

SA ESKER

A French corporation with an Executive Board and a Supervisory Board
Stated capital: €11,951,524
Registered office: 113 Boulevard de la Bataille de Stalingrad, 69100 Villeurbanne, France
Lyon Trade and Company Register (RCS) No. 331 518 498

Interim Consolidated Financial Statements

Sixth-month period ended June 30, 2022

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CONSOLIDATED BALANCE SHEET

ASSETS (€ thousands)	Notes	06/30/2022	12/31/2021
Intangible assets	3	46,632	33,644
<i>Of which goodwill</i>	2	16,253	6,138
Property, plant and equipment	4/5	9,504	9,896
Financial assets		10,944	10,928
Equity-accounted investments		3,568	2,761
Non-current assets		70,648	57,229
Inventories		425	341
Trade receivables		33,330	28,870
Deferred tax assets		671	667
Other receivables and accruals		7,634	6,678
Cash and marketable securities	6	39,922	34,978
Current assets		81,982	71,534
TOTAL ASSETS		152,630	128,763
SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands)	Notes	06/30/2022	12/31/2021
Share capital	7	11,960	11,850
Additional paid-in capital		22,915	22,756
Consolidated income (loss)		10,130	14,280
Reserves and retained earnings		47,187	31,508
Shareholders' equity		92,192	80,394
<i>Attributable to the parent</i>		<i>91,892</i>	<i>80,394</i>
<i>Attributable to non-controlling interests</i>		<i>300</i>	<i>0</i>
Provisions for contingencies and expenses	9	2,674	2,497
Borrowings and financial liabilities	10	17,086	1,169
Trade payables		9,600	9,485
Tax and employee-related payables		19,252	23,538
Deferred tax liabilities		825	757
Other payables and accruals	11	11,001	10,923
Payables		57,764	45,872
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		152,630	128,763

CONSOLIDATED INCOME STATEMENT

(€ thousands)	Note	06/30/2022	% of sales	06/30/2021	% of sales
Sales	12	76,284	100%	64,352	100%
Own production of goods and services capitalized	13	5,170	7%	4,309	7%
Other operating income		737	1%	780	1%
Cost of sales		-1,431	-2%	-1,020	-2%
Change in inventory		84	0%	14	0%
Other operating expenses		-18,320	-24%	-13,664	-21%
Staff costs		-43,536	-57%	-40,534	-63%
Tax and similar expenses		-835	-1%	-672	-1%
Net allowances for amortization and depreciation		-4,940	-6%	-4,334	-7%
Net allowances for provisions		-343	0%	-103	0%
Operating profit		12,870	17%	9,128	14%
Net financial income / (expense)	14	186	0%	67	0%
Current operating income of consolidated operations		13,056	17%	9,195	14%
Net exceptional items		-501	-1%	57	0%
Income taxes		-3,232	-4%	-2,298	-4%
Share of income from equity-accounted associates		807	1%	621	1%
Allowances for goodwill amortization		0		0	
Net income		10,130	13%	7,575	12%
- <i>Attributable to the parent</i>		<i>10,223</i>		<i>7,575</i>	
- <i>Attributable to non-controlling interests</i>		<i>-93</i>		<i>0</i>	
Basic earnings per share in euros	15	1.75		1.31	
Diluted earnings per share in euros		1.72		1.30	

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 shareholder equity
Balance on January 1, 2022	34,606	399	45,389	80,394	0	80,394
Annual profit/(loss)			10,223	10,223	-93	10,130
Currency translation adjustments		1,326		1,326		1,326
Stock options	168			168		168
Treasury shares			1,263	1,263		1,263
Dividends			-1,758	-1,758		-1,758
Change in group structure			393	393	393	786
Other changes			-117	-117		-117
Balance as of June 30, 2022	34,774	1,725	55,393	91,892	300	92,192
Balance on 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

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ thousands)	06/30/2022	06/30/2021	12/31/2021
Consolidated net income	10,130	7,575	14,280
Adjustments to reconcile non-cash items to cash generated from operations:			
Net allowances for depreciation and provisions	5,117	4,452	9,326
- Carrying value of assets sold	30	1	10
- Proceeds from the disposal of assets	-26	-4	-10
Cash flows after net financial expense	15,251	12,024	23,606
Tax liabilities	3,232	2,298	3,907
Taxes paid	-1,482	-2,204	-3,823
Interest expense and income	23	49	51
Dividends from equity-accounted associates	1,800		
Change in operating working capital	-9,629	-1,510	1,936
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,195	10,657	25,677
Acquisition of intangible assets	-8,075	-4,979	-11,150
Acquisition of property, plant and equipment	26	4	10
Proceeds from the disposal of PPE and intangible assets	485	-317	-4,874
Change in non-current investments	-10,077	-770	-1,002
NET CASH USED IN INVESTING ACTIVITIES	-17,641	-6,062	-17,016
Dividends paid to shareholders of the parent company	-3,558	-2,897	-2,897
Capital increases or contributions			
Issuance costs for capital increases			
Amount received from the exercise of stock options	269	970	1,743
Change in treasury shares			
Repayment of borrowings – finance leases	-1,106	-12,831	-13,975
Change in borrowings	17,000	0	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,605	-14,758	-15,129
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,159	-10,163	-6,468
Effect of exchange rate changes on cash	785	438	1,026
Cash and cash equivalents at beginning of year	34,978	40,421	40,421
Cash and cash equivalents at end of year	39,922	30,696	34,978

Significant First-half Events

Acquisition of 50.1% stake in Market Dojo

Esker completed the 50.1% acquisition of Market Dojo's capital and voting rights, with the remaining balance of shares to be acquired after a period of four years.

Based in Bristol, England, Market Dojo is a provider of procurement solutions that help users centralize information, negotiate the best value for goods and services, and select the right suppliers, all without requiring a complex and costly implementation process.

It was consolidated by the Esker group for the first time on June 1, 2022, the date it acquired a controlling interest in Market Dojo. The impact on the 2022 interim financial statements accordingly corresponds to only one month of activity and in consequence is not material.

1. Significant Accounting Policies, Basis of Consolidation

Adoption and approval of the accounts

The condensed interim consolidated financial statements of the Esker group for the six-month period ended June 30, 2022 were adopted by the Executive Board and submitted for approval to the Supervisory Board on September 14, 2022.

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.

Business combinations

Business combinations are recorded on the basis of the purchase method of accounting. Under this method, the identifiable assets and liabilities of the acquiree are recognized at their fair value on the acquisition date and may be adjusted during the 12 months following that date.

Consolidated companies

Market Dojo has been 50.1%-held by Esker SA since June 1 and fully consolidated from this date based on the latter's exercise of control.

Information on consolidated companies on June 30, 2022 is presented below

Company	Head office	2022		2021		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 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
Esker EDI Solution	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
Market Dojo	Stonehouse (United Kingdom)	50.1%	50.1%			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 Esker 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

The Esker group has chosen to apply geographical segmentation as its sole criterion for segment reporting. According to this criterion, 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, 2022 In thousands of euros	France	Germany	United Kingdom	Southern Europe	Asia-Pacific Region	Americas	Total Group
External sales	28,834	3,532	3,996	4,043	4,674	31,205	76,284
Property, plant and equipment and intangible assets	30,842	2,581	1,282	736	625	3,817	39,883

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

Note 2 Goodwill

In thousands of euros	06/30/2022			12/31/2021
	Gross	Amortization	Net	Net
TermSync		5,569	103	5,466
CalvaEDI		137	2	135
E-integration		989		989
Market Dojo		9,663		9,663
TOTAL GOODWILL		16,358	105	16,253

Changes recorded in H1 2022

The 50.1% acquisition of Market Dojo generated goodwill of €9,663,000.

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.

As of 06/30/2022 In thousands of euros	Opening Balance	Increases	Reductions	Currency effect	Closing balance
TermSync	5,107			462	5,569
CalvaEDI	137				137
E-integration	989				989
Market Dojo		9,663			9,663
GOODWILL - GROSS VALUE	6,233	9,663	0	462	16,358
TermSync	94			9	103
CalvaEDI	2				2
E-integration	0				0
Market Dojo	0				0
GOODWILL - AMORTIZATION	96	0	0	9	105
GOODWILL - NET VALUE	6,137	9,663	0	453	16,253

Note 3 Intangible assets

In thousands of euros	06/30/2022			12/31/2021
	Gross	Amortization	Net	Net
Goodwill	16,358	103	16,255	6,138
Development expenditures	61,408	43,542	17,866	15,980
Trademarks	1,677		1,677	1,633
Software	2,142	1,814	328	241
Customer-related intangible assets	7,410	2,226	5,184	5,315
Intangible assets in progress	5,325		5,325	4,337
TOTAL INTANGIBLE ASSETS	94,320	47,685	46,635	33,644

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 2022:

As of 06/30/2022 In thousands of euros	Opening balance	Increases	Reductions	Changes in group structure	Other changes	Closing balance
Goodwill	6,233	9,663			462	16,358
Development expenditures	55,135				1,723	61,408
Trademarks	1,633				44	1,677
Software	1,928	137		-6	83	2,142
Customer-related intangible assets	7,410					7,410
Intangible assets in progress	4,337	5,169			149	5,325
INTANGIBLE ASSETS – GROSS VALUE	76,676	14,969		-6	1,872	94,320
Goodwill	95				8	103
Development expenditures	39,155	3,354			905	43,542
Software	1,687	67		-6	66	1,814
Customer-related intangible assets	2,095	131				2,226
INTANGIBLE ASSETS – AMORTIZATION	43,032	3,552		-6	905	47,685
INTANGIBLE ASSETS – NET VALUE	33,644	11,417		0	967	46,635

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

Note 4 Property, plant and equipment

<i>In thousands of euros</i>	06/30/2022		12/31/2021	
	Gross	Amortization	Net	Net
Land	1,077		1,077	1,077
Buildings	1,179	259	920	949
Office and computer equipment	9,485	6,519	2,966	3,148
Fixtures and improvements	5,723	2,481	3,242	3,370
Equipment and tooling	7,707	7,072	635	772
Transport equipment	11	10	1	11
Furniture	1,573	905	668	569
TOTAL PROPERTY, PLANT AND EQUIPMENT	26,755	17,246	9,509	9,896

Changes recorded in H1 2022:

<i>As of 06/30/2022</i> <i>In thousands of euros</i>	Opening balance	Increases	Reductions	Changes in group structure	Other changes	Closing balance
Land	1,077					1,077
Buildings	1,179					1,179
Office and computer equipment	8,886	486	-115	25	203	9,485
Fixtures and improvements	5,447	195	-12	1	92	5,723
Equipment and tooling	7,683	8	-5		21	7,707
Transport equipment	61		-50			11
Furniture	1,330	194	-14		63	1,573
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	25,663	883	-196	26	379	26,755
Buildings	230	29				259
Office and computer equipment	5,738	741	-114	16	138	6,519
Fixtures and improvements	2,077	359		1	44	2,481
Equipment and tooling	6,911	150	-5		16	7,072
Transport equipment	50	2	-42			10
Furniture	761	113	-9		40	905
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	15,767	1,394	-170	17	238	17,246
NET VALUE OF PROPERTY, PLANT AND EQUIPMENT BEFORE IMPAIRMENT	9,896	-511	-26	9	141	9,509

Note 5 Finance leases

<i>In thousands of euros</i>	Gross	Accumulated amortization	Net
As of December 31, 2020	7,082	-6,141	941
Increase	0	-319	-319
Decrease	0	0	0
As of December 31, 2021	7,082	-6,460	622
Increase	0	-114	-114
Decrease	0	0	0
As of June 30, 2022	7,082	-6,574	508

Finance lease commitments for the six-month period ended June 30, 2022 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	228	225		453
Discounted value of future minimum lease payments	203	221		424

Note 6 Cash and marketable securities

<i>In thousands of euros</i>	Net value 06/30/2022	Net value 12/31/2021
Marketable securities	3,128	3,456
Cash and cash equivalents	36,794	31,522
TOTAL CASH AND MARKETABLE SECURITIES	39,922	34,978

Marketable securities correspond mainly to risk-free time deposits.

The increase in cash and cash equivalents reflects mainly inflows from three new loans obtained by Esker SA for a total amount of €17 million.

Note 7 Share capital

	Amount (€ thousands)	Number of shares
Capital stock on 12/31/2020	11,661	5,830,321
Capital increase	104	52,100
Exercise of stock options and warrants	84	42,204
Capital stock on 12/31/2021	11,849	5,924,625
Capital increase	102	50,850
Exercise of stock options and warrants	9	4,274
CAPITAL STOCK ON 06/30/2022	11,960	5,979,749

The Esker group 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 Esker group includes the same components as consolidated shareholders' equity.

A dividend of €0.60 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 Esker group employees in the 2022 first half break down as follows:

	Stock options		Restricted stock units granted, not issued	
	Quantity	Weighted average exercise price in €	Quantity	Weighted average exercise price in €
Balance exercisable on 12/31/2021	79,382	66.56	116,650	146.64
Granted	0	0.00	51,840	145.10
Exercised	-4,274	39.15	-50,850	99.60
Matured or forfeited for reason of departure	-2,050	8.26	0	0.00
Balance exercisable on 06/30/2022	73,058	69.80	117,640	169.50

Note 9 Provisions

<i>In thousands of euros</i>	12/31/2021	Increases, allowances of the period	Amounts used in the period	Reversals of provisions unused in the period	Other changes	30/06/2022
Provisions for contingencies and expenses	0					0
Pension liabilities	2,497	177				2,674
TOTAL PROVISIONS	2,497	177	0	0	0	2,674

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 2022 first half.

NOTE 10 Financial liabilities

<i>In thousands of euros</i>	06/30/2022	12/31/2021
Finance leases	500	562
Bank debt	16,586	606
TOTAL BORROWINGS	17,086	1,168

Finance leases

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

Bank debt

Esker SA obtained three new loans in the first half of 2022 in the amount of €17 million.

Note 11 Other payables and accruals

<i>In thousands of euros</i>	06/30/2022	12/31/2021
Deferred revenue	6,830	7,554
Customer deposits and guarantees	3,343	3,333
Other payables	828	35
TOTAL OTHER PAYABLES AND ACCRUALS	11,001	10,922

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>	06/30/2022	06/30/2021
Software sales	821	1,178
Fax card sales	55	88
Contracts for product updates and maintenance	2,391	2,657
Services	12,164	10,994
Traffic	60,853	49,435
NET SALES	76,284	64,352

Note 13 Research and development expenses

<i>In thousands of euros</i>	06/30/2022	06/30/2021
R&D expenses for the period	-7,499	-7,025
Capitalized development expenditures	5,168	4,309
Amortization of capitalized development expenditures	-3,353	-2,948
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	-5,684	-5,664

An analysis of development expenditures recorded under intangible assets in the 2022 first half is presented in Note 3.

Note 14 Net financial income (expense)

<i>In thousands of euros</i>	06/30/2022	06/30/2021
Financial income	34	49
Net currency gains/(losses)	163	28
Financial expenses	-11	-10
NET FINANCIAL INCOME / (EXPENSE)	186	67

Note 15 Earnings per share

	06/30/2022		06/30/2021	
	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	10,130,000	5,797,399	7,575,000	5,769,535
Dilutive stock options		47,976		35,395
Dilutive bonus shares		40,439		26,360
Basis of calculation for diluted earnings per share	10,130,000	5,885,814	7,575,000	5,831,290
Basic earnings per share		1.75		1.31
Diluted earnings per share		1.72		1.30

Basic net earnings per share and diluted net earnings per share are calculated by dividing the portion of net income reverting to the Esker 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>	06/30/2022	06/30/2021
Supervisory Board	50	50
Executive Board	756	427
Total	805	477

Note 17 Off-balance sheet commitments

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

<i>Contractual obligations</i> <i>(€ thousands)</i>	TOTAL	Payables by maturity			Expense of the period
		Less than 1 year	1-5 years	More than 5 years	
Long-term debt	-				
Lease finance obligations	Information disclosed in note 4				
Operating leases	20,228	3,245	10,882	6,101	1,764
Irrevocable purchase obligations	-				
Other long-term obligations	-				
TOTAL	20,228	3,245	10,882	6,101	1,764

Note 18 Post-closing events

None.