

Consolidated financial statements 1st Semester 2019

Consolidated income statement

| (In € thousands) | H1-FY19 | H1-FY18 | FY18 |
|--|----------------|-----------------|----------------|
| Licenses and maintenance | 40,854 | 39,400 | 109,836 |
| Consulting | 13,585 | 13,387 | 28,793 |
| Other | 369 | 444 | 784 |
| REVENUE | 54,809 | 53,231 | 139,413 |
| Cost of sales | (17,886) | (18,017) | (37,907) |
| Research and development costs | (16,078) | (15,025) | (31,718) |
| Selling and marketing expenses | (19,539) | (20,191) | (43,042) |
| General and administrative costs | (9,650) | (9,298) | (19,970) |
| CURRENT OPERATING RESULT ⁽¹⁾ | (8,345) | (9,300) | 6,776 |
| Other operating income and expenses ⁽¹⁾ | 28 | (12) | 233 |
| INCOME FROM OPERATIONS | (8,317) | (9,312) | 7,010 |
| FINANCIAL RESULT | (961) | (710) | (1,277) |
| Share of profit of associates | (264) | (550) | 106 |
| INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS | (9,542) | (10,572) | 5,839 |
| Provision for income tax | 2,501 | 2,794 | (2,505) |
| NET INCOME BEFORE MINORITY INTERESTS | (7,041) | (7,778) | 3,334 |
| Minority interests | 103 | 109 | 0 |
| NET INCOME (GROUP SHARE) | (7,144) | (7,888) | 3,334 |
| Earnings per share (in euros) | (1.27) | (1.06) | 0.59 |
| Diluted earnings per share (in euros) | (1.26) | (1.06) | 0.59 |

⁽¹⁾ Reclassification, over the two financial years presented, of the amortization of intangibles assets acquired in business combinations from Other operating income and expenses to Current Operating Result

Statement of comprehensive income

| (In € thousands) | H1-FY19 | H1-FY18 | FY18 |
|---|----------------|----------------|--------------|
| NET INCOME BEFORE MINORITY INTERESTS | (7,041) | (7,778) | 3,334 |
| OTHER COMPREHENSIVE INCOME RECYCLED TO INCOME | | | |
| Change in the fair value of hedging instruments | (16) | 13 | 15 |
| Translation differences | 737 | 125 | (534) |
| OTHER COMPREHENSIVE INCOME (LOSS) NOT RECYCLED TO INCOME | | | |
| Actuarial gains and losses | 4 | - | (201) |
| Income and expenses recorded directly in equity | 725 | 138 | (720) |
| COMPREHENSIVE INCOME | (6,316) | (7,641) | 2,614 |
| Attributable to Group equity holders | (6,439) | (7,769) | 2,599 |
| Attributable to minority interests | 123 | 128 | 15 |

Consolidated balance sheet

(In € thousands)

| | H1-FY19 | H1-FY18 | FY18 |
|---|----------------|----------------|----------------|
| NON-CURRENT ASSETS | 152,224 | 133,630 | 129,389 |
| Goodwill | 41,550 | 41,301 | 41,404 |
| Intangible assets | 61,708 | 61,072 | 61,811 |
| Property, plant and equipment | 5,863 | 5,900 | 6,101 |
| Right-of-use assets ⁽¹⁾ | 22,103 | - | - |
| Investment in associates | 823 | 409 | 1,083 |
| Deferred tax assets | 14,603 | 14,801 | 10,920 |
| Other non-current assets | 5,570 | 10,147 | 8,070 |
| Cash-flow hedging instruments | 3 | 0 | 0 |
| CURRENT ASSETS | 72,818 | 68,704 | 101,186 |
| Trade receivables | 38,729 | 38,337 | 65,131 |
| Other current receivables | 14,658 | 14,082 | 15,348 |
| Prepaid expenses | 3,939 | 3,428 | 2,620 |
| Cash and cash equivalents | 15,492 | 12,858 | 18,087 |
| TOTAL ASSETS | 225,042 | 202,334 | 230,575 |
| LIABILITIES | | | |
| EQUITY | 99,555 | 94,503 | 105,633 |
| Equity (Group share) | 98,661 | 93,620 | 104,863 |
| Capital | 18,054 | 18,052 | 18,054 |
| Additional paid in capital | 25,818 | 25,803 | 25,818 |
| Reserves and retained earnings | 61,421 | 57,196 | 57,862 |
| Net income (loss) | (7,144) | (7,888) | 3,334 |
| Translation differences | 512 | 456 | (205) |
| Minority interests | 894 | 883 | 771 |
| NON-CURRENT LIABILITIES | 69,883 | 48,418 | 51,370 |
| Long-term share of financial debt | 33,157 | 33,842 | 36,255 |
| Non-current finance lease obligation ⁽¹⁾ | 21,821 | - | - |
| Provision for employee benefits | 10,315 | 9,420 | 9,979 |
| Deferred tax liabilities | 3,763 | 3,737 | 3,738 |
| Cash-flow hedging instruments | 55 | 50 | 13 |
| Other long-term debt | 772 | 1,370 | 1,385 |
| CURRENT LIABILITIES | 55,605 | 59,413 | 73,572 |
| Short-term share of financial debt | 7,670 | 12,187 | 8,801 |
| Current finance lease obligation ⁽¹⁾ | 324 | - | - |
| Trade payables | 6,740 | 9,068 | 8,848 |
| Accrued compensation; taxes and others short-term liabilities | 17,771 | 17,680 | 30,560 |
| Provisions for contingencies, risks and disputes | 701 | 578 | 762 |
| Deferred income | 22,400 | 19,900 | 24,601 |
| TOTAL LIABILITIES | 225,042 | 202,334 | 230,575 |

⁽¹⁾ ESI Group has applied IFRS 16 for the first time as of February 1st 2019. In accordance with the method adopted, the comparative financial information has not been restated.

Consolidated statement of changes in equity

| (In € thousand except number of shares) | Number of shares | Capital | Additional paid-in capital | Net Income, reserves and retained earnings | Translation differences | Equity attributable to parent company owners | Minority interests | Total Equity |
|--|------------------|---------------|----------------------------|--|-------------------------|--|--------------------|----------------|
| AT JANUARY 31, 2018 | 6,016,442 | 18,049 | 25,782 | 56,460 | 349 | 100,638 | 844 | 101,483 |
| Change in fair value of hedging instruments | | | | 15 | | 15 | | 15 |
| Translation differences | | | | | (554) | (554) | 20 | (534) |
| Actuarial gains and losses | | | | (196) | | (196) | (5) | (201) |
| Income and expenses recognized directly in equity | | | | (181) | (554) | (735) | 15 | (720) |
| Net income | | | | 3,334 | | 3,334 | 0 | 3,334 |
| COMPREHENSIVE INCOME | | | | 3,153 | (554) | 2,599 | 15 | 2,614 |
| Proceeds from issue of shares | 1,450 | 4 | 36 | | | 40 | | 40 |
| Treasury shares | | | | (131) | | (131) | | (131) |
| Share-based payments | | | | 751 | | 751 | | 751 |
| Transactions with non-controlling interests | | | | 688 | | 688 | (89) | 599 |
| Other movements | | | | 276 | | 276 | 1 | 277 |
| AT JANUARY 31, 2019 | 6,017,892 | 18,053 | 25,818 | 61,197 | (205) | 104,861 | 771 | 105,633 |
| Change in fair value of hedging instruments | | | | (16) | | (16) | | (16) |
| translation differences | | | | | 717 | 717 | 20 | 737 |
| Actuarial gains and losses | | | | 4 | | 4 | | 4 |
| Recognized income and expense directly in equity | | | | (12) | 717 | 705 | 20 | 725 |
| Net income | | | | (7,144) | | (7,144) | 103 | (7,041) |
| COMPREHENSIVE INCOME | | | | (7,156) | 717 | (6,439) | 123 | (6,316) |
| Proceeds from issue of shares | | | | | | | | |
| Treasury shares | | | | (114) | | (114) | | (114) |
| Share-based payments | | | | 359 | | 359 | | 359 |
| Transactions with non-controlling interests | | | | (41) | | (41) | | (41) |
| Other movements | | | | 35 | | 35 | | 35 |
| AT JULY 31, 2019 | 6,017,892 | 18,053 | 25,818 | 54,280 | 512 | 98,661 | 894 | 99,556 |

Consolidated Statement of Cash Flows

(In € thousands)

| | H1-FY19 | H1-FY18 | FY18 |
|--|----------------|----------------|----------------|
| Net income before minority interests | (7,041) | (7,778) | 3,334 |
| Share of profit of associates | (264) | 550 | (106) |
| Amortization and provisions ⁽¹⁾ | 5,096 | 1,996 | 4,353 |
| Net impact of capitalization of development costs | (82) | (1,635) | (2,679) |
| Income taxes (current and deferred) | (2,501) | (2,794) | 2,505 |
| Income taxes paid | (415) | (332) | (1,736) |
| Unrealized financial gains and losses | (368) | 29 | (370) |
| Share-based payment transactions | 358 | 333 | 751 |
| Gains and losses on assets disposals | 16 | 1 | (6) |
| CASH FLOWS | (4,722) | (9,629) | 6,046 |
| Trade receivables | 26,703 | 25 358 | (442) |
| Trade payables | (2,058) | (1,450) | (1,066) |
| Other receivables and other liabilities | (18,534) | (13,890) | 5,582 |
| Changes in working capital requirements | 6,101 | 10,017 | 4,074 |
| NET CASH FROM OPERATING ACTIVITIES | 1,379 | 388 | 10 ,20 |
| Purchase of intangible assets | (566) | (337) | (796) |
| Purchase of property, plant and equipment | (713) | (1,461) | (3,395) |
| Income of asset transferred | - | - | 8 |
| Acquisition of subsidiaries, net of cash acquired | 33 | 99 | (4) |
| Other investment operations | (785) | (103) | (2,425) |
| NET CASH USED FOR INVESTING ACTIVITIES | (2,032) | (1,802) | (6,613) |
| Proceeds from loans | 8,034 | 4,753 | 49,365 |
| Repayment of borrowings ⁽¹⁾ | (10,030) | (6,276) | (49,869) |
| Proceeds from issue of shares | 0 | 24 | 40 |
| Purchase and proceeds from disposal of treasury shares | (114) | 45 | (131) |
| Dividends paid to minority shareholders | - | (89) | (89) |
| NET CASH USED FOR FINANCING ACTIVITIES | (2,110) | (1,544) | (684) |
| Effect of exchange rate changes on cash and cash equivalents | 164 | 95 | (456) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,599) | (2,863) | 2 367 |
| Opening cash position | 18,086 | 15,725 | 15,720 |
| Closing cash position | 15,487 | 12,858 | 18,087 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (2,599) | (2,863) | 2,367 |

⁽¹⁾ The impact of IFRS 16 increases in the amortization and provision and thus an improvement in self-financing capacity of + 2.8 million euros, against the repayment of finance lease obligation in the financing part of the Cash Flow Statement for -2.8 million euros.