Condensed Interim consolidated financial statements

Exclusive Networks

Period from January 1 to June 30, 2023

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CONSOLIDATED STATEMENT OF INCOME

(in € million)	*Notes*	*30 June 2023*	*30 June 2022*
Revenue	5.1	**1,776**	**1,474**
Costs of purchases goods and services	5.2	(1,551)	(1,283)
Freight on sales		(3)	(3)
Net Margin		**222**	**188**
Personnel costs	5.3	(97)	(90)
Other operating costs	5.4	(39)	(29)
Amortization of intangible assets	5.5	(30)	(30)
Depreciation and amortization of tangible assets	5.5	(7)	(6)
Recurring operating profit		**49**	**32**
Non-recurring operating income and expenses	5.6	1	(0)
Operating profit		**50**	**32**
Finance debt costs	14.4	(14)	(7)
Interest on lease liabilities	14.4	(1)	(0)
Other financial income and expenses	14.4	(11)	(5)
Financial result		**(26)**	**(13)**
Income before taxes		**24**	**19**
Income taxes	6	(6)	(8)
Net income		**18**	**11**
- Attributable to the owners of the parent company		16	10
- Attributable to non-controlling interests		2	1
Earnings per share attributable to parent company (in €):			
- Basic earnings per share	15.3	0.18	0.11
- Diluted earnings per share	15.3	0.18	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € million)	*30 June 2023*	*30 June 22*
Net income	**18**	**11**
Exchange differences on translation of foreign operations net of income tax	(8)	21
Cash flow hedge	4	-
Total items that might be reclassified to profit or loss	**(4)**	**21**
Remeasurements of post-employment benefit obligations net of deferred tax	0	-
Total items that cannot be reclassified to profit or loss	**0**	-
Other comprehensive income/(expense)	**(4)**	**21**
Total comprehensive income/(expense)	**14**	**32**
- Attributable to the owners of the parent company	13	31
- Attributable to non-controlling interests	1	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € million)	*Notes*	*30 June 2023*	*31 Dec 2022*
ASSETS			
Goodwill	7.1	295	295
Other intangible assets	7.2	1,087	1,112
Property, plant and equipment	7.3	7	7
Right-of-use assets	8.1	26	26
Other non-current financial assets	14.1	46	40
Deferred tax assets		9	8
TOTAL NON-CURRENT ASSETS		**1,470**	**1,488**
Inventories	9	218	271
Trade receivables and related accounts	10	925	1,132
Income tax receivables		13	12
Other current financial assets	14.1	18	19
Cash and cash equivalents	13	267	268
TOTAL CURRENT ASSETS		**1,440**	**1,703**
TOTAL ASSETS		**2,910**	**3,191**
EQUITY AND LIABILITIES			
Share capital and share premium	15.1	976	976
Retained earnings and other reserves		(31)	(27)
Foreign currency translation reserve		(4)	4
Equity attributable to the owners of the parent company		**941**	**952**
Non-controlling interests		4	3
TOTAL EQUITY		**945**	**956**
Other non-current financial liabilities	14.2	499	488
Non-current lease liabilities	8.2	19	20
Non-current provisions	16	3	4
Other non-current liabilities		0	0
Deferred tax liabilities		270	274
TOTAL NON-CURRENT LIABILITIES		**792**	**785**
Trade payables and related accounts	11	1,072	1,304
Other current financial liabilities	14.2	79	128
Current lease liabilities	8.2	7	8
Current provisions	16	1	0
Current tax liabilities		15	11
TOTAL CURRENT LIABILITIES		**1,174**	**1,450**
TOTAL EQUITY AND LIABILITIES		**2,910**	**3,191**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Notes	*30 June 2023*	*30 June 2022*
OPERATING ACTIVITIES			
Net income		**18**	**11**
Adjustments for:			
- Depreciation, amortization, impairment and change in provisions		37	36
- Financial debt costs & interests on lease liabilities	14.4	15	8
- Share-based expenses	17.2	2	2
- Income tax expenses	6	6	8
- Other non-cash items		3	6
Income tax paid		**(10)**	**(10)**
Cash flows from operating activities before change in working capital		**70**	**61**
Change in working capital	12	10	91
NET CASH FROM OPERATING ACTIVITIES		**81**	**152**
INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets	7	(3)	(3)
Disposals of fixed assets		0	0
Changes in other financial assets		1	(1)
Impact of changes in scope of consolidation	2	-	(1)
NET CASH FROM INVESTING ACTIVITIES		**(2)**	**(4)**
FINANCING ACTIVITIES			
Dividends paid		(1)	-
Disposal (acquisition) of Treasury shares	15.2	(25)	0
Purchase of non-controlling interests		-	(4)
Proceeds from issuance of bank borrowing	14.2	2	-
Proceeds from issuance of other financial liabilities	14.2	24	12
Factoring liabilities	14.2	(35)	(3)
Short-term financing	14.2	(2)	(5)
Interest paid		(14)	(8)
Repayment of bank borrowing	14.2	(4)	(1)
Repayment of other financial liabilities	14.2	(19)	(13)
Repayment of lease liabilities	8.2	(5)	(5)
NET CASH FROM FINANCING ACTIVITIES		**(79)**	**(26)**
Effects of exchange rate fluctuations on cash and cash equivalents		(1)	0
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALEMENTS		**(1)**	**122**
Net cash and cash equivalents at the beginning of the period		263	125
Net cash and cash equivalents at the end of the period	13	262	247

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € million)	*Share capital*	*Share premiums*	*Treasury shares*	*Consolidated reserves*	*Foreign exchange differences*	*Reserves related to pension obligations*	*Net income*	*Total Group equity*	*Non-controlling interests*	*Total equity*
Balance at 31 December 2021	**7**	**968**	**0**	**(27)**	**(2)**	**0**	**(14)**	**932**	**2**	**934**
Allocation of Net income from the prior year				(14)			14	**-**		**-**
Increase/(decrease) in capital	0	(0)						-		-
Cancellation of treasury shares			(1)					**(1)**		**(1)**
Net income							**36**	**36**	**3**	**39**
Actuarial gain/(losses) net of deferred tax						1		**1**	-	**1**
Cash Flow Hedge				2				**2**		**2**
Foreign exchange difference					6			**6**	(0)	**6**
Total comprehensive income /(expense)				**2**	**6**	**1**	**36**	**44**	**3**	**47**
Dividends				(18)				**(18)**	(0)	**(19)**
Other				(6)				**(6)**	(1)	**(7)**
Balance at 31 December 2022	**7**	**968**	**(1)**	**(64)**	**4**	**1**	**36**	**952**	**3**	**956**
Allocation of Net income from the prior year				36			(36)	-		-
Cancellation of treasury shares [(1)]			(25)					**(25)**		(25)
Net income							**16**	**16**	**2**	**18**
Actuarial gain/(losses) net of deferred tax								**-**		**-**
Cash Flow Hedge				4				**4**		**4**
Foreign exchange difference					(8)	0		**(8)**	(0)	**(8)**
Total comprehensive income /(expense)				**4**	**(8)**	**0**	**16**	**13**	**1**	**14**
Dividends								**-**	(0)	(0)
Other				1				**1**	(1)	1
Balance at 30 June 2023	**7**	**968**	**(26)**	**(22)**	**(4)**	**1**	**16**	**941**	**4**	**945**

[(1)] Cancellation of treasury shares: see *Note 15.2. Treasury shares*.

Note 1. General information

1.1. Presentation of the Group

Exclusive Networks S.A. was initially incorporated on 19 April 2018 for the purpose of acquiring, through its subsidiary Everest SubBidCo S.A.S., all outstanding shares in Exclusive France Holding S.A.S. on 4 July 2018.

As a global specialist in innovative cybersecurity technologies, Exclusive Networks S.A., and its subsidiaries (the “Group” or “Exclusive Networks”) buy and sell cybersecurity solutions and adjacent products of the vendors it represents, including hardware, licenses, and software, as well as support and maintenance services. It also provides other services such as training, support, and installation. With offices in over 47 countries across five continents, the Group operates through three theaters EMEA (Europe, Middle East, Africa), APAC (Asia-Pacific) and Americas.

Exclusive Networks S.A., whose registered office is located at 20, Quai du Point du Jour, 92100 Boulogne-Billancourt, is a French corporation (Société Anonyme) whose shares have been listed on the Euronext Paris, compartment A, since 23 September 2021.

1.2. Significant events of the period

Share buyback program

During the first half of 2023, the General Shareholders' Meeting on 8 June 2023 renewed for a further period of 18 months the authorization given to the Board of Directors to purchase a certain number of shares of the Company according to the following criteria:

- a number of shares representing up to 10% of its share capital
- a maximum price per share of €30 and a maximum amount of €100 million

The Group has signed a contract with an investment services provider for the purchase of its own shares, for a maximum amount of €25 million over a period starting 20 March 2023 and extending to 21 December 2023.

On 23 May 2023, the Board of Directors authorized the Company to buy back its own shares in connection with the sale of a block of shares by HTIVB through an Accelarated Book Building (ABB), up to a maximum amount of ten million euros. Hence, Exclusive Networks S.A. bought back 0.6% of its shares on 24 May 2023, at a unit price of €19, on the occasion of the sale by HTIVB of a stake of circa 3.7%. This €10 million transaction is financed by the Group's liquidity. This transaction resulted in a change in Group shareholders' equity detailed in *Note 15.2. Treasury shares*.

2023 Long-term incentive plan ("LTIP")

The Group set up a free-share plan on 17 April 2023 *(see Note 17. Share-based payment)*.

The shares are granted based on certain conditions:
- continued employment for the duration of the plan until the vesting date;
- performance conditions based on non-market performance indicators.

In accordance with the principles of IFRS 2, the expense of €2.3 million as of 30 June 2023, was recorded in personnel costs.

Change in the Executive Committee

In January 2023, Ms Nathalie Bühnemann has been appointed as Group Chief Financial Officer to replace Mr Pierre Boccon-Liaudet.

Note 2. Changes in the scope of consolidation

The changes in the scope of consolidation result from business combinations as defined by IFRS 3R - Business combinations and acquisitions of assets and groups of assets.

As at 30 June 2023, the Group has not made any acquisition.

On 6 March 2023, the Group has sold its shares in Networks Unlimited (Mauritius) Ltd a dormant entity This sale has no impact on the consolidated financial statements.

In the first half of 2022, changes in the scope of consolidation were the following:

- On 4 February 2022, Spinnaker and L.L.R. exercised their put options for €0.2 million and €1.1 million, respectively, increasing the interest held by Exclusive Networks S.A.S. in Exclusive Capital Holding to 100%, following the merger between Exclusive Capital Holding and Exclusive Capital S.A.S.

- JJ-Net Taiwan exercised two put options, 10% for HKD 4.1 million (€0.5 million) on 20 April 2022.

- Exclusive Networks Information for IT was registered on 19 January 2022, giving effect to the partnership agreement entered between the company Al Hejailan and Exclusive Networks for the distribution of the Group's activities in Saudi Arabia.

- During 2022 financial year, the Group has created:
    - the company Ignition France S.A.S. on 28 January 2022;
    - the company Exclusive Networks Distribution Nigeria Ltd on 12 April 2022;

- The TSM Network SDN entity in Malaysia was liquidated on 1 April 2022.

Note 3. Accounting policies

3.1. Basis of preparation

The interim consolidated financial statements for the six-month period ended 30 June 2023 have been prepared and are presented in condensed form in accordance with IAS 34 - Interim Financial Reporting. Accordingly, the notes presented concern significant events and transactions in the first half of the year and should be read in conjunction with the consolidated financial statements as at 31 December 2022.

The interim consolidated financial statements as at 30 June 2023 have been reviewed by the Audit Committee and approved by the Board of Directors on 2 August 2023. The accompanying notes are integral part of the consolidated financial statements.

The accounting policies applied in the preparation of the consolidated financial statements as at 30 June 2023 comply with IFRS and with the standards published by the IASB and adopted by the European Union. They are consistent with those applied as at 31 December 2022, except for:

- the calculation of the income tax effect (see *Note 6. Income taxes*);
- pension engagements that were not subject to new actuarial valuations for the interim consolidated financial statements. The pension expense for the period represents 50% of the estimated expense for 2023 based on the data used as of 31 December 2022, extrapolated from the significant changes in assumptions (change in discount rates);
- and the standards, amendments, and interpretations applicable for the first time as of 1 January 2023.

The consolidated financial statements are presented in euro currency. Unless otherwise stated, all amounts are stated in millions of euros. Rounding differences on totals may occur between the different financial statements.

Seasonality

The Group is subject to seasonal fluctuations which led to higher activity the second half of the year than in the first. The main balance-sheet items positions affected by this seasonality are trade receivables and trade payables, as well as inventories (see *Note 10. Trade receivables and related accounts, Note 12. Operating Working Capital* and *Note 9. Inventories*).

3.2. Accounting policies

IFRS standards, amendments, and interpretations effective from 1 January 2023

The IFRS standards, amendments and interpretations published by the IASB and whose application is mandatory as at 1 January 2023 include:

- amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies
- amendments to IAS 8 - Definition of accounting estimates
- amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a Single Transaction.

These amendments did not significantly impact the Group's financial statements as at 30 June 2023.

IFRS standards, amendments, and interpretations not yet adopted by the European Union

- amendments to IAS 1 - Classification of Liabilities as Current or Non-current - Deferral of Effective Date - Classification of debt with covenants as current or non-current
- Amendments to IFRS 16 - Leases: Lease Liability in a Sale and Leaseback.

The Group is currently assessing the potential impact of these amendments on its annual consolidated financial statements.

3.3. Use of judgements and estimates

Estimates

The preparation of the consolidated financial statements requires Group management to use estimates and assumptions that could affect the reported amounts of assets and liabilities, equity, income and expenses and accompanying disclosures. Management also needs to exercise judgement in applying the Group's accounting policies. The actual amounts may ultimately differ from those estimates owing to changes in events and circumstances.

The key estimates used in preparing the Group's condensed interim financial statements are consistent with those described as at 31 December 2022, with the exception of the following assumptions used for the interim financial statements:

- for taxes, use of the average effective tax rate expected for the full year (see *Note 6. Income taxes*)
- for the actuarial valuation rate for pensions, use of the rate at the end of the previous fiscal year adjusted for significant changes in the markets and non-recurring events.

Judgements

Group management also makes judgements in determining the appropriate accounting policies to apply to certain activities and transactions, particularly when the IFRS standards and IFRIC interpretations in force do not specifically deal with the related accounting issues.
Management made judgments in the same manner as for the consolidated financial statements as at 31 December 2022.

Climate risks

The Group takes climate risks into consideration, based on its best knowledge, as part of its accounts closing assumptions. Management's assessment of climate risks and their impact on the Group's financial statements is identical to the one as at 31 December 2022.

Note 4. Segment information

Gross Sales and adjusted EBIT by operating segments

For the period from January 1 to June 30, 2023:

(in € million)	*EMEA*	*Americas*	*APAC*	*Corporate*	*Total*
Gross Sales	1,822	298	211	-	**2,331**
Adjusted EBIT	89	7	10	(22)	**84**

For the period from January 1 to June 30, 2022:

(in € million)	*EMEA*	*Americas*	*APAC*	*Corporate*	*Total*
Gross Sales	1,528	200	219	-	**1,947**
Adjusted EBIT	70	4	11	(18)	**67**

Gross Sales (non-GAAP indicator) reconcile to IFRS 15 Revenue from Contracts with Customers as follows:

(in € million)	*30 June 2023*	*30 June 2022*
Revenue	**1,776**	**1,474**
IFRS 15 restatement – Activity as agent (mainly support and maintenance)	555	474
Gross Sales	**2,331**	**1,947**

For revenue by nature of products and services and by geography, see *Note 5.1 Revenue*.

Adjusted EBIT reconciles to Operating profit as follows:

(in € million)	*30 June 2023*	*30 June 2022*
Operating profit	**50**	**32**
Non-recurring operating income and expenses - IFRS (1)	(1)	0
Amortization of intangible assets (2)	30	30
Implementation costs (3)	2	2
Share-based payment (4)	2	2
Other non-recurring operating income and expenses - Non-GAAP	1	1
Adjusted EBIT	**84**	**67**

(1) see *Note 5.6. Non-recurring operating income and expenses.*

(2) Amortization of intangible assets mainly relates to amortization of vendor relationships (see *Note 5.5. Depreciation and amortization*).

(3) Implementation costs mainly relate to information technology projects associated with setting up the new management system for the Group's finance and operations functions.

(4) see *Note 17. Share-based payment.*

Note 5. Operating income and expenses

5.1. Revenue

Revenue can be analyzed by nature of products and services as follows:

(in € million)	*30 June 2023*	*30 June 2022*
Licenses, software and hardware associated to licenses and software	1,718	1,422 [2]
Other [1]	58	52 [2]
Revenue	**1,776**	**1,474**

[1] This includes vendor support and maintenance, finance lease revenue and professional services performed by the Group (installation, training, etc.).
[2] Including a reclassification of some sales from "Other" to "Licenses, software and hardware associated to licenses and software".

Geographic areas representing more than 10% of total revenue are the following:

(in € million)	*30 June 2023*	*30 June 2022*
Revenue by geography		
United-Kingdom	281	267
France	215	160
United States	200	129
Rest of the world [1]	1,080	917
Revenue	**1,776**	**1,474**

[1] No other country represents more than 10% of consolidated revenue individually.

For each of presented period, no single customer represents more than 5% of the Group's consolidated revenue.

5.2. Costs of purchases goods and services

(in € million)	*30 June 2023*	*30 June 2022*
Purchase of goods and services	(1,501)	(1,314)
Change in inventories	(46)	33
Net allowance for stock depreciation	(4)	(2)
Costs of purchased goods and services	**(1,551)**	**(1,283)**

5.3. Personnel costs

The personnel costs recorded in the consolidated statement of income are as follows:

(in € million)	*30 June 2023*	*30 June 2022*
Wages and salaries	(83)	(76)
Social security costs	(14)	(14)
Personnel costs	**(97)**	**(90)**

The average workforce expressed as full-time equivalent for the first semester of 2023 is 2,481 people compared to 2,420 people for the first semester 2022.

5.4. Other operating costs

(in € million)	*30 June 2023*	*30 June 2022*
External fees	(13)	(12)
Other operating expenses [1]	(26)	(17)
Other operating costs	**(39)**	**(29)**

[1] Includes travel expenses, marketing and advertising costs, insurance, rental expenses excluded from IFRS 16 - Lease scope of application, and bank fees.

5.5. Depreciation and amortization

Amortization of intangible assets mainly relate to amortization of vendors' relationship identified in the context of business combinations over a period reflecting the expecting pattern of consumption of the future economic benefits. These intangible assets resulted mainly from the acquisition of Exclusive France Holding Group by Exclusive Networks S.A. on 4 July 2018.

(in € million)	*30 June 2023*	*30 June 2022*
Amortization of intangible assets	(30)	(30)
Depreciation and amortization of tangible assets	(2)	(2)
Depreciation and amortization of right-of-use assets	(4)	(4)
Depreciation and amortization	**(37)**	**(36)**

5.6. Non-recurring operating income and expenses

Non-recurring operating income and expenses include items which are defined as unusual, abnormal and infrequent. They are limited in number and presented separately in order not to distort the understanding of the Group's underlying performance.

(in € million)	*30 June 2023*	*30 June 2022*
IPO related costs	-	(0)
Acquisition costs	-	(0)
Integration costs	1	-
Litigations	-	-
Gain and losses on disposals of property, plant and equipment	(0)	(0)
Other	(1)	-
Non-recurring operating income and expenses	**1**	**(0)**

Note 6. Income taxes

In accordance with IAS 34 - Interim Financial Reporting, the tax expense is calculated based on weighted average effective annual income tax rate applied to profit or loss before income tax as determined by each tax administration. As at 30 June 2023, the Group's average effective tax rate amounts to 25,1%.

In the normal course of their activities, some subsidiaries are subject to audits by local tax authorities. Some inspections are ongoing as at the date the consolidated financial statements were approved by the Board, and their outcome is not known at this stage. The Group on-going tax audits are taken into account when measuring the income tax liability under IFRIC 23 - Uncertainty over Income Tax treatments. When applicable, uncertain tax positions are presented as tax expenses in the statement of income, and as current or deferred taxes in the statement of financial position.

Note 7. Fixed assets

7.1. Goodwill

Goodwill result from previous business combinations.

(in € million)	*Gross*	*Impairment*	*Net carrying value*
At 31 December 2022	295	-	295
Changes in fair value within one year of acquisition	-	-	-
Translation adjustments and other	0	-	0
At 30 June 2023	**295**	**-**	**295**

In accordance with IAS 36 - Impairment of Assets, the Group uses internal and external inputs to analyze whether events or changes in circumstances indicate that its assets may be impaired. The indicators reviewed include discounts rates (WACC) as well as perpetual growth rate, declines in profitability and/or deviations from the budget.

After reviewing internal and external inputs of information, Management concluded that there was no indication of impairment as at 30 June 2023.

7.2. Intangible assets

Intangible assets are broken down as follows:

(in € million)	*30 June 2023*			*31 Dec 2022*
	Gross	*Accumulated amortization*	*Net*	*Net*
Trademark [1]	222	-	222	221
Vendor relationships [2]	1,142	(279)	863	888
Other intangible assets	10	(7)	2	3
Total intangible assets	**1,374**	**(286)**	**1,087**	**1,112**

[1] The trademark corresponds to "Exclusive Networks" commercial brand.

[2] The value of the customer/resellers relationships portfolio is implicitly captured in the vendor relationships valuations since the termination of a partnership with a vendor would also break the relationship with the associated resellers.

Changes in the gross amount of intangible assets are broken down as follows:

Gross value of intangible assets (in € million)	*Trademark*	*Vendor relationships*	*Other intangible assets*	*Total intangible assets*
At 31 December 2022	**221**	**1,137**	**9**	**1,367**
Acquisitions	-	-	1	1
Translation adjustments	1	5	0	5
Reclassification and other	-	-	0	0
At 30 June 2023	**222**	**1,142**	**10**	**1,374**

Changes in the accumulated amortization of intangible assets are broken down as follows:

Accumulated amortization of intangible assets (in € million)	*Trademark*	*Vendor relationships*	*Other intangible assets*	*Total intangible assets*
At 31 December 2022	**-**	**(249)**	**(6)**	**(255)**
Increase	-	(29)	(1)	(30)
Disposals and retirements	-	-	0	0
Translation adjustments	-	(1)	(0)	(1)
Reclassification and other	-	-	(0)	(0)
At 30 June 2023	**-**	**(279)**	**(7)**	**(286)**

7.3. Property, plant, and equipment

Property, plant, and equipment are broken down as follows:

(in € million)	*30 June 2023*			*31 Dec 2022*
	Gross	*Accumulated depreciation*	*Net*	*Net*
Leasehold improvements and furniture	5	(3)	2	1
Computer equipment	12	(9)	2	3
Transport equipment	1	(1)	0	0
Other tangible assets	10	(7)	3	3
Total property, plant, and equipment	**28**	**(21)**	**7**	**7**

Changes in the gross amount of property, plant and equipment are broken down as follows:

Gross value of property, plant and equipment (in € million)	*Leasehold improvements and furniture*	*Computer equipment*	*Transport equipment*	*Other tangible asset*	*Total property, plant and equipment*
At 31 December 2022	**5**	**11**	**1**	**9**	**26**
Acquisitions	1	1	0	1	2
Disposals and retirements	(0)	(0)	(0)	(0)	(1)
Translation adjustments	0	(0)	0	(0)	(0)
Reclassification and other	(0)	(0)	-	0	0
At 30 June 2023	**5**	**12**	**1**	**10**	**28**

Changes in the accumulated depreciation of property, plant and equipment are broken down as follows:

Accumulated depreciation of property, plant and equipment (in € million)	*Leasehold improvements and furniture*	*Computer equipment*	*Transport equipment*	*Other tangible asset*	*Total property, plant and equipment*
At 31 December 2022	**(3)**	**(9)**	**(1)**	**(6)**	**(19)**
Increase	(0)	(1)	(0)	(1)	(2)
Disposals and retirements	0	0	0	0	1
Translation adjustments	(0)	0	(0)	0	0
Reclassification and other	0	(0)	-	(1)	(0)
At 30 June 2023	**(3)**	**(9)**	**(1)**	**(7)**	**(21)**

Note 8. Leases

8.1. Right-of-use assets

The right-of-use assets are broken down as follows:

(in € million)	*30 June 2023*			*31 Dec 2022*
	Gross	*Accumulated depreciation*	*Net*	*Net*
Offices	41	(19)	22	23
Cars	7	(4)	3	3
Other	1	(0)	0	0
Total right-of-use	**48**	**(23)**	**26**	**26**

Changes in gross amount of right-of-use assets are broken down as follows:

Gross value of the right-of-use assets (in € million)	*Offices*	*Cars*	*Other*	*Total*
At 31 December 2022	**42**	**6**	**1**	**49**
Acquisitions (new leases and revaluations)	3	1	0	4
Lease terminations	(4)	(1)	(0)	(4)
Translation adjustments	(0)	(0)	(0)	(0)
Reclassification and other	(0)	0	(0)	(0)
At 30 June 2023	**41**	**7**	**1**	**48**

Changes in accumulated depreciation of right-of-use assets are broken down as follows:

Accumulated depreciation right-of-use assets (in € million)	*Offices*	*Cars*	*Other*	*Total*
At 31 December 2022	**(19)**	**(4)**	**(0)**	**(23)**
Increase	(3)	(1)	(0)	(4)
Lease terminations	3	1	0	4
Translation adjustments	0	0	(0)	0
Reclassification and other	0	0	0	1
At 30 June 2023	**(19)**	**(4)**	**(0)**	**(23)**

8.2. Lease liabilities

(in € million)	*30 June 2023*	*31 Dec 2022*
Current lease liabilities	7	8
Non-current lease liabilities	19	20
Total lease liabilities	**27**	**27**

(in € million)	*Total liabilities*
At 31 December 2022	**27**
Increase (new leases and revaluations)	4
Repayment of lease liabilities	(5)
Translation adjustments	(0)
Reclassification and other	0
At 30 June 2023	**27**

The maturity analysis of undiscounted rental expenses is as follows:

(in € million)	*Less than 1 year*	*1 to 3 years*	*3 to 5 years*	*More than 5 years*
Undiscounted future rental expenses by maturity	9	11	5	6

Future cash flows from lease liabilities are broken down as follows:

(in € million)	*Less than 1 year*	*1 to 3 years*	*3 to 5 years*	*More than 5 years*
Lease liabilities	7	9	5	5

Note 9. Inventories

Changes in inventories are broken down as follows:

(in € million)	*Gross value*	*Impairment*	*Net book value*
At 31 December 2022	**285**	**(14)**	**271**
Changes	(46)	(4)	(50)
Translation adjustments	(4)	0	(3)
Reclassification and other	0	0	0
At 30 June 2023	**236**	**(18)**	**218**

Note 10. Trade receivables and related accounts

Trade receivables and related accounts are broken down as follows:

(in € million)	*30 June 2023*	*31 Dec 2022*
Trade receivables – gross	872	1,086
Provision for doubtful account	(13)	(12)
Total trade receivables – net amount	**859**	**1,074**
Advanced payments	**27**	23
Prepaid expenses	31	28
Tax and social security receivables other than income tax	6	7
Other receivables	2	1
Total other receivables	**66**	**59**
Total trade receivables and related accounts	**925**	**1,132**

As at 30 June 2023, all trade receivables, other receivables and prepaid expenses are due within less than one year, except for €4.4 million with regard to Exclusive Networks Ltd (United-Kingdom), which are due in more than one year.

Receivables transferred and derecognized

As at 30 June 2023, the receivables transferred and financed under the pan-European program which meet the conditions for derecognization amounted to €155.7 million compared to €188.5 million as at 31 December 2022.

Note 11. Trade payables and related accounts

(in € million)	*30 June 2023*	*31 Dec 2022*
Trade account payables	907	1,098
Advances and down payments received	3	6
Deferred income	42	45
Payable to customers	15	23
Tax and social security payables other than income tax	102	131
Other liabilities	2	2
Trade payables and related accounts	**1,072**	**1,304**

As at 30 June 2023, trade payables and related accounts are due within less than one year. Trade payables and related accounts are recognized at their net carrying value which, given that payments are generally due in less than three months, is close to their fair value.

Note 12. Operating Working Capital

(in € million)	Notes	Net Working Capital 31 Dec 2022	Variation Net Working Capital	Translation Adjustments	Other Movements	Net Working Capital 30 June 2023
Inventories	9	271	(50)	(3)	0	218
Trade receivables and related accounts [1]	10	1,132	(194)	(14)	(0)	925
Trade payables and related accounts [2]	11	(1,304)	221	10	1	(1,072)
Operating Working Capital		**100**	**(22)**	(8)	1	**71**
Other operating assets and liabilities [3]			**12**			
Change in working capital			**10**			

[1] The trade receivables and related accounts exclude income tax receivables, which are set out separately in the consolidated statement of financial position.
[2] The trade payables and related accounts include withholding payables.
[3] The other operating assets and liabilities mainly relate to financial derivatives.

Compared to the first half of 2022, the cash flow resulting from operating working capital has decreased from €103.4 million to €22.4 million in the first half of 2023 *(see the Consolidated Statement of Cash Flows)*, representing a degradation of €81.0 million. This variation is mainly explained by the one-off effect, in 2022, of the implementation of the pan-European factoring program in new countries for 40.8 million euros and the seasonality of the activity.

Note 13. Cash and cash equivalents

(in € million)	30 June 2023	31 Dec 2022
Cash equivalents	107	1
Cash at bank	160	267
Cash and cash equivalents	**267**	**268**
Bank overdrafts	(5)	(6)
Net cash and cash equivalents	**262**	**263**

The cash equivalents are mainly related to short term deposits. As at 30 June 2023 and as at 31 December 2022, the position Net cash and cash equivalents is not subject to any restriction.

Note 14. Financial assets and liabilities, financial result

14.1. Financial assets (excluding derivatives)

The following table shows the breakdown of financial assets:

(in € million)	*30 June 2023*			*31 Dec 2022*		
	Non-current	*Current*	Total	*Non-current*	*Current*	*Total*
Trade receivables and other receivables	-	925	925	-	1,132	1,132
Other financial assets:						
Exclusive Capital financial assets	38	8	46	31	14	45
Guarantee deposits	6	-	6	7	-	7
Loans	3	-	3	3	-	3
Other	0	10	10	0	5	5
Total financial assets	**46**	**943**	**989**	**40**	**1,151**	**1,192**

Exclusive Capital financial assets relate to IT solution systems sold through Exclusive Capital financing arrangements.

The Group's exposure to the various risks associated with financial instruments is discussed in *Note 18.1. Financial risk management.*

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

14.2. Financial liabilities (excluding derivatives and lease liabilities)

14.2.1. Debt by type

(in € million)	*30 June 2023*			*31 Dec 2022*		
	Non-current	Current	Total	Non-current	Current	Total
Bank borrowings	458	6	**464**	456	6	**462**
Non-controlling interests put options	-	28	**28**	-	24	**24**
Short-term loans	-	23	**23**	-	26	**26**
Factoring liabilities	-	0	**0**	-	35	**35**
Other financial liabilities (1)	41	15	**56**	32	31	**62**
Bank overdrafts	-	5	**5**	-	6	**6**
Total financial liabilities	**499**	**79**	**577**	**488**	**128**	**616**

(1) As at 30 June 2023, this mainly relates to solutions specific third-party financing agreements.

Details of the Group's exposure to risks arising from current and non-current borrowings (especially interest rate risk) are set out in *Note 18.1. Financial risk management.*

On 16 July 2021, Everest SubBidCo S.A.S. entered into a new senior loan agreement negotiated with a syndicate of international banks. This senior loan agreement consists of i) a long-term loan for an aggregate amount equal to €450 million, which is split between a "Facility B1" tranche of €315 million and a "Facility B2" tranche of £120 million ii) a multi-currency revolving credit line whose total commitments (original and additional revolving facility) correspond to an aggregate amount of €120 million.

The senior loans (Facility B1 and B2) as well as the secured revolving credit facility mature on 27 September 2026.

The revolving credit facility for an initial amount of €120 million, included in the senior loan agreement entered into July 2021, is intended to finance external growth transactions and working capital needs. It is not undrawn as at 30 June 2023, nor it was undrawn as at 31 December 2022.

In November 2022, the Group has decided to hedge the cost of its senior debt against an increase in interest rates (see *Note 14.3.2. Interest rate hedging instruments*).

14.2.2. Change in debt and debt by maturity date

(in € million)	*31 Dec 2022*	*Cash*		*Non-cash*		*30 June 2023*	*Less than 1 year*	*1 to 5 years*
		Increase	*Decrease*	*Change in scope*	*Other*			
Bank borrowings	462	2	(4)	-	5	464	6	458
Non-controlling interests put options	24	-	-	-	4	28	28	-
Short-term loans	26	-	(2)	-	(0)	23	23	-
Factoring liabilities	35	-	(35)	-	0	0	0	-
Other financial liabilities	62	24	(19)	-	(12)	56	15	41
Bank overdrafts	6	-	(0)	-	(0)	5	5	-
Total financial liabilities	616	26	(61)	-	(3)	577	79	499

14.2.3. Financial covenants

The senior facilities agreement dated 16 July 2021, contains a financial covenant for the benefit of the lenders of the senior loan. To comply with this financial covenant, the Group must perform a test at the end of each half-year. This test determines whether the total net debt of the Group (as defined in the contract) exceeds 4.75:1 of pro forma consolidated EBITDA. The leverage is reduced to 4.00:1 from March 2024.
If the financial covenant is breached, the Group must receive, on its balance sheet, the cash proceeds of a new shareholder investment.

Total Net Debt defined in the contract means the aggregate outstanding amount of all borrowings of the Group, including the capital value of the lease and deducting i) the borrowings in relation to the non-controlling interests and ii) all contingent liabilities under a guarantee, indemnity, bond, standby or documentary letter of credit, less the aggregate amount of cash and cash equivalent held by the Group.

As at 30 June 2023, as well as at 31 December 2022, this financial covenant is respected.

14.3. Derivatives and hedge accounting

14.3.1. Foreign exchange hedging instruments

To hedge against foreign exchange risk (mainly purchases denominated in U.S. dollar made by a large number of Group's subsidiaries), the Group holds forward currency purchase contracts that qualify as fair value hedge.

As at 30 June 2023 the outstanding currency hedging position on U.S. dollar was as follows:

- nominal value of forward purchase contracts: $391.3 million
- nature of the hedged items: dollar-denominated purchases of goods and services and euro-dollar currency swaps on dollar cash positions at the closing date
- the fair value of the contracts exchange rate amounts to €(1.0) millions
- maturity of the contracts mostly staggered between July and December 2023.

The net notional amount of derivative instruments hedging the main currencies and their respective mark-to-market values are detailed below:

(in € million)	*Nominal*		*Market value*	
	30 June 2023	*31 Dec 2022*	*30 June 2023*	*31 Dec 2022*
USD/AUD	20	19	0	0
USD/EUR	282	291	(1)	(11)
USD/GBP	25	21	(0)	(1)
USD/NOK	6	10	(0)	(0)
USD/SEK	10	15	0	(0)
USD/PLN	4	14	(0)	(0)
Other currencies	24	27	0	(0)
Total	**373**	**396**	**(1)**	**(13)**

As at 30 June 2023 and as at 31 December 2022, all the Group's net foreign exchange risk exposure was hedged.

14.3.2. Interest rate hedging instruments

Under the new refinancing of 27 September 2021, the Group has contracted two term loans of €315 million indexed on Euribor 3 months and £120 million indexed on 3-month compounded Sonia.

In November 2022, the Group has decided to hedge its senior debt against an increase in interest rates through two CAP's options agreements and a SWAP contract.

The CAP contracts cover the totality of the principal of the Facility B1 (€315 million) and enable to cap the floating interest rate (Euribor 3 months) to a maximum of 3%. The SWAP contract covers the totality of the principal of the Facility B2 (£120 million) and consists in exchanging the floating interest rate (3-month compounded Sonia) against a fix interest rate.

The maturity of the CAP and SWAP contracts is 31 December 2024.

CAP and SWAP contracts have been qualified as cash flow hedging instruments under IFRS 9 - Financial Instruments standard.

As at 30 June 2023, the Group recognized financial derivative instruments for €7.7 million and has capitalized a cash flow hedging reserve of €5.8 million.

14.3.3. Fair value and nominal amounts

The fair value of financial instruments that are not quoted in an active market (level 2 of the fair value hierarchy defined in IFRS 13 - Fair value measurement, see *Note 14.5. Fair value of financial assets and liabilities*), such as Exclusive Networks' derivatives and financial liabilities, is determined by reference to commonly used valuation techniques such as the discounted cash flow method, based on observable market inputs.

	30 June 2023			31 Dec 2022		
(in € million)	*Assets at fair value*	*Liabilities at fair value*	*Nominal amount*	*Assets at fair value*	*Liabilities at fair value*	*Nominal amount*
Fair value hedges (foreign exchange risk)	2	(2)	373	1	(14)	396
Cash flow hedges (interest rate risk)	8	-	455	4	-	450
Total	**10**	**(2)**	**828**	**5**	**(14)**	**846**

14.4. Financial result

(in € million)	*30 June 2023*	*30 June 2022*
Financial debt costs (A)	**(14)**	**(7)**
Interest expenses on lease liabilities (B)	**(1)**	**(0)**
Other financial Income and expenses (C)	**(11)**	**(5)**
Net interest expenses on retirement benefit plans	-	-
Realized and unrealized foreign exchange gains & losses	(4)	0
Other financial expenses	(8)	(5)
Other financial income	1	0
Financial result (A)+ (B)+ (C)	**(26)**	**(13)**

Financial debt costs mainly include interests related to the senior debt that started on 27 September 2021.

Factoring programs allow the Group to benefit from shortened payment terms. The associated expenses for €5.0 million have been accounted for in Other financial expenses.

Other financial expenses include a €1.9 million loss on net monetary positions related to hyperinflation in Turkey, compared to a loss of €4.3 million as at 30 June 2022.

14.5. Fair value of financial assets and liabilities

The table below presents a breakdown of financial instruments recognized at fair value by measurement method. The different levels of fair value are defined as follows:

- Level 1: prices quoted on an active market (unadjusted). The types of assets carried at level 1 fair value are equity and debt securities listed in active markets.
- Level 2: observable data other than prices quoted on an active market (financial data), derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models.
- Level 3: unobservable data derived from valuation techniques using inputs for the asset or liability that are not based on observable market data.

Depending on whether they qualify as hedges, derivatives are classified in accordance with IFRS 9 - Financial instruments.

		30 June 2023			31 Dec 2022		
(in € million)	*Classification under IFRS 9*	*level 1*	*Level 2*	*Level 3*	*level 1*	*Level 2*	*Level 3*
Financial assets at fair value		**-**	**-**	**-**	**-**	**-**	**-**
Other financial securities	FVPL[1]	-	-	-	-	-	-
Derivatives – Assets		**-**	**10**	**-**	**-**	**5**	**-**
Currency	FVPL[1]	-	2	-	-	1	-
Interest rate	FVOCI[2]	-	8	-	-	4	-
Derivatives – Liabilities		-	**(2)**	-	-	**(14)**	-
Currency	FVPL[1]	-	(2)	-	-	(14)	-

[1] "FVPL" stands for "fair value through profit or loss".
[2] "FVOCI" stands for "fair value through Other comprehensive income".

The fair value of short-term financial assets and liabilities is considered equivalent to their net value due to their close maturity dates.

Note 15. Equity and earnings per share

15.1. Share capital

There were no changes in share capital between 31 December 2022 and 30 June 2023. The number of shares is equal to 91,670,286.

As at 30 June 2023 the share capital amounted to €7 million and share premiums amounted to €968 million.

The share capital is fully paid-up.

15.2. Treasury shares

As part of the share buyback program detailed in *Note 1.2. Significant events of the period*, Exclusive Networks S.A. bought back 1,270,750 shares at an average price of € 19.46 between 20 March 2023 and 30 June 2023 for an amount of €24.7 million. This amount includes the purchase from HTIVB of 0.6% of its shares at a unit price of €19 on 24 May 2023. This €10 million transaction is financed by the Group's liquidity.

As at 30 June 2023, a total amount of €25.5 million was invested in EXN treasury shares, corresponding to 1,311,645 shares and the cash balance of the liquidity account stood at €1.4 million.

15.3. Earnings per share

Basic earnings per share is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding, less treasury shares held.

For the diluted earnings per share calculation, the weighted average number of shares and basic earnings per share are adjusted - to take into account the impact of the conversion or exercise of any potentially dilutive equity instruments in accordance with the methodology set out in IAS 33 - Earnings per Share.

	30 June 2023	*30 June 2022*
Net result attributable to owners of the parent company (in € million)	16	10
Number of ordinary shares outstanding before dilution	91,670,286	91,670,286
Number of treasury shares outstanding (1)	369,511	19,543
Weighted average number of ordinary shares and similar	**91,300,775**	**91,458,075**
Basic earnings per share (EPS) (in €)	**0.18**	**0.11**
Net result attributable to owners of the parent company for diluted earning per share calculation (in € million)	16	10
Dilutive instruments: free shares	306,949	54,082
Weighted average number of ordinary shares (diluted) (1)	91,607,721	91,512,157
Diluted earnings per share (in €)	**0.18**	**0.11**

(1) Treasury shares held at closing date: 1,311,645 as at 30 June 2023 and 24,488 as at 30 June 2022.
(2) The dilution effect comes from the long-term incentive plans (see *Note 17. Share-based payment*).

Note 16. Current and non-current provisions

(in € million)	*30 June 2023*	*31 Dec 2022*
Provisions for contingencies	1	0
Provisions for pensions and other employee benefits	0	0
Current provisions	**1**	**0**
Provisions for contingencies	1	1
Provisions for pensions and other employee benefits	3	3
Non-current provisions	**3**	**4**
Total current and non-current provisions	**4**	**4**

Current and non-current provisions are mainly composed of provisions for pensions.

The pension reform in France promulgated on 14 April 2023 has no significant impact on the Group's consolidated financial statements.

In 2022, the Group was informed of the opening of a preliminary investigation by the French National Financial Prosecutor's Office ("PNF") that could lead to charges based on violation of French anti-corruption law, in connection with events alleged to have taken place in India, Malaysia, Indonesia, Vietnam and Thailand between 2017 and 2020 approximately following an acquisition in Asia. It is not possible at this time to predict the outcome of this investigation. The Group is fully cooperating with the PNF and continues - as before - to reinforce its compliance program. The Management is confident that they have taken appropriate actions to address the matter. At this stage of the investigation, no significant impact has been identified on the financial statements.

Note 17. Share-based payment

Free ordinary shares

In 2023, the Group set up a free share allocation program whose vesting period will end in April 2026. (See *Note 1.2. Significant events of the period*)

In 2022, the Group had set up a free share allocation program whose vesting period will end in May 2024.

17.1 Number of instruments granted during the period

The terms of the free share plans outstanding as at 30 June 2023 are set out in the tables below:

Number of instruments	*Outstanding as at 31 Dec 2022*	*Rights issued*	*Rights exercised*	*Rights forfeited*	*Outstanding as at 30 June 2023*
Free ordinary shares – 2022 plan	257,889	-	-	36,488	221,401
Free ordinary shares – 2023 plan	-	389, 224	-	10,678	378,546

Free share plan

The terms of the free share plans are set out in the table below:

Type of instruments	*Grant date*	*Expected vesting date*	*Maximum vesting period*	*Number of options*	*Value of the shares (in euros) at the grant date*	*Value of the underlying (in euros)*
Free ordinary shares	20-Jan-2022	15-May-2024	3 years	284,184	16.79	16.41
Free ordinary shares	17-April-2023	17-April-2025 17-April-2026	2 years and 3 years	389,224	19.30	19.10 18.90

The granting conditions of these free shares were defined by the Nomination and Compensation Committee based on non-market performance.

17.2 Impacts of Share-based payment in the financial statements

As at 30 June 2023, an expense of €2.3 million for share-based plans was recognized in Personnel costs (see *Note 5.3. Personnel costs*) against an increase in Equity.

An expense of €2.1 million for share-based plans had been recognized in Personnel costs as at 30 June 2022.

Note 18. Other information

18.1 Financial risk management

The Group's activities expose it to a variety of financial risks, including foreign exchange, liquidity and interest rate risk.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's risk management system is predominantly supervised by the Treasury Department which identifies, evaluates and hedges financial risks in close co-operation with the Group's entities. The policies implemented by the Group define the principles not only for overall risk management but also for the management of specific areas such as interest rate risk, foreign exchange risk, the use of financial derivative instruments and the centralization of cash.

The risk factors to which the Group is exposed, and its risk management policy are described in detail in chapter 2, section 2.1 "Risk factors" of the Universal Registration Document as at 31 December 2022.

18.2 Off-balance sheet commitments

As at 30 June 2023, off-balance sheet commitments were not materially different from the information published as at 31 December 2022.

18.3 Related parties

The main related parties are described in *Note 19.4. Related parties* to the consolidated financial statements as at 31 December 2022.

In this respect, particular mention should be made of the transaction entered into by the Company Exclusive Networks S.A. with HTIVB in connection with the sale by HTIVB of a block of the Company's shares by private placement representing around 3.7% of the Company's share capital and voting rights, under which the Company acquired 526,315 shares representing 0.6% of the share capital and voting rights at a unit price of €19.

The Company confirmed that the shares had been acquired to meet its obligations arising from stock option programs or other share allocations to employees or Corporate Officers, and to deliver shares in connection with external growth transactions. This transaction was duly authorized by the Board of Directors under article L.225-38 of the French Commercial Code.

No other transactions were entered into with members of the management bodies in the first half of 2023. Financial relationships with the major shareholders are presented in *Note 1.2 Significant events of the period* or were immaterial in the first half of 2023.

18.4 Ukraine conflict

The Group confirms that its exposure to the conflict in Ukraine remains extremely limited. The Group does not generate any revenue neither has any employee in Russia. In Ukraine, the Group generated less than €1 million of revenue and does not have any employee.

The Group has no subsidiary or equity investment in Ukraine.

18.5 Subsequent events

On 3 July 2023, through its subsidiary Everest SubBidCo S.A.S., the Group signed a four-year loan agreement with Bpifrance Investissement for €15 million. The principal will be amortized in six half-yearly instalments.

Since 30 June 2023, the Company has acquired 18,069 shares under its share buyback program, which ended on the 4 July 2023.

No other subsequent events occurred between 30 June 2023 and the Interim consolidated financial statements approbation by the Board of Directors on the 2 August 2023.