in euros)	Weighted average number of shares
Basis of calculation for basic earnings per share	**7,575,000**	**5,769,535**	**5,423,000**	**5,619,851**
Dilutive stock options		35,395		29,896
Dilutive bonus shares		26,360		26,484
Basis of calculation for diluted earnings per share	**7,575,000**	**5,831,290**	**5,423,000**	**5,676,231**
Basic earnings per share	**1.31**		**0.96**	
Diluted earnings per share	**1.30**		**0.96**	

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.

In thousands of euros	06/30/2021	06/30/2020
Supervisory Board	50	50
Executive Board	427	508
Total	**477**	**558**

Note 17 Off-balance sheet commitments

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

Contractual obligations *(€ 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	11,602	2,963	6,958	1,681	1,651
Irrevocable purchase obligations	-				
Other long-term obligations	-				
TOTAL	**11,602**	**2,963**	**6,958**	**1,681**	**1,651**

Note 18 Post-closing events

None.