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Annual financial report 2020

WALLIX GROUP

250 Bis rue du Faubourg Saint-Honoré - 75008 PARIS
Paris Trade and Companies Register no. 428 753 149

CONTENTS

CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

"As the person responsible for the annual financial report, I hereby certify that, to the best of my knowledge, the consolidated financial statements for the year ended December 31, 2020 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the WALLIX Group and that the report on the activity and position of the Group and the Company as a whole presents a true and fair view of the information referred to in Article 222-6 of the AMF General Regulations. "

Jean-Noël de Galzain,
Chairman of the Management Board.

WALLIX GROUP
French corporation with a Management Board and Supervisory Board
With share capital of €586,379.90
Registered office: 250 Bis rue du Faubourg Saint-Honoré - 75008 Paris
Paris Trade and Companies Register no. 428 753 149

MANAGEMENT BOARD’S REPORT TO THE JUNE 16, 2021 COMBINED SHAREHOLDERS’ MEETING

Dear Shareholders,

We have summoned you to a Combined Shareholders’ Meeting primarily to ask you to approve the financial statements for the year ended December 31, 2020.

The invitations to this meeting have been duly circulated.

The documentation required pursuant to applicable regulations was forwarded or made available to you within the prescribed deadlines.

The main purpose of this report is to present the situation of our Company and Group.

I. BUSINESS REVIEW AND SITUATION OF THE COMPANY AND GROUP

1. Group business review for the year ended December 31, 2020

The group whose business is reviewed herein comprises the following companies: WALLIX GROUP, WALLIX, WALLIX US CORP., CYBERSÉCURITÉ WALLIX CANADA, WALLIX IBERICA and WALLIX GmbH (the “**Group**”). The Group specializes in publishing cybersecurity software and, more specifically, in access control and privileged account traceability in corporate information systems.

The Group’s consolidated financial statements show turnover of €20,071,901, up 22.88% from consolidated turnover of €16,334,944 for the year ended December 31, 2019, and a net loss (Group share) of €7,319,015 compared to a net loss (Group share) of €6,844,852 for the year ended December 31, 2019.

As of December 31, 2020, Group shareholders’ equity stood at €25,314,648, while loans and borrowings amounted to €3,790,962, down €112,439 versus December 31, 2019.

In relation to development projects, the Group received research tax credits (CIR) and operating subsidies, which are recognized in an amount of €1,292,269.

We hereby ask you to approve these consolidated financial statements.

Comments on Group business during the year ended:

WALLIX recorded turnover of €20.1 million in 2020, up 23% from 2019. This robust performance amid an environment still impacted by the health crisis reflects dynamic momentum in the second half (up 33%), driven by international operations and key sectors such as healthcare and manufacturing. Although full-year growth was slowed by the impact of the health crisis, especially in the second quarter, with deferment of project implementation schedules in key accounts, the Group achieved its target of posting full-year growth significantly above that of the first half (+10%).

International turnover rose 29% to €6.9 million. Amid an economic downturn, France continued to grow with turnover up 20% to €13.2 million.

Business growth by region:

- In France, the Group benefited from increasing interest in its offerings among small and mid-sized businesses and a number of key sectors such as healthcare and industry. Key accounts, which had adopted a wait-and-see approach when COVID peaked, gradually gained momentum towards year-end as projects were launched under major previously signed contracts representing €6.9 million in 2020 billings. WALLIX estimates the potential turnover from these key account equipment contracts to be worth €18.1 million over the next three years (2021-2023).

- With regard to its international operations, WALLIX started to reap the rewards of the investments made under the strategic plan (developing the office network in Germany, UK and Spain and expanding the partner network in target markets). The Germany/Central Europe region, which approached €2 million in annual turnover for the first time, and the United Kingdom, where the first contract over €1 million outside France was signed, in particular saw robust growth. There was sustained growth outside the European Union (+34%), primarily in the Africa/Middle East region, where WALLIX has seen significant development.

Sales of licenses were up 6% over the year to reach €9.5 million, reflecting the rebound in sales in the second half (+27%). This highly positive trend, evident among both key accounts and small and mid-sized businesses, reflects the increasing demand among companies to address new digital challenges. It offsets the negative impact of the health crisis (slowed solutions roll-out in key accounts) observed in the first half.

A key strategic development driver for WALLIX, recurring business grew sharply in 2020, increasing 33% to €8.5 million. Recurring business accounted for 42% of 2020 turnover, up from 39% in 2019. In addition to the impact on maintenance activities, generated by the increase in the number of clients equipped, WALLIX posted an 80% increase in turnover from subscription solutions (SaaS mode license subscriptions) and a doubling of the turnover generated by managed services.

Turnover from professional services increased from €1,006,000 in 2019 to €2,097,000 in 2020 due to implementation of and training on WALLIX solutions.

Turning point in the Group's trajectory towards operating profits

Despite an uncertain market in H1 2020, the Group chose to pursue and finalize its growth investments, particularly abroad, by opening sales offices in Italy and Spain and strengthening its operations in the DACH region, in accordance with the strategic plan. These investments swelled 2020 full-year operating costs by 20%, less than revenue growth. Payroll expenses also rose sharply in line with the increase in staff numbers (38 new employees versus 2019). Other operating expenses rose only by 10%.

Strict cost control in relation to revenue growth resulted in the Group's operating loss shrinking to €2.2 million in H2 2020 from €3.1 million in H2 2019 and €5.1 million in H1 2020.

Full-year 2020 operating loss came in at €7.3 million, down from €6.8 million in 2019. Net loss Group share was equal to the €7.3 million net operating loss.

Strategy underpinned by financial strength

Operating cash flow improved sharply to a €0.9 million outflow (2019: €3.1m outflow), due to a favorable €3.2 million change in working capital. Cash flows from investing activities amounted to a €5.6 million outflow, primarily related to the R&D costs involved in finalizing new offerings.
At December 31, 2020, gross cash and cash equivalents amounted to €23.2 million versus €29.3 million at December 31, 2019. With €19.4 million net cash and cash equivalents and €25.3 million equity, WALLIX has the financial resources it needs to pursue growth and seize any acquisition opportunities.

Outlook remains positive

WALLIX is currently faced by a particularly promising market. Due to the health crisis, organizations and individuals have completely transformed their relationship with digital technology and its uses, opening the door to new risks with a proliferation of cyberattacks. To ensure the long-term viability of these new uses, users and companies must make investment in cybersecurity a priority, as underlined by leading market analysts such as KuppingerCole or Gartner, which predict an average annual increase of 10.7% for PAM over the 2020-2024 period (i.e. a global market of $2.9 billion in 2024).

WALLIX is ideally placed to capitalize on the growth of the sector, which features among the strategic priorities of the French government's billion-euro recovery plan. Thanks to the structural investments carried out over the last two months, WALLIX has a comprehensive PAM offering (WALLIX Bastion) that has expanded into adjacent market segments (WALLIX BestSafe launched in February 2020 and WALLIX Trustelem launched in May 2020), enabling it to address all the threats posed by the implementation of new technologies (IoT, Cloud, etc.) and new digital services (telemedicine, WFH, smart city, predictive maintenance, etc.).

To boost growth, WALLIX also plans to tap business verticals in high-potential markets such as healthcare and manufacture and the recognized top-class service provided by its business partner network ("channel"). In healthcare, the Group has a large client base (e.g. public and private hospital groups in France, major NHS contracts in the UK), which it plans to develop. In manufacturing, WALLIX will also offer its WALLIX Inside package comprising all WALLIX access security and identity solutions, which can be integrated by design into client business solutions. Based on an OEM (Original Equipment Manufacturer) sales model, WALLIX Inside benefits from a new partnership with Fives, which has developed an industrial gateway equipped with WALLIX's native security module, thereby offering clients a by-design secured system.

Fueled by sustained market demand and an innovative marketing approach, the Group plans to ramp up business growth throughout 2021 and reaffirms its objective to report a second half 2021 operating profit. In so doing, the Group will follow the trajectory of its two previous strategic plans, both of which turned in profits after an investment phase.

Financial risk factors

a. Risks related to research tax credit

The Group is able to fund its activities using the French research tax credit (*Crédit Impôt Recherche* or CIR) awarded to companies making significant investments in research and development. The CIR takes the form of refundable tax relief calculated on the basis of the company's R&D expenditure.

It is awarded for expenditure on scientific or technical research, whether this involves basic research, applied research or experimental development. The law provides an exhaustive list of eligible expenditure items. These include wages and salaries, depreciation of research equipment, technology watch and intellectual property costs.

WALLIX GROUP has applied for this tax credit since 2004 with the assistance of a specialist firm.

WALLIX Sarl was audited in respect of all tax returns filed from January 1, 2012 to December 31, 2014 and in respect of research tax credit received for the 2011-2014 financial years. These audits resulted in a proposed tax adjustment amounting to €586,000.

As of the date of the annual financial report, the Group is contesting this adjustment and proceedings are pending. The Group has also referred the matter to the French corporate ombudsman (*Médiateur des Entreprises*). A €69,000 provision has nonetheless been set aside.

Research tax credit for the following years (2015-2020) is not subject to reassessment.

b. Risks related to historical losses

Having recorded net losses over the last few years, the Group could record further losses in view of upcoming expenditure, particularly on hiring, sales and marketing development, establishing operations in new countries and penetrating new markets, primarily by launching new offers.

Such further losses could have an adverse impact on the Group's financial position, development and outlook.

c. Risks related to the availability of advances and government subsidies

Since 2008, the Group has pursued a proactive innovation policy in which collaborative research and development projects funded by public authorities play a key role. This policy has enabled the Group to receive significant subsidies, which are spread over the duration of the project. Subsidies are generally received in the form of a 30% advance when the agreement is signed, subsequent installments as the project proceeds and a balance of at least 20% upon completion.

Pursuant to all assistance and financial support agreements signed, the Group has received a total of €600,000 in subsidies over the last three years (2018-2020).

The manner in which subsidies are recognized in the accounts is set out in the note on "Research tax credit and operating subsidies" in the Company's consolidated financial statements.

As in the case of all research programs for which government assistance is granted, the Group is exposed to the risk that it may have to repay all or part of such grants, if it fails to meet the relevant commitments, or that it may no longer receive such assistance in the future. Such an occurrence could deprive the Group of funds required to bring its research and development projects to completion.

d. Risk of dilution

As of the date of this annual financial report, the exercise of all equity derivative rights could lead to the issue of 91,412 new shares causing maximum dilution amounting to 1.53% of diluted share capital (see section IX of this report).

Dilution of voting rights is different given the existence of double-voting shares.

In keeping with its policy of incentivizing managers and employees and attracting new talent, the Group may in future decide to issue or grant shares or new equity derivatives that could lead to further, potentially material dilution of current and future shareholders of the Company.

e. Currency risk

In 2020, around 7.7% of Group invoices were denominated in foreign currency, mainly USD or GBP. While the Group pays close attention to currency risk, the impact over the last three years has been non-material and WALLIX GROUP has therefore not implemented any currency hedging arrangements.

Given the expansion of international operations in the Middle East and USA, the Group will probably be required to take precautions against currency risk over the coming years.

As of December 31, 2020, receivables denominated in foreign currencies totaled €772,000 versus €888,000 as of December 31, 2019 and €526,000 as of December 31, 2018. No material foreign currency liabilities were shown in the financial statements over the same period.

f. Financing and liquidity risks

Prior to the Company's initial public offering on Alternext (now Euronext Growth) in June 2015, the Group funded its growth with equity by issuing shares to business angels and venture capital firms. The IPO raised around €10 million of funds from existing shareholders and new institutional and individual shareholders, enabling the Company to consolidate its foothold in Europe and step up international expansion. The 36.8 million raised in May 2018 from existing shareholders and new institutional and individual shareholders has enabled the Group to pursue its development.

As of December 31, 2020, gross cash and cash equivalents amounted to €23.2 million versus €29.3 million a year earlier.

The Group has conducted a specific review of liquidity risk and considers that it is able to meet its liabilities over a 12-month period following the date of this annual financial report, as there is no source of finance whose termination could have an impact on the Group's current financing arrangements.

g. Interest rate risk

As of December 31, 2020, Group borrowings consisted of seven (7) bank loans totaling €3,634,000, including a €3 million floating-rate loan contracted on July 9, 2019 at 1.86% (average monthly rate of return on long-term government loans plus 1.5 percentage points).

The other loans were contracted either on an interest-free basis with Bpifrance Financement or at fixed rates ranging from 0.96% to 2.99% with BNP Paribas and Bpifrance Financement.

Accordingly, the Group does not consider itself exposed to interest rate risk.

h. Credit and counterparty risk

The Group has set up financing arrangements with Bpifrance Financement (former OSEO) and BNP Paribas.

Given the standing of the Group's clients and the credit institutions from which it borrows, the Company considers that counterparty risk is limited.

i. Risks related to shares and other financial instruments

As of the date hereof, the Company holds no equity interests in listed companies and, as such, is not exposed to equity risk.

j. Geopolitical risks

Besides France, the Group has operations in Spain, Germany, Canada and the USA, all countries with a low risk of political instability. In the Europe Middle East Africa region (EMEA), the Group trades with some countries that could experience moments of instability (North Africa, the Arabian Peninsula and Russia in particular). The risk would solely concern a fall in turnover in the event of instability and none of the countries in question accounts for a material portion of Group turnover. Furthermore, given that the Group has no direct operations in these countries but operates through resellers, partners and integrators, the Group considers that the risk would be limited to a fall in turnover in the region affected.

Lastly, amid a global economic, commercial, social and geopolitical environment that remains uncertain, year-on-year growth in turnover, net profit and cash flow could slow down.

k. Risks related to impairment of intangible assets

Development costs mainly comprising payroll expenses are capitalized where they meet the relevant capitalization criteria in accordance with accounting principles. Development costs are amortized over 5 years.

As of December 31, 2020, the net book value of these assets stood at €9,141,546 amounting to 17.3% of the consolidated balance sheet total.

If an indication of loss of value were to be identified in the future, an impairment test would be conducted, potentially leading to the recognition of an impairment charge against these intangible assets and a reduction in Group shareholders' equity. The Group has not yet encountered such a situation.

Off-balance sheet commitments

As of February 28, 2021, there are 91,412 bonus shares outstanding which have been granted but still lie within the vesting period, as set out in section IX below.

On July 16, 2019, WALLIX GROUP acquired Simarks, which was renamed WALLIX IBERICA SL (Spain). The acquisition is subject to an unrecognized earnout payment of up to €1.7 million conditional on cumulative revenue targets over a five-year period.

2. Subsidiaries and shareholdings – Controlled companies

WALLIX GROUP controls the following companies within the meaning of Article L. 233-33 of the French Commercial Code:

- **WALLIX**, a French private limited liability company with share capital of €50,000, registered at 250 Bis rue du Faubourg Saint-Honoré, Paris 75008, identified under the SIREN system by the number 450 401 153 – Paris Trade and Companies Register, whose business is the publishing of software and provision of IT services primarily related to cybersecurity and open source security solutions, via a 100% equity stake in that company;

- **WALLIX US Corp.,** located at 10 Liberty Street, Danvers, Massachusetts, 01923, USA, whose business is the publishing of cybersecurity software, via a 100% equity stake in that company;

- **CYBERSÉCURITÉ WALLIX CANADA INC.**, located at Montreal CoWork Inc., 4388 St-Denis, H2J 2L1, Montreal, Canada, whose business is the publishing of cybersecurity software, via a 100% equity stake in that company;

- **WALLIX IBERICA SL**, located at Calle Copenhague, 12, 28232 Las Rozas, Madrid (Spain), whose business is the publishing of cybersecurity software, via a 100% equity stake in that company;

- **WALLIX GmbH**, located at Prinzregentenstraße 91, 81677 Munich (Germany), whose business is the publishing of cybersecurity software, via a 100% equity stake in that company.

The Company had no branches as of the date hereof.

Business review of subsidiaries:

<u>WALLIX</u>:

WALLIX is a wholly owned subsidiary of WALLIX GROUP engaged in the publishing and implementation of network and system infrastructure security management software solutions. For the 2020 financial year the company posted turnover of €19,839,370, up 26.1% from €15,734,722 in 2019, and net profit of €38,818.85.

WALLIX is positioned on the PAM market (Privileged Access Management) as a European software publisher specializing in PAM, access control and traceability.

WALLIX has developed a comprehensive PAM offering and expanded into adjacent market segments in accordance with the strategic plan. As a result, it now boasts a portfolio of four fully complementary offerings that address the new uses and threats posed by digital technologies:

WALLIX Bastion, the Group’s core solution, is now recognized in the Gartner Magic Quadrant, the Forrester Wave and by Kuppinger Cole and is distributed worldwide;
WALLIX BestSafe, developed with the acquisition of Simarks (WALLIX Iberica SL), extends WALLIX’s offering to include the protection of office and business users against ransomware, malware and cryptoviruses;
WALLIX Trustelem simplifies and controls user access to applications, whether administrators or standard users, in SaaS (Software as a Service) mode;
WALL4IoT, a dedicated industrial asset protection solution to support companies in their secure digital transformation to Industry 4.0 and the Internet of Things (IoT).

WALLIX US CORP.:

WALLIX GROUP holds the entire share capital of WALLIX US Corp., a company located at 10 Liberty Street, Danvers, Massachusetts 01923, USA. This company sells cybersecurity software and is tasked with developing this business with clients based in North America.

The company owns offices and employed 5 people as of December 31, 2020.
Turnover for the 2020 financial year amounted to USD 339,000, versus USD 571,000 for 2019.

CYBERSÉCURITÉ WALLIX CANADA INC.:

WALLIX GROUP holds the entire share capital of Cybersécurité WALLIX Canada Inc., a company located at Montreal CoWork Inc., 4388 St-Denis, H2J 2L1, Montreal, Canada. This company sells support services to client users of WALLIX solutions. It provides outsourced support services on behalf of WALLIX.

The company owns offices and employed 3 people as of December 31, 2020.
Turnover for 2020 amounted to CAD 330,000 (CAD 320,000 in 2019) and consisted of intercompany invoicing.

WALLIX IBERICA:

WALLIX GROUP holds the entire share capital of WALLIX IBERICA, a company located at Calle Copenhague, 12, 28232 Las Rozas, Madrid (Spain).
The company develops and sells cybersecurity software.

The company owns offices and employed 11 people as of December 31, 2020.
Turnover for this entity for 2020 was €162,000 versus €32,000 in 2019.

WALLIX GmbH:

WALLIX GROUP owns 100% of the capital of WALLIX GmbH, headquartered at Prinzregentenstraße 91, 81677 Munich (Germany).
The company develops and sells cybersecurity software.

This company was in the process of being created and did not have any business during 2020. It has been operational since January 1, 2021.

3. Business activity of WALLIX GROUP

WALLIX GROUP is a company specializing in secure hosting of critical applications covering the following areas: architecture, deployment, exploitation and support. A major portion of the Company's business is related to EDM (electronic document management) projects.

The Company posted 2020 turnover that was down 33.8% from the previous year and a net loss that exceeded 2019's.

3.1 Overview of the WALLIX GROUP company financial statements

For the financial year ended December 31, 2020:

- turnover excluding tax amounted to **€183,164** versus **€276,670** the previous year;

- operating income totaled **€471,176** versus **€441,694** the previous year;
- operating expenses totaled **€1,986,723** versus **€1,842,370** the previous year;
- net operating loss amounted to **€1,515,547** versus **€1,400,676** the previous year;
- wages and salaries amounted to **€574,832** versus **€535,876** the previous year;
- social security charges amounted to **€292,266** versus **€234,822** the previous year;
- after a net financial expense of **€3,653,294**, the net loss before tax and recurring items amounted to **€5,168,841** versus **€5,815,502** the previous year;
- finally, after net non-recurring income of **€104,240**, the Company posted a net loss of **€5,065,382** for the year versus a net loss of **€5,801,090** for the previous year;
- as of December 31, 2020, the Company's balance sheet total was **€36,165,489** versus **€41,347,242** the previous year.

The Company financial statements for the year ended December 31, 2020 submitted for approval were prepared in accordance with the rules of presentation and measurement methods provided for by applicable regulations.

The balance sheet and profit & loss statement are appended to this report.

The table provided for by Article R. 225-102 of the French Commercial Code showing the Company's earnings for the last five years is also appended to this report.

The average headcount of the Company in 2020 was 4 employees.

3.2 Analysis of WALLIX GROUP's financial position at December 31, 2020

Loans and borrowings from credit institutions amounted to **€2,896,848** versus **€2,708,207** the previous year.

Trade payables amounted to **€617,211** versus **€280,956** the previous year.

Tax and social security payables amounted to **€200,630** versus **€188,516** the previous year.

Tax and social security payables amounted to **€743,750** versus **€1,487,500** the previous year.

Other payables amounted to **€7,928** versus **€0** the previous year.

Prepayments amounted to **€0** versus **€15,151** the previous year.

The Company's total borrowings amounted to **€4,466,367** versus **€4,680,330** the previous year.

3.3 Appropriation of WALLIX GROUP earnings

It is proposed that the entire net loss for the year ended December 31, 2020 amounting to **€5,065,381.51** be allocated to the "Retained earnings" account, in which retained losses will increase from **€13,576,718.37** to **€18,642,099.88**.

In accordance with Article 243 *bis* of the French General Tax Code, we hereby remind you that no dividends have been paid out in respect of the last three financial years.

3.4 Non tax-deductible expenses

In accordance with Articles 223 *quater* and 223 *quinquies* of the French General Tax Code (CGI), it is hereby stated that the financial statements for the year ended include expenses and charges classified as extravagant under Article 39-4 of the French General Tax Code, which are not deductible from taxable earnings, amounting to **€12,343** in respect of excess depreciation on passenger vehicles.

Theoretical tax on these non-deductible charges amounts to **€4,114**.

3.5 Foreseeable developments in the Company

WALLIX GROUP plans to continue its core business comprising the provision of services and hosting of critical applications.

3.6 Research and development

WALLIX GROUP conducted no research and development in 2020. Group software is developed by WALLIX Sarl, based in Paris and Rennes, and WALLIX Iberica based in Madrid.

POST-BALANCE SHEET EVENTS

WALLIX GmbH, a wholly owned subsidiary of WALLIX Group, has been operational since January 1, 2021. This entity is responsible for marketing all of the Group's solutions in Germany.

I. OUTSTANDING TRADE RECEIVABLES AND PAYABLES

In accordance with Articles L. 441-6–1 and D. 441-6 I of the French Commercial Code, a breakdown of outstanding trade receivables and payables held by the Company vis-à-vis non-Group clients and suppliers is presented below (amounts in euros):

	Article D. 441-6 I. 1°: Past due invoices *received* and unpaid as of the balance sheet date						**Article D. 441-6 I. 2°: Past due invoices *issued* and unpaid as of the balance sheet date**					
	0 days *(provisional)*	**1-30 days**	**31-60 days**	**61-90 days**	**> 90 days**	**Total (1 day and over)**	0 days *(provisional)*	**1-30 days**	**31-60 days**	**61-90 days**	**> 90 days**	**Total (1 day and over)**
A) Late payment categories												
Number of invoices concerned	38					0	1					39
Total invoice amount concerned	41,019 incl. tax				0 incl. tax	0 incl. tax	3,827 incl. tax	0 incl. tax	0 incl. tax		45,286 incl. tax	45,286 incl. tax
Percentage of total purchases for the year	5.88% excl. tax				0% excl. tax	0% excl. tax						
Percentage of turnover for the year							4.43% excl. tax	0% excl. tax	0% excl. tax		52.48% excl. tax	52.48% excl. tax
B) Invoices excluded from (A) relating to disputed or unrecognized receivables and payables												
Number of invoices excluded							2					
Total invoice amount excluded							4,207 incl. tax					
C) Benchmark payment terms applied (statutory or contractual term – Article L. 441-6 or Article L. 443-1, French Commercial Code)												
Benchmark payment terms used to calculate late payments	☒Contractual terms: *“as per agreed terms”* ☐ Statutory terms: *(specify)*						☒ Contractual terms: *“as per agreed terms”* ☐ Statutory terms: *(specify)*					

II. ATTENDANCE FEE BUDGET

The Combined Shareholders’ Meeting of June 3, 2016 allocated a budget of €50,000 to attendance fees until further decision. In respect of the year ended December 31, 2020, Mr. Jacques Chatain received €15,000 in attendance fees as Chairman of the Supervisory Board and all other Board members received €10,000 each.

III. REGULATED AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

We hereby notify you that one new agreement as defined by Article L. 225-86 of the French Commercial Code was entered into during the year ended December 31, 2020. On March 26, 2020, the Supervisory Board authorized the execution of a supplemental agreement to Mr. Amaury Rosset’s employment contract, whereby his annual gross fixed compensation was increased from €165,000 to €180,000, and modified the calculation of the turnover criterion, whereby bonuses are paid proportionally at or above 66% of the objective reached (instead of 75%), with effect from January 1, 2020. This agreement is included in the special report of the statutory auditor, which is submitted for your approval.

IV. EMPLOYEE SHAREHOLDINGS AT DECEMBER 31, 2020

As of December 31, 2020, employees held 1.22% of the Company’s share capital as defined by Article L. 225-102 of the French Commercial Code.

V. ACQUISITION OF 5, 10, 20, 33.33, 50 OR 66.66% OF THE SHARE CAPITAL OR VOTING RIGHTS OR A CONTROLLING INTEREST

None

VI. TREASURY SHARES AND INTERLOCKING INVESTMENTS

None

VII. NOTICE OF HOLDING OVER 10% OF THE SHARE CAPITAL BY ANOTHER CORPORATION

None

VIII. INTERCOMPANY LOANS

None

IX. COMPANY CAPITAL STRUCTURE AT FEBRUARY 28, 2021

As of February 28, 2021, the capital structure of WALLIX GROUP was as follows:

REPARTITION DU CAPITAL DE WALLIX GROUP AU 28/02/2021

WALLIX GROUP	Nb d'actions	Nb DDV	% du capital	% DDV	AGA 2019	Nb actions total / post exercice instruments dilutifs	% du capital
Jean-Noël de Galzain*	611 021	1 187 306	10.42%	15.94%	16 668	627 689	10.54%
Amaury Rosset	224 462	428 412	3.83%	5.75%	10 002	234 464	3.94%
Didier Lesteven	10 790	19 790	0.18%	0.27%	6 668	17 458	0.29%
Total Dirigeants Mandataires sociaux	**846 273**	**1 635 508**	**14.43%**	**21.95%**	**33 338**	**879 611**	**14.77%**
TDH - M. Thierry DASSAULT	433 170	866 340	7.39%	11.63%		433 170	7.27%
ACCESS2NET	9 000	18 000	0.15%	0.24%		9 000	0.15%
Total Mandataires sociaux hors dirigeants	**442 170**	**884 340**	**7.54%**	**11.87%**		**442 170**	**7.42%**
Salariés	71 665	97 626	1.22%	1.31%	58 074	129 739	2.18%
Titres auto-détenus WALLIX GROUP	24 530	-	0.42%	0.00%		24 530	0.41%
FLOTTANT	4 479 161	4 832 671	76.39%	64.87%		4 479 161	75.21%
TOTAL	**5 863 799**	**7 450 145**	**100.00%**	**100.00%**	**91 412**	**5 955 211**	**100.00%**

* 158679 titres appartenant à JNG, 452 342 contrôlées via sa holding familiale Société Jinco Invest (pour respectivement 282 622 DDV et 904 684 DDV)

Potential share capital

The Company granted bonus shares (2017 and 2019 bonus share allocations), details of which appear below.

As of the date of this report, the vesting of all bonus shares granted would result in the issue of 91,412 new shares of common stock.

	Plan 2017-1	Plan 2019 no. 1	Plan 2019 no. 2
Date of shareholders' meeting	June 3, 2016	June 6, 2019	June 6, 2019
Allotment date / Board meeting	July 6, 2017	July 25, 2019	July 25, 2019
Total number of bonus shares granted	54,800(1)	65,500	98,500
O/w total number of shares that may be subscribed by corporate officers *Jean-Noël de Galzain*	-	-	25,000(7)
Amaury Rosset	1,200(2)	500	14,500(7)
Didier Lesteven	900(2)	500	9,500(7)
Vesting date	(1)	July 25, 2020: 21.746(5) July 25, 2021: 21.746(6) July 25, 2022: 22.008(6)	July 25, 2020: 32.818(8) July 25, 2021: 32.818(9) July 25, 2022: 32.864(9)
End of lock-in period	(1)	(5), (6)	(8), (9)
Number of shares vested as of 2/28/2021	15,799(3)	18,260 (for the first tranche)	15,493 (for the first tranche)
Total number of shares canceled or lapsed as of 2/28/2021	1,238(4)	14,806	42,853
Remaining bonus shares as of the date of this document	0	33,066	58,346

(1) On July 6, 2017 the Management Board decided to grant 54,800 bonus shares subject to the beneficiaries' presence in the Group and a one-year vesting period and lock-in period in respect of 20% of the shares granted (these shares accordingly vested on July 6, 2018), a two-year vesting period (without a lock-in period) in respect of 35% of the shares granted (these shares accordingly vested on July 6, 2019) and a three-year vesting period (without a lock-in period) in respect of the remaining shares, which vested on July 6, 2020. On July 6, 2017 the Supervisory Board decided that 10% of the bonus shares granted to members of the Management Board should be held in registered form until the end of the respective beneficiaries' term of office.

(2) This is the total number of bonus shares that may be granted to Mr. Rosset and Mr. Lesteven for the three vesting periods mentioned in note (1).

(3) Number of shares vested in respect of the third vesting period referred to in note (1).

(4) Lapsed shares following the departure of beneficiaries in respect of the third vesting period referred to in note (1).

(5) Subject to the beneficiary's presence in the Group and a one-year lock-in period.

(6) Subject to the beneficiary's presence in the Group; no lock-in period.

(7) On July 25, 2019 the Supervisory Board decided that at least 10% of each tranche of performance shares granted to members of the Management Board should be held in registered form until the end of the respective beneficiaries' term of office as members of the Management Board or any other office held at the Company.

(8) Subject to the beneficiary's presence in the Group, the achievement of performance criteria and a one-year lock-in period.

(9) Subject to the beneficiary's presence in the Group and the achievement of performance criteria; no lock-in period.

X. NUMBER OF TREASURY SHARES PURCHASED AND SOLD BY THE COMPANY DURING THE FINANCIAL YEAR PURSUANT TO ARTICLES L. 22-10-62 ET SEQ. OF THE FRENCH COMMERCIAL CODE

On June 6, 2019 and June 10, 2020, the Combined Shareholders' Meeting authorized the Management Board for a term of eighteen months to purchase Company shares up to a limit of 10% of the number of shares comprising the share capital.

During the past financial year, the company purchased and sold its treasury shares under the following conditions:

- Number of shares purchased: **52,466**
  Average purchase price: **14.30320**

- Number of shares sold: **52,994**
  Average sale price: **14.39102**

- Total trading fees: **€3,641.54** (incl. tax)

As of December 31, 2020, the Company held 22,588 treasury shares (0.39% of the share capital) valued at €472,089.20 based on the closing share price of €20.90 and having a total par value of €2,258.80. As of the same date, the Company also held €153,897.62 in cash in the liquidity account and €499,400.39 in the share buyback account.

100% of treasury share purchases made during the year ended (covering 52,544 shares representing 0.90% of the share capital) were carried out in order to stimulate trading. For this purpose, WALLIX GROUP continued to apply the liquidity agreement entered into on July 19, 2015 with Louis Capital Markets and renewed on March 4, 2019. Shareholders are reminded that €200,000 in cash was allocated to the liquidity account upon execution of this agreement.

Given that the authorizations granted by the June 10, 2020 Combined Shareholders' Meeting expire on December 10, 2021, this shareholders' meeting is asked to renew them subject to the following terms.

XI. AUTHORIZATION TO IMPLEMENT A SHARE BUYBACK PROGRAM AND TO REDUCE THE SHARE CAPITAL BY CANCELING TREASURY SHARES (ARTICLE L. 22-10-62 OF THE FRENCH COMMERCIAL CODE)

We propose that you grant the Management Board the requisite powers, for a term of eighteen months, to purchase shares of the Company, in one or more installments and at such times as it shall see fit, up to a maximum of 10% of the number of shares comprising the share capital, adjusted as applicable in accordance with any share capital increases or reductions carried out during the term of the program.

This authorization would cancel and supersede the authorization granted to the Management Board by the June 10, 2020 shareholders' meeting in its eighth ordinary resolution.

Company shares could be purchased in order to:

- stimulate the secondary market or liquidity of the WALLIX GROUP share pursuant to a liquidity agreement entered into with an investment services provider in compliance with practices authorized under applicable regulations,
- hold the shares and subsequently tender them as consideration or in exchange in relation to potential mergers and acquisitions, provided, however, that shares purchased for this purpose may not represent more than 5% of the Company's share capital,
- cover stock option and/or bonus share plans (or equivalent plans) established for the benefit of employees and/or corporate officers of the Group and all share allotments to employees and/or corporate officers of the Group under a company or group savings plan (or equivalent plan) or profit-sharing scheme and/or in any other form,
- cover equity derivatives conferring entitlement to the allotment of Company shares pursuant to applicable regulations,

- implement any market practice subsequently approved by the AMF and, more generally, execute any other transaction in accordance with applicable regulations,
- cancel purchased shares, provided that the June 16, 2021 shareholders' meeting grants the requisite authorization under the sixth extraordinary resolution.

The aforementioned share purchases may be carried out by any means, including via block trades, and at such times as the Management Board shall see fit.

Such transactions may be carried out during the period of a public tender offer.

The Company does not plan to use option arrangements or derivatives.

We propose that the maximum purchase price be set at €50 per share and that, accordingly, the maximum amount of the transaction be set at €29,318,950.

In view of the cancellation objective, we ask you to authorize the Management Board, for a term of 24 months, to cancel treasury shares held by the Company or which it may subsequently acquire through buyback transactions carried out in accordance with the buyback program, at its sole discretion, in one or more installments, up to a maximum of 10% of the share capital as calculated on the day of the decision to cancel the shares, less any shares canceled during the preceding 24 months, and to reduce the share capital accordingly, pursuant to applicable statutory and regulatory provisions.

The Management Board would accordingly be vested with the requisite powers to take all required steps in such a matter.

XII. DELEGATION OF AUTHORITY IN FINANCIAL MATTERS

The Management Board wishes to hold the requisite authorization to carry out all issues, at its discretion, that could prove necessary in order to develop the Company's business. For this reason, the shareholders are asked to renew the authority delegated to the Management Board, which will soon expire, under the following terms.

Delegation of authority to issue shares of common stock and/or equity securities conferring entitlement to other equity securities or to the allotment of debt instruments and/or securities conferring entitlement to equity securities to be issued <u>without preferential subscription rights to a specific category of beneficiaries</u>

The authority thereby delegated is intended to give the Management Board, with the option of further delegation, full discretion to issue shares of common stock and/or equity securities conferring entitlement to other equity securities or to the allotment of debt instruments and/or securities conferring entitlement to equity securities to be issued to a specific category of persons for eighteen months.

As provided by law, the securities to be issued could confer entitlement to shares of common stock of any company that directly or indirectly holds over half of the share capital of the Company or of any company of which the Company directly or indirectly holds over half of the share capital.

Under this delegation of authority, the issues would be carried out without preferential subscription rights in order to allow the <u>following category of beneficiaries</u> to subscribe to the share issue reserved for them: French or foreign legal entities (including holding companies, entities, investment firms, mutual funds and collective investment funds) or individuals regularly investing in listed companies operating in the fields or sectors of information technology, computer systems and networks, telecommunications, network infrastructure, the Internet, cryptography, cybersecurity, hardware manufacture or information systems, subject to a minimum individual subscription amount of €100,000 or equivalent amount per transaction, with the number of investors limited to 50, on the understanding that the Management Board shall draw up a precise list of beneficiaries within this category of beneficiaries and the number of shares to be allotted to each one.

The total par value of shares of common stock liable to be issued would be capped at €300,000. Where applicable, this cap would be raised by the par value of shares of common stock to be issued, in accordance with the law and, where applicable, contractual terms providing for other cases of adjustment, to maintain the rights of holders of securities conferring entitlement to the Company's share capital.

This amount would be deducted from the cap on the total par value of shares liable to be issued under the delegation of authority to issue shares and/or other securities with or without preferential subscription rights via a public offering (including via an offer as referred to in Article L. 411-2 (1) of the French Monetary and Financial Code) approved by the June 10, 2020 combined general meeting.

The total par value of debt instruments of the Company liable to be issued would be capped at €20 million.

This amount would be deducted from the cap on the total par value of debt instruments liable to be issued under the delegation of authority to issue shares and/or other securities with or without preferential subscription rights via a public offering (including via an offer as referred to in Article L. 411-2 (1) of the French Monetary and Financial Code) approved by the June 10, 2020 combined general meeting.

The amount accruing to the Company in respect of each share of common stock issued under this delegation of authority would be set by the Management Board as follows: in accordance with Article L. 225-136 (2) of the French Commercial Code, the price of shares of common stock issued under this delegation of authority would be at least equal to the average of the volume-weighted average price over the last three trading days prior to the price-setting date, less, where applicable, a discount capped at 20%, after adjustment of said average in the event of different dividend dates, on the understanding that the issue price of securities conferring entitlement to share capital would be equal to the amount received immediately by the Company plus, where applicable, the amount liable to be received by the Company upon exercise or conversion of the securities, i.e., for each share issued as a result of the issue of these securities, at least equal to the issue price for shares of common stock as defined above.

The aforementioned 20% discount would provide the Management Board, subject to prior authorization by the Supervisory Board, with more leeway to set the share subscription price in accordance with market opportunities.

If subscriptions do not cover the entire issue, the Management Board would be able to exercise the following options:

- limit the issue to the amount of subscriptions, provided that, in the case of an issue of shares of common stock or securities of which the primary security is a share, subscriptions amount to at least three-quarters of the issue decided upon,
- allocate some or all of the unsubscribed securities at its own discretion.

Authorization to increase the issue amount in the event of excess demand

With regard to the foregoing delegation of authority without preferential subscription rights to a specific category of persons, we propose that you grant the Management Board the option to increase the number of shares provided for in the initial issue in accordance with the terms and limits laid down by statutory and regulatory provisions.

Delegation of authority to increase the share capital for the benefit of members of a company savings plan (PEE)

We hereby submit this resolution to your vote for the sake of compliance with the provisions of Article L. 225-129-6 of the French Commercial Code, which provides that the Extraordinary Shareholders' Meeting must also vote on a resolution concerning a share capital increase subject to the conditions laid down by Articles L. 3332-18 et seq. of the French Labor Code, in the case that the shareholders' meeting delegates its authority to carry out a cash capital increase.

Under this delegation of authority, we propose that you authorize the Management Board to increase the share capital in one or more installments via the issue of shares of common stock or securities conferring entitlement to the Company's share capital to the members of one or more company or group savings plans set up by the Company and/or by the French or foreign companies related to the Company as provided by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code.

In application of Article L. 3332-21 of the French Labor Code, the Management Board could provide for the allotment, free of charge, of existing or future shares or other securities conferring entitlement to the Company's share capital, in respect of (i) any matching contributions paid in application of the company or group savings plan rules, and/or (ii), where applicable, the discount.

As required by law, the shareholders' meeting would cancel the shareholders' preferential subscription rights.

The nominal amount of capital increases carried out in exercise of this authorization would be capped at 0.50% of the amount of share capital reached upon completion of the capital increase decided by the Management Board, on the understanding that said amount would be independent of any other cap provided for under all delegation of authority to increase the share capital. Where applicable, this amount would be raised by the additional amount of shares of common stock to be issued, in accordance with the law and any applicable contractual terms providing for other cases of adjustment, to maintain the rights of holders of securities conferring entitlement to the Company's equity securities.

Such authority would be delegated for a 26-month term.

The price of the shares to be subscribed would be set in accordance with the methods laid down by Article L. 3332-20 of the French Labor Code.

The Management Board would be vested with full powers to:

- carry out the required valuation in order to set the subscription price upon each exercise of this authority, under the supervision of the statutory auditor;
- allot shares of the Company or other securities conferring entitlement to share capital, free of charge, within the limits of the benefits provided for by law, and determine the number and value of the securities thus allotted.

Subject to the foregoing limits, the Management Board would be vested with the required powers, with the option of further delegation, *inter alia*, to set the terms and conditions of the issue(s), record the completion of the ensuing share capital increases, amend the bylaws accordingly, deduct the costs of share capital increases from the amount of the related premiums at its sole initiative, deduct from this amount the amount required to bring the statutory reserve up to one-tenth of the new share capital following each increase, and, more generally, to take all the required steps in such matters.

Delegation of authority to issue warrants for new shares (BSA), warrants for new and/or existing shares (BSAANE) and/or redeemable warrants for new and/or existing shares

We have decided to submit to you a draft resolution providing for delegation of authority to the Management Board to issue the following securities to a specific category of persons:

- warrants to subscribe for new shares (BSA),
- warrants for new and/or existing shares (BSAANE),
- redeemable warrants for new and/or existing shares (BSAAR).

Such authority would be delegated for a term of eighteen months from the date of the shareholders' meeting and would be subject to the terms set out below.

If this authority is exercised by the Management Board, the Management Board shall prepare an additional report setting out the final terms of the transaction and certified by the statutory auditor, in accordance with Article L. 225-138 of the

French Commercial Code.

- Reasons for delegation of authority to issue BSA, BSAANE and BSAAR equity warrants without preferential subscription rights; definition of the category of persons

You are asked to delegate authority to issue BSA, BSAANE and BSAAR equity warrants for the following reasons: to allow (i) employees and/or corporate officers of the Company or a group company within the meaning of Article L. 233-3 of the French Commercial Code and/or (ii) service providers or consultants that have signed a contract with the Company or a group company within the meaning of Article L. 233-3 of the French Commercial Code to have an interest in the evolution of the share price, provided they agree to assume a risk in subscribing the warrant.

For this purpose, we propose that you resolve to cancel your preferential subscription rights in favor of the category of persons having the following characteristics in accordance with Article L. 225-138 of the French Commercial Code:

(i) employees and/or corporate officers of the Company or a group company within the meaning of Article L. 233-3 of the French Commercial Code; and/or

(ii) service providers or consultants that have signed a contract with the Company or a group company within the meaning of Article L. 233-3 of the French Commercial Code.

Upon exercise of this authority, the Management Board would be responsible for drawing up a list of beneficiaries within the category of persons defined above and setting the number of warrants to be issued to each one. The Management Board may further delegate this task.

Members of the Management Board, Jean-Noël de Galzain, Amaury Rosset and Didier Lesteven shall abstain from voting on this resolution.

- Terms of BSA, BSAANE et BSAAR warrants liable to be issued

The BSA, BSAANE and/or BSAAR warrants could be issued in one or more installments, in such proportions and at such times as the Management Board shall see fit, and would confer entitlement to subscribe and/or purchase WALLIX GROUP shares at a price to be set by the Management Board when it decides upon the issue, in accordance with the price-setting procedure set out below.

Accordingly, this delegation of authority would require shareholders to waive their preferential subscription rights to the Company shares liable to be issued upon exercise of the equity warrants, in favor of the holders of BSA, BSAANE and/or BSAAR warrants.

The terms of the BSA, BSAANE and/or BSAAR warrants liable to be issued under this delegation of authority would be determined by the Management Board when it decides upon the issue.

The Management Board would be vested with all requisite powers, with the option of further delegation, subject to the terms provided for by law and set out above, to issue BSA, BSAANE and/or BSAAR warrants and, *inter alia*, to draw up a precise list of beneficiaries within the category of persons defined above and to determine the type and number of warrants to be issued to each one, the number of shares to which each warrant would confer entitlement, the warrant issue price and the subscription or purchase price of the shares to which the warrants would confer entitlement under the foregoing terms, on the understanding that the warrant issue price shall be established in accordance with market conditions and on the basis of expert appraisal, and to determine the terms and deadlines for subscribing and exercising the warrants, the relevant adjustment procedures and, more generally, all terms and conditions applicable to the issue.

- Share subscription and/or purchase price upon exercise of BSA, BSAANE and/or BSAAR warrants

The subscription and/or purchase price of the shares to which the warrants would confer entitlement would be at least equal to the average closing price of the WALLIX GROUP share over the 20 trading days preceding the date of the decision to issue the warrants.

Such price would be set by the Management Board deciding on the warrant issue, with the option of further delegation.

- **Cap on share capital increase resulting from the exercise of BSA, BSAANE and/or BSAAR warrants that may be allotted under the delegation of authority**

The total par value of the shares to which the warrants issued under this delegation of authority are liable to confer entitlement would be capped at 2% of the share capital as of the date of this shareholders' meeting, on the understanding that this cap shall be independent of all other caps established by this shareholders' meeting. Where applicable, this cap would be raised by the par value of shares of common stock to be issued, in accordance with the law and, where applicable, contractual terms providing for other cases of adjustment, to maintain the rights of holders of BSA, BSAANE and BSAAR warrants.

If subscriptions do not cover the entire issue, the Management Board will be able to exercise the following options:

- limit the issue to the amount of subscriptions,
- allocate some or all of the unsubscribed BSA, BSAANE and BSAAR warrants among the category of persons defined above at its own discretion.

In this respect, the Management Board would be vested with full powers with the option of further delegation to record any capital increase resulting from the exercise of BSA, BSAANE and/or BSAAR warrants and to amend the bylaws accordingly. At its sole initiative, with the option of further delegation, the Management Board could deduct the costs of the capital increases from the amount of the related premiums at its sole initiative, and deduct from this amount the amount required to bring the statutory reserve up to one-tenth of the new share capital following each increase.

Delegation of authority to the Supervisory Board to bring the bylaws into compliance with statutory and regulatory provisions

We propose that you grant full powers to the Supervisory Board to bring the Company's bylaws into compliance with statutory and regulatory provisions, provided that the required amendments are ratified by the next Extraordinary Shareholders' Meeting.

Your Management Board invites you to approve, by your vote, the draft resolutions submitted to you.

The Management Board

APPENDIX 1: TABLE OF EARNINGS FOR THE LAST FIVE FINANCIAL YEARS

	2020	2019	2018	2017	2016
Share capital at year-end					
Share capital	586,380	581,425	575,250	404,471	400,799
Number of shares issued	5,863,799	5,814,247	5,752,502	4,044,710	4,007,990
Number of bonds convertible into shares					
Revenues and earnings					
Turnover excl. tax	183,164	276,670	481,857	509,982	455,335
Earnings before tax, profit-sharing, depr./amort. and provisions	(4,885,082)	(5,654,238)	(2,213,137)	(900,481)	(1,014,042)
Income tax	780	(830)	3,044	4,541	
Earnings after tax, profit-sharing, depr./amort. and provisions	(5,065,382)	(5,801,090)	(2,060,401)	(1,146,386)	(1,057,788)
Distributed earnings					
Employee profit-sharing					
Earnings per share					
Earnings after tax and before depr./amort. and provisions					
Earnings after tax, depr./amort. and provisions					
Dividend payout per share					
Human resources					
Average headcount	4	4	4	5	5
Payroll expenses	574,832	535,876	811,540	545,815	444,099
Employer social security charges paid (a/c 645)	292,266	234,822	488,082	221,368	190,640

APPENDIX 2 - SUMMARY TABLE OF SECURITIES TRANSACTIONS EXECUTED BY CORPORATE OFFICERS, SENIOR EXECUTIVES AND RELATED PERSONS IN RESPECT OF THE YEAR ENDED DECEMBER 31, 2020 (Art. L. 621-18-2 of the French Monetary and Financial Code and Art. 223-26 of the AMF General Regulation)

Name	Didier Lesteven
Positions held in the issuing entity	Member of the Management Board
Transaction executed by persons related to the above person	-
Type of financial instrument	Shares
Sale of financial instruments: Total sale amount	Sale of 8,209 shares for a total price of €141,829 entailing an average price of €17.28 per share
Purchase of financial instruments: Total purchase amount	-

Consolidated Financial Statements

December 31, 2020

250 Bis rue du Faubourg Saint Honoré

75008 Paris

CONTENTS

CONSOLIDATED BALANCE SHEET

€000

ASSETS	Note	31/12/2020	31/12/2019
Goodwill	2	4,189	4,189
Intangible assets	3	9,566	7,942
Property, plant and equipment	3	1,128	987
Long-term investments	3	453	402
Non-current assets		**15,336**	**13,521**
Inventory		2	34
Trade receivables	4	9,905	7,591
Other receivables and accruals	4	4,493	4,929
Deferred tax assets	13		
Cash and cash equivalents	CFS	23,207	29,317
Current assets		**37,607**	**41,870**
Total assets		**52,943**	**55,391**

EQUITY & LIABILITIES	Note	31/12/2020	31/12/2019
Share capital		586	581
Additional paid-in capital		49,528	49,528
Consolidated reserves		-17,255	-10,521
Currency reserve		82	-9
Net profit/(loss) - Group share		-7,319	-6,845
Treasury shares		-308	-580
Shareholders' equity	1	**25,315**	**32,155**
Minority interests			
Provisions for contingencies and charges	5	1,201	911
Deferred tax liabilities	13		
Loans and borrowings	6	3,791	3,903
Trade payables	7	1,640	1,520
Other payables and accruals	7	20,996	16,901
Total equity & liabilities		**52,943**	**55,391**

PROFIT & LOSS STATEMENT

€000

	Note	31/12/2020	31/12/2019
Turnover	**8**	**20,072**	**16,335**
Other operating income	**9**	5,529	4,196
Purchases & inventory		-289	-422
Other operating expenses		-7,842	-7,158
Taxes and duties		-603	-367
Payroll	**10**	-20,941	-16,304
Depreciation, amortization and provisions		-3,237	-3,117
Operating profit/(loss)		**-7,312**	**-6,837**
Financial income/(expense)	**11**	-28	-5
Recurring profit/(loss) of consolidated companies before tax		**-7,339**	**-6,842**
Non-recurring income/(expense)	**12**	40	-2
Tax expense	**13**	-20	
Net profit/(loss) of consolidated companies		**-7,319**	**-6,845**
Share of earnings of associates			
Goodwill amortization			
Consolidated net profit/(loss)		**-7,319**	**-6,845**
Minority interests			
Net profit/(loss) - Group share		**-7,319**	**-6,845**
Earnings per share (€)		-1.254	-1.188
Diluted earnings per share (€)		-1.254	-1.188
Number of shares at year-end		5,863,799	5,814,247
Weighted average number of shares during the year		5,836,594	5,759,429

CASH FLOW STATEMENT

€000

	31/12/2020	31/12/2019
Net profit/(loss) of consolidated companies	**-7,319**	**-6,845**
- Depreciation, amortization and provisions (1)	3,169	2,868
- Change in deferred taxes		
- Gains on asset disposals	-8	-6
Gross cash flow of consolidated companies	**-4,158**	**-3,982**
- Change in operating working capital (2)	3,267	914
Net cash flow from operating activities	**-891**	**-3,068**
- Acquisition of non-current assets	-5,621	-3,984
- Disposal of non-current assets	414	162
- Impact of changes in consolidation scope (3)		-2,361
Net cash flow from investing activities	**-5,206**	**-6,183**
- Cash capital increase and issue premiums		108
- New borrowings	487	2,731
- Repayment of borrowings	-600	-673
Net cash flow from financing activities	**-113**	**2,167**
- Impact of changes in exchange rates	99	1
Cash in cash and cash equivalents	**-6,111**	**-7,084**
Opening cash and cash equivalents	29,316	36,400
Closing cash and cash equivalents	23,205	29,316

(1) excluding impairment of current assets

(2) mainly comprising changes in trade receivables and payables

(3) purchase price of shares less cash acquired

Breakdown of closing cash and cash equivalents

Short-term investments	993	993
Cash at bank and in hand	22,214	28,324
Bank overdrafts	-2	-1
Net cash and cash equivalents	**23,205**	**29,316**

TABLE OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

€000

		Share capital	Additional paid-in capital	Reserves	Profit/(loss)	Currency reserve	Treasury shares	TOTAL
Net assets at	December 30, 2018	575	49,441	-7,264	-3,288	-6	-114	39,344
Change in consolidating company's share capital		6	87					93
Allocation to reserves				-3,288	3,288			
Profit/(loss)					-6,845			-6,845
Change in currency reserve						-3		-3
Purchase/sale of treasury shares				16			-466	-450
Other changes				15				15
Net assets at	December 31, 2019	581	49,528	-10,521	-6,845	-9	-580	32,155
Change in consolidating company's share capital		5		-5				
Allocation to reserves				-6,845	6,845			
Net profit/(loss) - Group share					-7,319			-7,319
Change in currency reserve						91		91
Purchase/sale of treasury shares (1)				116			272	388
Other changes								
Net assets at	December 31, 2020	586	49,528	-17,255	-7,319	82	-308	25,315

(1) The €116,000 corresponds to the elimination of gains and losses on treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 – Business overview and highlights

Overview of the Group's business

Historically a provider of data security managed services (architecture, deployment, operation and support), the Group is now a publisher of cybersecurity software. The Group provides assistance to companies in managing access to hardware and applications. Its solutions are marketed through a network of trained and accredited resellers and integrators. The Group markets the following solutions:

WALLIX Bastion: a privileged access management software suite for controlling and monitoring actions performed on the information system.

WALLIX Trustelem: a service platform designed to unify, secure and simplify user access to business applications.

WALLIX BestSafe: a solution that protects endpoints (office workstations and staff PCs) by eliminating the risks associated with overprivileged users and preventing the spread of malware attacks.

WALL4IOT: solutions for securing industrial equipment within IoT systems in order to help companies drive their digital transformation towards Industry 4.0 and the Internet of Things (IoT).

WALLIX GROUP, the parent company, operates the Group's traditional "Services" business activity (secure hosting of sensitive applications). This business line comprises only a small portion of the Group's overall business.

WALLIX Sarl, the French subsidiary, publishes cybersecurity software and markets all of the Group's solutions.

WALLIX US Corp, the US subsidiary, markets all Group solutions in North America.

CYBERSÉCURITÉ WALLIX CANADA Inc., the Canadian subsidiary, provides support services to all Group customers.

WALLIX Iberica, the Spanish subsidiary, publishes cybersecurity software and markets all of the Group's solutions in the Spanish-speaking world.

Continuity of business and financing

The Group exercises prudent cash management and periodically reviews its sources of finance in order to ensure sufficient liquidity at any given time.

Group debt is presented in Note 6.

To date, the Company's cash requirements have been funded mainly through share issues and bank loans, as well as by the CIR research tax credit.

In view of the Company's diversified sources of finance, revenue growth targets and cash projections, the Company considers that it is able to meet its liabilities over a 12-month period following the closing date of these consolidated financial statements.

Highlights of the year

Throughout the entire lockdown, WALLIX offered free licenses for remote access to its WALLIX Bastion PAM software suite.

WALLIX was named among the PAM leaders in analyst KuppingerCole's 2020 Leadership Compass for Privileged Access Management. (A free version of the full KuppingerCole report is available at https://www.wallix.com)

Internationally, WALLIX continued to implement the strategic plan capital expenditure program by developing the office network (Germany, UK and Spain) and expanding the partner network in target markets (Italy).

WALLIX recorded turnover of €20.1 million in 2020, up 23% from 2019. This strong performance, within an environment still impacted by the health crisis, reflects dynamic momentum in the second half (up 33% from H2 2019), driven by international operations and key sectors such as healthcare and industry.

Post-balance sheet events

WALLIX GmbH, a wholly owned subsidiary of WALLIX Group, has been operational since January 1, 2021. This entity is responsible for marketing all of the Group's solutions in Germany.

2 – Accounting framework and consolidation methods

Statement of compliance of the Group accounting framework

WALLIX GROUP has prepared consolidated financial statements for the year ended December 31, 2020 in application of French accounting principles as provided for by CRC (French Accounting Regulatory Committee) Regulation 99-02 dated April 29, 1999 on consolidated financial statements published by commercial companies, as amended by CRC Regulations 2000-07, 2002-10, 2002-12, 2004-03, 2004-14 and 2005-10.

Basis of consolidation

The consolidated financial statements include the financial statements of WALLIX GROUP and its subsidiaries for the years ended December 31, 2020 and December 31, 2019, which were prepared in accordance with consistent accounting policies using the historical cost method.

Changes in accounting policies

No changes were made to accounting policies during the year.

Judgments and estimates made by Group management

In the preparation of the financial statements, management is required to exercise its judgment and employ estimates and assumptions that have an impact on the amounts of assets and liabilities at the balance sheet date and on the items comprising earnings for the period. Such estimates are based on economic data that are subject to contingencies and may change over time.

The underlying estimates and assumptions are made based on past experience and other factors deemed reasonable in view of the circumstances. They also form the basis for the exercise of judgment required for determining the book values of assets and liabilities that cannot be obtained directly from other sources. Actual values may differ from estimated values.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The impact of changes in accounting estimates is recorded during the period in which the change occurs and in any subsequent periods affected.

Such changes mainly concern measurements of the value of non-current assets, including capitalized research and development costs in particular, and operating assets.

Consolidation methods

All companies held directly by WALLIX GROUP are consolidated. Control may be exercised exclusively, jointly or through significant influence.

The consolidation method is determined in accordance with the degree of control exercised.

- Exclusive control: control is deemed to be exclusive where the Group directly or indirectly holds a percentage of control of over 50%, unless it can be clearly demonstrated that such holding does not allow control. Exclusive control also exists where the Group holds no more than half of the voting rights of a company but has the power to direct its financial and operating policies and to appoint or remove most of the members of its Board of Directors or equivalent decision-making body. The full consolidation method has been adopted.

All companies included in the Group consolidation scope are fully consolidated.

Important information regarding the consolidation scope

All companies held directly or indirectly by WALLIX GROUP are consolidated.

Companies included in the consolidation scope

The consolidation scope includes the following companies:

Company	Country	Registered office	SIREN	Methods	% control December 31, 2020	% control December 31, 2019
Wallix GROUP	France	250 Bis rue du Faubourg Saint-Honoré - 75008 PARIS	428 753 149	FC	Parent	Parent
Wallix	France	250 Bis rue du Faubourg Saint-Honoré - 75008 PARIS	450 401 153	FC	100%	100%
Wallix CA	Canada	1200-1981 Av McGill College - Montreal, Quebec	1 173 941 643	FC	100%	100%
Wallix US	USA	60 Broad Street - Suite 3502 New York 10004		FC	100%	100%
WALLIX IBERICA	Spain	Calle Copenhague, 12, 28232 Las Rozas, Madrid		FC	100%	100%
Wallix GMBH	Germany	PRINZREGENTENSTRASSE 91 81677 München		FC	100%	

FC = Full consolidation

All companies are fully consolidated.

Functional and presentation currency

The consolidated financial statements are presented in euros, which is the functional currency of the parent company and its subsidiaries WALLIX SARL, WALLIX IBERICA and WALLIX GMBH. The respective functional currencies of WALLIX US Corp and WALLIX Canada are the US dollar (USD) and the Canadian dollar (CAD).

The amounts shown in the consolidated financial statements are presented in thousands of euros unless otherwise stated.

Accounts closing dates

All consolidated companies publish annual financial statements for the year ended December 31 and half-yearly financial statements for the six months ended June 30.

Translation of accounts denominated in foreign currencies

The balance sheets of foreign companies are translated into euros at the closing exchange rate, except for shareholders' equity which is maintained at the historical exchange rate.

Profit and loss accounts denominated in foreign currencies are translated at the average exchange rate for the year. Translation differences arising from changes in exchange rates are recognized in shareholders' equity under "Currency reserve".

The following exchange rates were applied for **WALLIX US** (euro equivalent):

Closing date	Average rate	Closing rate
31/12/2019	1.1196	1.1234
31/12/2020	1.1413	1.2271

The following exchange rates were applied for **WALLIX Canada** (euro equivalent):

Closing date	Average rate	Closing rate
31/12/2019	1.4857	1.4598
31/12/2020	1.5294	1.5633

Elimination of intercompany transactions

Transactions and reciprocal assets and liabilities between fully consolidated companies are eliminated.

Likewise, internal Group results (provisions for contingencies and charges recognized in respect of losses incurred by consolidated companies) are eliminated. The elimination of internal results is divided between the Group share and minority interests in the company having generated the results.

Losses resulting from intercompany transactions between consolidated companies are only eliminated insofar as they do not require impairment.

3 – Measurement methods and rules

The consolidated financial statements are prepared in accordance with the following accounting principles:

- ✓ going concern,
- ✓ accrual basis of accounting,
- ✓ consistency of presentation.

The preferential methods set forth in CRC Regulation CRC 99-02 are applied as follows:

Application of preferential methods	YES - NO - N/A
Recognition of finance leases	YES
Recognition of provisions for post-employment benefits	YES
Amortization of bond issuance costs, premiums and repayments over the term of the bond	YES
Recognition of unrealized currency gains/losses in profit or loss	YES
Recognition of long-term contracts on a percentage of completion basis at the closing date	YES

Intangible assets

General principles

Goodwill:

The Group allocates goodwill relating to acquisitions before the end of the first financial year following the acquisition date, thus giving it the hindsight needed for valuations. As a result, allocations are made towards the end of the period specified.

Acquisitions giving rise to exclusive control are recognized using the general fair value method.

Goodwill equals the difference between acquisition cost and the acquired company's identifiable assets and liabilities measured at fair value.

The acquisition cost of the shares corresponds to the purchase price plus direct costs related to the acquisition, net of tax.

The acquired company's identifiable assets and liabilities, including intangible assets, are liable to be measured separately so that their values may be monitored.

Goodwill must be tested at least annually and whenever there is an indication that it may be impaired. This impairment is defined as the difference between the recoverable amount of goodwill and its book value. The recoverable amount is defined as the higher of the asset's fair value net of costs of disposal and the asset's value in use (sum of the discounted cash flows expected by the company for that asset). The future cash flows are based on assumptions regarding changes in the projected budget for year N+1 approved by management. The discounted cash flows are based on the Group's cost of capital before tax. These impairment tests are performed once a year.

The impairment tests are designed to ensure that the net book value of goodwill assets does not exceed the recoverable amount. The recoverable amount is the value in use of the assets tested.

Impairment tests were performed as part of the closing of the financial statements. The tests consisted of updating the main assumptions underlying the valuation of goodwill.

Other intangible assets:

Identifiable intangible assets acquired as part of a business combination are recognized and measured at fair value. Intangible assets are considered to be identifiable if they result from contractual or statutory rights or are separable.

Other indefinite life intangible assets are tested for impairment once a year and whenever they show an indication of loss of value.

Intangible assets correspond to research and development costs, concessions, patents, licenses and goodwill. They are recognized at acquisition cost including purchase price and related costs.

These intangible assets are amortized on a straight-line basis over periods corresponding to their expected useful life, as follows:

- software: 1-5 years;

- development costs: 5 years starting from the year following capitalization.

At each closing, the company ensures that there are no indicators that an asset may be impaired. Any positive difference between the net book value and the current value constitutes the amount of impairment for the year.

Research and development costs

Research costs are expensed as incurred.

They are related to the development of features of Group software destined for commercial use and mainly comprise payroll expenses measured in accordance with the number of hours spent on development projects.

Development expenses related to a given project are capitalized where the feasibility and profitability of the project may reasonably be assumed.

In application of this principle, development costs are capitalized as intangible assets where the Group can demonstrate:

- its intention to complete the asset and its ability to use it or sell it;

- its financial and technical capacity to complete the development project;

- the availability of adequate resources to complete the project;

- that it is likely that the future economic benefits attributable to the development expenses will accrue to the Group; and

- that the cost of the asset can be accurately measured.

Capitalized development costs are amortized over 5 years.

Property, plant and equipment

Property, plant and equipment is measured at cost and depreciated over the following average periods:

-	Fixtures and fittings	10 years straight line
-	Office equipment and furniture	5-10 years straight line
-	Computer hardware	3-5 years straight line

Assets held under finance leases

Assets held under finance leases are recognized under balance sheet assets at the value stated in the lease agreement. They are depreciated in accordance with the rules applicable to fully owned assets.

These assets are treated as if they were purchased on credit: the corresponding debt is recognized under liabilities and gives rise to interest payments.

Long-term investments

Long-term investments are carried at cost on the balance sheet and, if necessary, are subject to impairment in accordance with their fair value at the closing date.

Impairment of assets

Where there is an indication that the value of an item of intangible assets or property, plant and equipment may have to be reviewed at the balance sheet date, an impairment test is carried out.

In such event, the net book value of the asset is compared to its present value and an impairment charge is recorded if the present value is lower than the net book value.

The present value is the higher of fair market value and value in use. Value in use is calculated on the basis of a number of criteria mainly based on future net cash flows expected to be derived from the asset.

Provisions for contingencies

Provisions are recognized where, at the balance sheet date, the Group has an obligation towards a third party arising from a past event and it is likely that an outflow of resources representing economic benefits will be necessary to settle the obligation, without consideration at least equivalent being received from said third party.

The obligation may be legal, regulatory or contractual. It may also arise from Group practices or public undertakings that result in a legitimate expectation on the part of the third parties concerned that the Group will assume certain responsibilities.

The estimate of the amount of the provision corresponds to the outflow of resources the Group will likely incur in order to extinguish the obligation. If the amount cannot be reliably measured, no provision is recorded. In such case, a disclosure is included in the notes.

Inventory

Inventory is measured using the first in, first out (FIFO) method.

The gross value of traded goods and supplies includes the purchase price and related costs.

Where applicable, an impairment charge is recorded against inventory to take into account the net recoverable value at the balance sheet date.

Trade receivables

Receivables are recognized at face value. In the event of objective indications that the asset has lost value, impairment losses equal to the amounts deemed irrecoverable are recognized in profit or loss.

Short-term investments

Investment securities are carried at purchase cost. They are subject to impairment where their realizable value at the balance sheet date, which generally corresponds to the listed share price or net asset value, is lower than their acquisition cost.

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the prevailing exchange rate at the transaction date.

At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the closing rate.

Pension commitments

Pension commitments are measured using the preferential actuarial method prescribed by French National Accountancy Council (CNC) recommendation 2013-R 02.

The provision for pension commitments recorded on the balance sheet corresponds to the discounted present value of the commitments.

Changes in actuarial assumptions are recognized in profit or loss.

The following criteria have been adopted for the calculations:

- Economic parameters:

- 1.5% annual wage growth

- 0.34% discount rate

- Staff parameters:

- Voluntary retirement at 65

- Average social security charges rate of 42.5% at Wallix Group and 47% at Wallix SARL

- Collective bargaining agreement: SYNTEC Bureaux d'études (design & engineering firms)

- Technical parameters:

- Staff turnover table applied: DARES R&D (3% sliding scale)

- Mortality table: INSEE 2018

Retirement indemnities are included in provisions.

Current and deferred tax

The income tax charge includes current tax expense or income and deferred tax expense or income.

Current tax is the estimated tax due based on taxable income for the period.

Deferred tax is recognized based on the liability method in respect of all temporary differences between the book value of assets and liabilities and their tax base. A deferred tax asset is not recorded unless it is probable that the Group will have future taxable income against which this asset can be charged.

Profit or loss for the year is impacted by changes in tax rates and/or changes in tax regulations regarding deferred tax assets and liabilities.

Deferred tax assets and liabilities are offset where the Group is entitled to offset current tax assets and liabilities and where they involve taxes on income levied by the same tax authority and the Group intends to settle current tax assets and liabilities based on their net amount.

Segment information

A business or geographical segment is defined as a homogeneous group of products, services, business lines or countries that is individually identified within the company, its subsidiaries or operating divisions. The segmentation adopted for segment reporting is derived from the segmentation used by management for internal reporting.

Management considers that the Group operates in a single business sector, namely software publishing.

The geographical breakdown of turnover is based on customer-based regions, whereas all production facilities are centralized at the head office in Paris. Accordingly, management does not consider it appropriate to produce a breakdown of assets employed or operating profit by region, given that these indicators do not represent the actual organization of Group operations and are not monitored as part of the internal reporting used by management.

Research tax credit and operating subsidies

For the purposes of its development projects, the WALLIX Group benefits from research tax credits (CIR) and operating subsidies.

The research tax credit is recognized as follows:

€000	31/12/2020	31/12/2019
CIR restated under deferred income	1,094	741
CIR restated under operating subsidies	448	468
CIR research tax credit	**1,542**	**1,209**

Operating subsidies break down as follows:

€000	31/12/2020	31/12/2019
Subs. Restated under deferred income	226	183
Subsidies not restated	57	82
Operating subsidies	**283**	**264**

Research tax credit and other subsidies

The Group has continued to engage in research and development. A portion of the corresponding expenses confers entitlement to research tax credits.

In application of the general principle, applicable to consolidated financial statements, that substance shall prevail over appearance (Regulation 99-02 § 300), the Group has elected to recognize research tax credit:

- ✓ as an operating subsidy in respect of the portion not directly attributable to capitalized development costs,

- ✓ as prepayments in respect of the portion directly attributable to capitalized development costs, subsequently transferred to profit or loss in line with the amortization schedule for development costs.

Research tax credits restated under prepayments are as follows:

€000

Year	Total CIR tax credit	Prepayments	Posted to income over 5 years		Prepayments bal. on balance sheet	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019
2007	190	34				
2008	184	65				
2009	252	93				
2010	410	128				
2011	427	150				
2012	427	281				
2013	523	297				
2014	496	339		68		
2015	624	403	81	81		81
2016	851	524	105	105	105	210
2017	974	727	145	145	291	436
2018	963	673	135	135	404	539
2019	1,209	741	148		593	741
2020	1,542	1,094			1,094	
			614	533	2,487	2,006

Operating subsidies restated under prepayments:

€000

Year	Subsidies	Prepayments	Posted to income over 5 years		Prepayments bal. on balance sheet	
			31/12/2020	31/12/2019	31/12/2020	31/12/2019
2007	19					
2008	54					
2009	366	172				
2010	506	184				
2011	382	125				
2012	273	129				
2013	323	189				
2014	137	59		12		
2015	246	112	22	22		22
2016	366	150	30	30	30	60
2017	220	151	30	30	61	91
2018	419	272	54	54	163	218
2019	264	183	37		146	183
2020	283	226			226	
			174	149	626	574

Operating subsidies directly attributable to capitalized development costs are also reclassified under prepayments and subsequently transferred to profit or loss in line with the amortization schedule for development costs.

Non-recurring income/(expense)

Income and expenses that by their nature, frequency or materiality fall outside the scope of the Group's normal business are recognized under non-recurring items.

Earnings per share

Earnings per share is calculated by dividing net profit/(loss) Group share by the weighted average number of ordinary shares outstanding during the financial year.

When basic earnings per share is negative, diluted earnings per share is identical to this figure.

When basic earnings per share is positive, diluted earnings per share is determined by taking into account the maximum dilutive effect arising from the exercise of unattached warrants and founders' warrants, the issue of bonus shares and the exercise of all types of options issued.

4 – Notes to the consolidated financial statements

Note 1 - Share capital

Composition of share capital

Composition of share capital	Number	Par value
Shares comprising share capital at start of year	**5,814,247**	**0.10**
Shares issued during the year	15,799	0.10
Shares redeemed during the year		
Shares comprising share capital at year-end	**5,830,046**	**0.10**

Bonus shares to be issued

At the balance sheet date, bonus shares to be issued by WALLIX GROUP were as follows:

	Plan 2017-1 Bonus shares to be issued	Plan 2019 Bonus shares existing or to be issued	
Beneficiaries	Group employees	Plan 1 Group employees performing strategic tasks	Plan 2 Board members & other key personnel
EGM	03/06/2016	06/06/2019	06/06/2019
Allotment date / Board meeting	06/07/2017	25/07/2019	25/07/2019
Balance b/fwd	17,037	63,000	98,500
Number of shares allotted during the year	-		
Number of shares canceled	1,238	8,000	20,993
Number of shares issued during the year	15,799	18,260	15,493
Total number of issuable shares	-	36,740	62,014
Performance criteria	no	no	Consolidated turnover thresholds (50% of each tranche)
Presence criteria	yes	yes	yes (50% of each tranche)
Vesting period	20% in 1 yr 35% in 2 yrs 45% in 3 yrs	1/3 in 1 yr 1/3 in 2 yrs 1/3 in 3 yrs	1/3 in 1 yr 1/3 in 2 yrs 1/3 in 3 yrs
Lock-in period	1 yr / Tranche 1	1 yr / Tranche 1 vesting date	1 yr / Tranche 1 vesting date
Amount of expense recognized during the year	€ 495	€ 140,842	

The performance condition related to 2020 consolidated turnover has not been met; 16,409 shares will not vest on July 25, 2021

Note 2 - Goodwill

€000

GOODWILL

ACQUISITIONS	Acquisition date	Gross value	Amort. during year	Cumulative amortization	Net value
Wallix TRUSTELEM	01/07/2019	1,396			**1,396**
Wallix IBERICA	16/07/2019	2,793			**2,793**
TOTAL		4,189			4,189

The analysis performed in 2020 on the 2019 Simarks and Trustelem acquisitions did not identify any assets for which to allocate goodwill. Consequently, the initial goodwill was not allocated.

Goodwill impairment test:

The recoverable amount of goodwill including the activity generated by Simlarks and Trustelem was estimated on the basis of the discounted present value of expected cash flows, using a pre-tax discount rate of 10.7%.

The key assumptions used for the estimation of the recoverable amount are presented below.

The values assigned to key assumptions represent management's estimate of future trends and are derived from historical data and internal sources.

The budgeted operating profit or loss excluding depreciation and amortization is based on projected future results, taking into account projected growth in turnover.

Growth in turnover is based on market forecasts and the projected performance of those activities in relation to the market.

Since the recoverable amount of goodwill exceeds its book value, no impairment loss is required. Accordingly, these tests did not result in the recognition of any impairment losses at December 31, 2020.

Note 3 - Non-current assets, depreciation and amortization

Summary

€000

	31/12/2020			31/12/2019		
	Gross	Depr./amort.	Net	Gross	Depr./amort.	Net
Intangible assets	21,680	-12,114	**9,566**	17,571	-9,630	**7,942**
Property, plant and equipment	2,552	-1,424	**1,128**	2,054	-1,067	**987**
Long-term investments	453		**453**	402		**402**
Total	**24,685**	**-13,538**	**11,147**	**20,028**	**-10,697**	**9,331**

Intangible assets

€000

	31/12/2019	Increase	Decrease	Other changes	31/12/2020
Intangible assets					
Development costs (see Note 9)	**16,605**	4,110			**20,714**
Concessions, patents and similar rights	**957**	9			**966**
Non-current assets in progress	**9**			-9	
Advances and down payments on intangible assets	**1**		-1		
Gross intangible assets	**17,571**	**4,119**	**-1**	**-9**	**21,680**
Amortization of intangible assets					
Development costs	**9,317**	2,256			**11,573**
Concessions, patents and similar rights	**313**	229			**541**
Advances and down payments on intangible assets			-1		
Depr./amort.	**9,630**	**2,485**	**-1**	**0**	**12,114**
Other					
Provisions	**0**	**0**	**0**	**0**	**0**
Net intangible assets	**7,942**				**9,566**

Property, plant and equipment

€000

	31/12/2019	Increase	Decrease	Other changes	31/12/2020
Property, plant and equipment					
Other property, plant and equipment	**1,160**	511	-33	9	**1,645**
Other property, plant and equipment - finance lease	**894**				**894**
Non-current assets in progress		13			**13**
Advances and down payments	**1**		-1		
Gross property, plant and equipment	**2,054**	**523**	**-34**	**9**	**2,552**
Depreciation of property, plant and equipment					
Other property, plant and equipment	**442**	226			**668**
Other property, plant and equipment - finance lease	**625**	131			**756**
Depr./amort.	**1,067**	**357**	**0**	**0**	**1,424**
Provisions	**0**	**0**	**0**	**0**	**0**
Net property, plant and equipment	**987**				**1,128**

Long-term investments

€000

	31/12/2019	Increase	Decrease	Other changes	31/12/2020
Long-term investments					
Loans	6				6
Other long-term investments (1)	396	51			447
Gross long-term investments	402	51	0	0	453
Provisions for long-term investments					
Other long-term investments					
Provisions	0	0	0	0	0
Net long-term investments	402				453

(1) Long-term investments mainly comprise deposits and guarantees on company premises.

Note 4 - Receivables

€000

	31/12/2020			31/12/2019
	Gross	Impairment	Net	Net
Trade receivables	9,948	-43	**9,905**	**7,591**
Trade receivables	**9,948**	**-43**	**9,905**	**7,591**
Advances and payments on account	43		**43**	**60**
Other receivables (1)	3,815		**3,815**	**4,083**
Prepaid expenses	624		**624**	**772**
Deferred expenses	11		**11**	**14**
Other receivables	**4,493**		**4,493**	**4,929**
Operating receivables	**14,441**	**-43**	**14,398**	**12,519**

All receivables are due in less than one year.

(1) As of December 31, 2020, other receivables mainly comprise the CIR research tax credit (€2,608,000), CII innovation tax credit (€159,000) and subsidies receivable (€490,000).

Impairment of current assets

€000

	31/12/2019	Charges	Reversal	31/12/2020
Trade receivables	**181**	28	-167	43
Other receivables	**1**	3	-3	-
Total	182	31	-170	43

Note 5 - Provisions

Provisions for contingencies and charges

€000

	31/12/2019	Charges	Reversals used	31/12/2020
Provisions for contingencies (1)	**137**	37	-39	**135**
Provisions for charges (2)	**774**	294	-1	**1,066**
Total	911	331	-41	1,201

(1) The French tax authorities carried out an audit on WALLIX in respect of the research tax credit for financial years 2011 to 2014. Following the audit, the tax authorities proposed a €586,000 adjustment out of a total of €1,873,000 already refunded. At the end of the year, the provision was unchanged and amounted to €69,000.

(2) Provisions for expenses relate mainly to the provision for AGA of €186,000 and provisions for pensions and retirement of €751,000. Provisions for pension commitments have been estimated solely for WALLIX Sarl and WALLIX GROUP; the criteria used to calculate these provisions are explained in Section 3 - Pension commitments.

Note 6 - Borrowings

€000

	31/12/2020	31/12/2019
Borrowings from credit institutions	3,634	3,618
Bank overdrafts	2	1
Finance lease liabilities	140	270
Other loans and borrowings	14	14
Total	**3,791**	**3,903**

€000

	31/12/2020	Due in < 1 yr	Due in 1-5 yrs	Due in > 5 yrs
Borrowings from credit institutions (fixed-rate)	3,634	1,047	2,588	
Bank overdrafts	2	2		
Finance lease liabilities	140	98	42	
Other loans and borrowings	14	14		
Total	**3,791**	**1,161**	**2,630**	**0**

As of December 31, 2020, Group borrowings were as follows:

- €300,000 fixed-rate loan at 0.96% contracted by WALLIX Sarl with BNP Paribas on March 29, 2016 to refinance fit-out costs for the new Group head office. Outstanding balance: €15,000 - Final installment scheduled March 29, 2021
- €850,000 interest-free loan contracted by WALLIX GROUP and WALLIX Sarl with Bpifrance Financement on March 22, 2017 to finance the development of a system for protecting privileged access to cloud-based applications and information systems. Outstanding balance: €595,000 - Final installment scheduled June 30, 2024
- €108,000 fixed-rate loan at 1.20% contracted by WALLIX GROUP with BNP Paribas on August 30, 2016 to partly finance the acquisition of Proviciel assets (this loan is part of a broader financing arrangement with Bpifrance Financement, broken down as follows: 60% of the investment financed by BNP Paribas and 40% by Bpifrance Investissement, as described below). Outstanding balance: €31,000 - Final installment scheduled February 28, 2023
- €72,000 fixed-rate loan at 2.99% (average monthly rate of return on long-term government loans plus 2.74 percentage points) contracted by WALLIX GROUP with Bpifrance Financement on July 27, 2016 to post-finance the acquisition of assets from Proviciel (in addition to the aforementioned BNP Paribas loan). Outstanding balance: €40,000 -
Final installment April 30, 2023
- €110,000 fixed-rate loan at 1.50% contracted by WALLIX with BNP on June 17, 2019 to finance the works on the premises in Rennes. Outstanding balance: €56,000 - Final installment scheduled June

17, 2022

- €85,000 fixed-rate loan at 1.123% contracted by WALLIX with BNP on July 10, 2020 to finance the renewal of a portion of the IT network. Outstanding balance: €73,000 - Final installment scheduled July 10, 2023.
- €3 million floating-rate loan at 1.86% (average monthly rate of return on long-term government loans plus 1.5 percentage points) contracted by WALLIX GROUP with BNP on July 9, 2019 to finance acquisitions. Outstanding balance: €2,812,000
  Final installment scheduled July 9, 2024.

Note 7 - Operating payables

€000

	31/12/2020	31/12/2019
Trade payables	1,640	1,520
Trade payables	**1,640**	**1,520**
Tax and social security payables	4,692	3,828
Fixed asset payables	944	1,888
Other payables	11	37
Prepayments	15,350	11,149
Other payables	**20,996**	**16,901**
Total	**22,636**	**18,422**

Operating payables mature in less than a year except for prepayments, of which €6,913,000 is due in more than a year.

The Company charges VAT on amounts received. Tax payables include VAT on uncollected trade receivables totaling €1,469,000 at December 31, 2020 compared to €835,000 at December 31, 2019.

Prepayments relate to different categories of income as detailed below:

€000

Year	Prepayments bal. on balance sheet	
	31/12/2020	31/12/2019
Prepayments on income	12,238	8,569
Prepayments on CIR research tax credi	2,487	2,006
Prepayments on subsidies (1)	626	574
	15,350	**11,149**

(1) See CIR research tax credit and subsidies pages 20-21

Prepayments on income correspond to the share of revenues invoiced and recognized for the financial year but for which the supply or service will occur after the financial year (e.g. maintenance costs paid in advance).

Prepayments on CIR research tax credit and subsidies correspond to the portion of research tax credit representing capitalized development costs and the portion of subsidies attributable to projects.

Note 8 - Turnover

Group turnover is derived from the following operations:

- Software licenses
- Related maintenance services: technical support and updates
- Managed services: secure hosting of critical applications

Licensing revenues are recognized as of the date on which the software is made available.

Maintenance revenues are recognized on a straight-line basis over the maintenance contract term, which ranges from one to six years.

Revenues from provision of services are recognized when the services are provided.

€000

Income	31/12/2020	%	31/12/2019	%
Licenses	9,459	47.1%	8,914	54.6%
Maintenance	7,414	36.9%	5,820	35.6%
Subscription	794	4.0%	439	2.7%
Managed services	307	1.5%	156	1.0%
Professional services	2,097	10.4%	1,005	6.2%
Total	**20,071**	**100%**	**16,335**	**100%**

Geographical segments	31/12/2020	%	31/12/2019	%
France	13,211	65.8%	11,002	67.4%
International	6,860	34.2%	5,333	32.6%
Total	**20,072**	**100%**	**16,335**	**100%**

Note 9 - Other operating income

€000

	31/12/2020	31/12/2019
- Capitalized production (1)	3,874	2,652
- Operating subsidies (2)	1,292	1,232
- Reversals of provisions, depr./amort., reclassification	318	288
- Other income (Note 5)	45	24
Other income	**5,529**	**4,196**

(1) The balance of the capitalized production account mainly comprises payroll expenses capitalized as development costs.

(2) Operating subsidies break down as follows:

	31/12/2020	31/12/2019
Operating subsidies not restated	57	82
CIR tax credit restated under grants	448	468
Portion of CIR tax credit spread over 5 yrs (prepayments) (1)	614	533
Portion of subsidies spread over 5 yrs (prepayments) (1)	174	149
Operating subsidies	**1,292**	**1,232**

(1) See CIR research tax credit and subsidies pages 20-21

Note 10 - Payroll

€000

Payroll	31/12/2020	31/12/2019
Salaries and profit-share	14,968	11,677
Social security charges	5,973	4,627
Total	**20,941**	**16,304**

Average annual headcount	31/12/2020	31/12/2019
Executives	186	142
Employees	13	3
Total	**199**	**145**

Note 11 - Net financial income/(expense)

€000

	31/12/2020	31/12/2019
- Other interest and similar income	30	9
- Currency gains		10
- Net gains on disposal of short-term investment:		1
FINANCIAL INCOME	**30**	**20**
- Interest and related expenses	-57	-24
- Currency losses		
FINANCIAL EXPENSES	**-57**	**-25**
NET FINANCIAL INCOME/(EXPENSE)	**-28**	**-5**

Note 12 - Non-recurring income/(expense)

€000

	31/12/2020	31/12/2019
- Operating transactions	34	8
- Capital transactions	35	81
NON-RECURRING INCOME	**70**	**88**
- Operating transactions	-2	-16
- Capital transactions	-28	-75
NON-RECURRING EXPENSES	**-30**	**-91**
NON-RECURRING INCOME/(EXPENSE)	**40**	**-2**

Note 13 - Analysis of tax expense

€000

DEFERRED TAXES RECOGNIZED ON BALANCE SHEET

	31/12/2020	31/12/2019
- Deferred tax assets	0	0
- Deferred tax liabilities	0	0
Total	**0**	**0**

ANALYSIS OF TAX EXPENSE

	31/12/2020	31/12/2019
- Current tax	20	0
- Deferred tax	0	0
Total	**20**	**0**

€000

TAX PROOF

	31/12/2020
Net profit/(loss) of consolidated companies	-7,319
Effective tax charge/income	20
Profit/(loss) of consolidated companies before tax	-7,299
Theoretical tax charge/income	-1,825
Impact of definitively non-deductible expenses	1,138
Withholding tax	19
DTA cap at amount of DTL	62
Unrecognized losses for the year	1,013
Tax credit	-386
Other	-2
Effective tax charge/income	**20**

Theoretical tax rate	25%
Effective tax rate	0%

€000

BREAKDOWN OF DEFERRED TAXES ON BALANCE SHEET

	31/12/2019	Change	31/12/2020
Differences between accounting and taxable profit	91	-91	
Restatement of finance leases		1	1
Recognition of pension commitments	136	51	188
Restatement of operating subsidies	143	13	156
DTA cap (1)	-371	26	-345
Deferred tax assets (1)			
Cancellation of internal provisions			
Deferred tax liabilities (2)			
Net deferred taxes (1)-(2)			

(1) Given that deferred tax assets cannot be recovered in the short term, they are not recognized on the balance sheet.

€000

UNRECOGNIZED TAX LOSSES

Company	Amount (1)	Tax rate	Unrecognized deferred tax assets (in local currency)	Unrecognized deferred tax assets (€000)	Max. amount chargeable against future profits
Wallix Group	13,045	25%	3,261	3,261	Unlimited
Wallix	9,010	25%	2,252	2,252	Unlimited
Total (€)				**5,514**	

(1) Tax loss generated in the 2020 financial year

Note 14 - Corporate officer compensation

Compensation awarded to directors in respect of positions held in controlled companies is as follows:

€000

Compensation	31/12/2020	31/12/2019
Corporate officer compensation	636	639
Attendance fees	35	38
Total	**671**	**677**

Note 15 - Statutory auditor fees

€000

Statutory auditor fees	31/12/2020	31/12/2019
Statutory audit	65	60
Other services		30
Total	**65**	**90**

Note 16 - Off-balance sheet commitments

On July 16, 2019, WALLIX GROUP acquired Simarks, which was renamed WALLIX Iberica SL (Spain). The acquisition is subject to an unrecognized earnout payment of up to €1.7 million conditional on cumulative revenue targets over a five-year period.

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Wallix Group S.A.

Statutory auditor's report on the consolidated financial statements

For the year ended December 31, 2020

Wallix Group S.A.

250 rue du faubourg Saint-Honoré - 75008 Paris

This report contains 5 pages

Reference : KS/LB

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This is a translation into English of the statutory auditor's report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Wallix Group S.A.

Registered office: 250 rue du faubourg Saint-Honoré - 75008 Paris

Share capital: €. 586 380

Statutory auditor's report on the consolidated financial statements

For the year ended December 31, 2020

To the Annual General Meeting of Wallix Group S.A.,,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Wallix Group S.A. for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the french Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors' rules applicable to us, for the period from January 1st, 2020 to the date of our report.

Justification of Assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

- Accounting principle of development costs

The third part "Measurement methods and rules", paragraph "Intangible assets" of consolidated financial statements appendix present accounting methods and rules related to developpment costs recording.

Regarding our appreciation of accounting principles follow by your group, we examined modality of registration on asset of development costs and thoses retained for amortization and we have assured ourselves that part 3 paragraph "Intangible assets" and 4 Note 3 "Non-current assets, depreciation and amortization" of consolidated financial statements appendix provide appropriate information.

- Accounting principle of research tax credit and operating subsidy

The third part "Measurement methods and rules", paragraph "Research tax credit and other subsidies" of financial statements appendix describe accounting processing retained for research tax credit and operating subsidy.

We have assured that accounting processing maintened by your group is compliant with French accounting principles and with principles stated in financial statements appendix and that appendix provide appropriate information.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved the Board of Directors.

Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris La Défense, on the 15th April 2021

The Statutory Auditor's

French original signed by Kamal Samaha