CYBERSECURITY SOLUTIONS

AND PRIVILEGED ACCOUNT

GOVERNANCE

WALLIX GROUP
2019 Annual Financial Report

Disclaimer

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WALLIX GROUP
French corporation with a Management Board and Supervisory Board
With share capital of €581,424.70
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 10, 2020 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, 2019.

The invitations to this meeting have been duly circulated.

The documentation required pursuant to applicable regulations was forwarded or made available to you and the holders of other securities 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, 2019

The group whose business is reviewed herein comprises the following companies: WALLIX GROUP, WALLIX, WALLIX US Corp., Cybersécurité WALLIX Canada and WALLIX Iberica (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 €16,334,944, up 29.23% from consolidated turnover of €12,640,197 for the year ended December 31, 2018, and a net loss (Group share) of €6,844,852 compared to a net loss (Group share) of €3,288,460 for the year ended December 31, 2018.

As of December 31, 2019, Group shareholders' equity stood at €32,154,842, while loans and borrowings amounted to €3,903,401, up €2,339,697 versus December 31, 2018.

In relation to development projects, the Group received research tax credits (CIR) and operating subsidies, which are recognized in an amount of €1,232,039.

We hereby ask you to approve these consolidated financial statements.

Comments on Group business during the year ended:

Strong growth marked by a number of achievements

The Group posted 2019 turnover of €16.3 million, up 29% versus 2018 as the symbolic 1,000-client mark was crossed.

France had a dynamic year in which sales rose 36%, driven by the renewal of ANSSI certification for WALLIX Bastion and the creation of alliances with major partners such as Atos, Orange Cyberdéfense and Schneider Electric in order to position WALLIX solutions among global high value-added offerings.
WALLIX also opened a second R&D center in Rennes on June 26, 2019 tasked with developing new **Cloud-Based Security Services (CBSS).**

On the **international market**, up 18%, the Group considerably expanded its distribution network by forging strategic partnerships in priority regions, a move that will drive the achievement of medium-term targets. The Group hired 21 new employees during the year.

In the DACH region (Germany, Austria and German-speaking Switzerland), the Group signed a new partnership with Infinigate, the German leader in value-added distribution (VAD) of security solutions, which also operates in more than 10 other European countries. In the UK, the Group has teamed up with e92plus, the leader in cybersecurity product distribution, for the resale of its solutions. Finally, the Group has signed an agreement with distributor Credence Security in order to position its entire offering in the Middle East and Africa, both fast-growing markets.

The strengthening of this channel has been supported by an increase in recruitment in newly opened offices with the number of international staff increasing from 12 to 33, including 15 in the DACH/Eastern Europe region and 10 in North America (sales force and Customer Success).

Revenues from **recurring business** comprising maintenance, subscriptions and the recurring portion of managed services surged 40% year-on-year. Recurring business accounted for over 39% of 2019 turnover (up 3 percentage points versus 2018) and is expected to be boosted by new offers in SaaS mode or via subscription (managed services).

In 2019 the Group further stimulated sales growth by expanding its offer. In particular, the Group completed its first two acquisitions, Trustelem and Simarks, both promising tech firms that will enable the Group to market a state-of-the-art Privileged Access Management (PAM) offer extended to other cybersecurity segments where demand for identity management (IDaaS[1], the fastest growing segment of IAM[2]) is growing fast.

WALLIX GROUP acquired Trustelem on July 1, 2019. All of Trustelem's assets and liabilities were transferred to WALLIX Sarl with effect from December 29, 2019. A new identity management solution, **WALLIX Trustelem**, was thereby added to the Group's product offering.

On July 16, 2019, WALLIX GROUP acquired Simarks, which was renamed WALLIX Iberica S.L.u (Spain). A new solution, **WALLIX BestSafe**, was thereby added to the Group's product offering enabling the extension of privileged access management to workstations.

[1] Identity as a Service

[2] Identity and Access Management

Ambition 2021 plan drivers

Over the last two years, the Group has developed a comprehensive **PAM offering** and expanded into adjacent market segments as set out in 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, 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).

Operating expense increase in line with strategic plan

The investments incurred by the Group in developing its offering and ramping up international operations have naturally increased operating expenses, up 37% mainly due to increases in payroll expenses (45 new hires during the year) and amortization charges, which reflect the steady pace of R&D work on products reaching commercial maturity. The Group posted a net operating loss of €6.8 million versus €3.3 million in 2018, reflecting more extensive roll-out of the Ambition 2021 plan. Given the Company's strong financial position, net loss Group share was equal to net operating loss at €6.8 million.

Post-acquisition financial position remains strong

Operating cash flow amounted to a €3.1 million outflow that was kept under control due to a favorable change in working capital (+€900,000). Cash flows from investing activities amounted to a €6.2 million outflow, including a €2.4 million outflow related to the Simarks and Trustelem acquisitions and €0.5 million of share buybacks. Excluding these transactions, recurring cash flows from investing activities were under control and amounted to an outflow of €3.4 million compared to €3.2 million in 2018, including a major R&D drive to develop new offers. As of December 31, 2019, Group cash and cash equivalents stood at €29.3 million compared to net cash of €25.7 million and shareholders' equity of €32.2 million.

Outlook remains positive

Encouraged by the achievements of 2019, the Group forecasts continued sustained growth over the medium term in line with the strategic plan.

In France, the ramp-up of master agreements generated €3.7 million of revenues in 2019 and offers a sales potential of around €8 million to be recognized in 2020. In the international segment, the Group plans to develop business in 80% of its target markets, compared to 60% in 2019, relying on a strong partner network to step up market penetration.

Over the short term, disruptions seem unavoidable in view of the current epidemic. The Company has implemented a business continuity plan including extensive work-from-home (WFH) arrangements to protect employee health. No orders have been canceled to date, although the Group expects to see some delays in deployment.

The extensive use of WFH arrangements by companies to deal with lockdown restrictions has increased the need to protect access to sensitive corporate data and highlights the indispensable nature of WALLIX's easy-to-deploy software solutions. As such, and to help prevent a digital pandemic arising from the COVID-19 crisis, the Group decided to offer free licenses for remote access to WALLIX Bastion during lockdown.

Backed by a new comprehensive offering, considerably expanded sales network, strong cash position and buoyant market, the Group is confirming its ambition of rapidly becoming a leading European cybersecurity provider.

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 (2015-2019) 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 €900,000 in subsidies over the last three years (2017-2019).

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 178,722 new shares causing maximum dilution amounting to 2.97% 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 2019, around 7.9% of Group invoices were denominated in foreign currency, mainly USD, GBP or CAD. 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, 2019, receivables denominated in foreign currencies totaled €888,000 versus €526,000 as of December 31, 2018 and €396,000 as of December 31, 2017. 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.

At December 31, 2019, gross cash and cash equivalents amounted to €29.3 million versus €36.4 million a year earlier.

The Group also diversified its sources of financing by taking out a €2.6 million loan with BNP Paribas. The foregoing arrangements resulted in net cash of €25.4 million.

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, 2019, Group borrowings consisted of seven (7) bank loans totaling €3,618,000, including a €2.6 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, 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, 2019, the net book value of these assets stood at €7,287,877 amounting to 13.2% 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

At the balance sheet date, there were no outstanding founders' warrants.

There are 178,222 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 this 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 this 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 this 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 this company.

The Company had no branches as of the date hereof.

Business review of subsidiaries:

WALLIX:

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 2019 financial year the company posted turnover of €15,734,723, up 27.1% from €12,381,287 in 2018, and net profit of €284,128.99.

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).

<u>WALLIX US Corp.</u>:

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, 2019.
The company posted zero turnover for 2018 as the first employees arrived in November 2018. Turnover for the 2019 financial year amounted to USD 571,000.

<u>CYBERSECURITE WALLIX CANADA INC.:</u>

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 4 people as of December 31, 2019.
The company posted zero turnover for 2018 as the first employees arrived in October 2018. 2019 turnover amounted to CAD 320,000 consisting of intercompany invoicing.

<u>WALLIX Iberica</u>:

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 4 people as of December 31, 2019.
It contributed €32,000 to consolidated turnover for 2019.

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 2019 turnover down 42.6% and a net loss exceeding that of 2018.

3.1 Overview of the WALLIX GROUP company financial statements

For the financial year ended December 31, 2019:

- turnover excluding tax amounted to **€276,670** versus **€481,857** the previous year;
- operating income totaled **€441,694** versus **€742,374** the previous year;
- operating expenses totaled **€1,842,370** versus **€2,240,676** the previous year;
- net operating loss amounted to **€(1,400,676**)versus **€(1,498,302)** the previous year;
- wages and salaries amounted to **€535,876** versus **€811,540** the previous year;
- social security charges amounted to **€234,822** versus **€488,082** the previous year;
- after a net financial expense of **€(4,414,826)**, the net loss before tax and recurring items amounted to **€(5,815,502)** versus **€(1,999,377)** the previous year;
- finally, after net non-recurring income of **€13,581**, the Company posted a net loss of **€5,801,090** for the year versus a net loss of **€2,060,401** for the previous year;
- as of December 31, 2019, the Company's balance sheet total was **€41,347,242** versus **€42,858,000** as of December 31, 2018.

The Company financial statements for the year ended December 31, 2019 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 2019 was 4 employees.

3.2 Analysis of WALLIX GROUP's financial position at December 31, 2019

Loans and borrowings from credit institutions amounted to **€2,708,207** versus **€131,639** the previous year.

Trade payables amounted to **€280,956** versus **€237,538** the previous year.

Tax and social security payables amounted to **€188,516** versus **€224,137** the previous year.

Other payables amounted to **€0** versus **€930** the previous year.

Prepayments amounted to **€15,151** versus **€592** the previous year.

The Company's total borrowings amounted to **€4,680,330** versus **€594,836** the previous year.

3.3 Appropriation of WALLIX GROUP earnings

It is proposed that the entire net loss for the year ended December 31, 2019 amounting to **€(5,801,090.31)** be allocated to the "Retained earnings" account, in which retained losses will increase from **€(7,775,628.06)** to **€(13,576,718.37)**.

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 **€8,255** in respect of excess depreciation on passenger vehicles.

Theoretical tax on these non-deductible charges amounts to **€2,751**.

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 2019. Group software is developed by WALLIX Sarl, based in Paris and Rennes, and WALLIX Iberica based in Madrid.

POST-BALANCE SHEET EVENTS

While the consequences of the global COVID-19 crisis are difficult to assess with precision, a number of implications for WALLIX GROUP may be highlighted:

The Group rolled out a business continuity plan enabling all employees of the Company and its subsidiaries to remain operational, working from home, as from the first day of lockdown (equipment, network, remote access to business applications, IT support, legal support and HR). The Group had already made arrangements allowing most of its employees to work from home in response to the wave of strikes that hit France towards the end of 2019.

The Group has also made the necessary arrangements to support its customers, partners and all companies that need to establish a service continuity plan during the COVID-19 epidemic. Remote access to information systems by employees and external service providers is becoming a major factor in ensuring continuity of business. On no account should this form of access jeopardize cybersecurity or render systems vulnerable to cyberattack.

Throughout the health crisis the Group is offering free licenses for remote access to its WALLIX Bastion PAM software suite. WALLIX's entire catalog of solutions and technical expertise will also be adapted in order to meet urgent demand for protecting access to information systems and applications by employees working from home.

Lastly, although the health crisis will have a profound and lasting disruptive impact on the global economy, it will not threaten the Company’s market fundamentals, given that they are based on digital transformation, or its growth potential. However, the crisis could cause a few setbacks in the Company’s sales development plans over the short term.

I. OUTSTANDING TRADE RECEIVABLES AND PAYABLES

In accordance with Articles L. 441-6–1 and D. 441-4 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. 441-4 I. 1°: Past due invoices *received* and unpaid as of the balance sheet date						**Article D. 441-4 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	27					3	6					7
Total invoice amount concerned	37,636 incl. tax				4,201 incl. tax	4,201 incl. tax	48,621 incl. tax	62,746 incl. tax	36,000 incl. tax		1,534 incl. tax	100,280 incl. tax
Percentage of total purchases for the year	4.27% excl. tax				0.48% excl. tax	0.48% excl. tax						
Percentage of turnover for the year							17.57% excl. tax	22.68% excl. tax	13.01% excl. tax		0.55% excl. tax	36.25% 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, 2019, 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

We hereby notify you that no new agreement as defined by Article L. 225-86 of the French Commercial Code was entered into during the year ended December 31, 2019.

Two agreements entered into in previous years continued to apply during the year ended December 31, 2019:

- on February 14, 2018 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 €150,000 to €165,000 with effect from January 1, 2018. This agreement was approved by the Annual Shareholders' Meeting on June 6, 2019;

- on March 27, 2019 the Supervisory Board retrospectively authorized a partial debt waiver agreement subject to a return to better fortunes clause, entered into on December 22, 2018 between the Company and its subsidiary WALLIX for an amount of €500,000. This agreement was ratified by the shareholders at the Annual Shareholders' Meeting on June 6, 2019.

IV. EMPLOYEE SHAREHOLDINGS AT DECEMBER 31, 2019

As of December 31, 2019, employees held 1.11% 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 29, 2020

As of February 29, 2020, the capital structure of WALLIX GROUP was as follows:

WALLIX GROUP CAPITAL STRUCTURE AT 2/29/2020

WALLIX GROUP	No. of shares:	No. of voting rights	% capital	% voting rights	2017 bonus share plan	2019 bonus share plan	Total no. of shares after exercise of dilutive instruments	% of capital
Jean-Noël de Galzain*	680,355	1,241,197	11,70%	16,73%		25,000	705,355	11,77%
Amaury Rosset	298,840	543,160	5,14%	7,32%	540	15,000	314,380	5,25%
Didier Lesteven	20,833	35,053	0,36%	0,47%	405	10,000	31,238	0,52%
Total executive corporate officers	**1,000,028**	**1,819,410**	**17,20%**	**24,52%**	**945**	**50,000**	**1,050,973**	**17,54%**
TDH - Mr. Thierry Dassault	433,170	866,340	7,45%	11,67%			433,170	7,23%
ACCESS2NET	9,000	18,000	0,15%	0,24%			9,000	0,15%
Total non-executive corporate officers	**442,170**	**884,340**	**7,60%**	**11,92%**	**-**		**442,170**	**7,38%**
Employees	64,274	91,474	1,11%	1,23%	15,777	111,500	191,551	3,20%
WALLIX GROUP treasury shares	52,183	-	0,90%	0,00%			52,183	0,87%
FLOAT	4,255,592	4,625,300	73,19%	62,33%			4,255,592	71,02%
TOTAL	**5,814,247**	**7,420,524**	**100,00%**	**100,00%**	**16,722**	**161,500**	**5,992,469**	**100,00%**

* 191,513 shares held by JNG, 488,842 controlled via family holding company Jinco Invest (carrying 263,513 and 977,684 voting rights respectively)

Potential share capital

The Company has issued founders' warrants (BCE 2014) and granted bonus shares (AGA 2017 and AGA 2019) as set out below.

- **Founders' warrants**

During the year ended December 31, 2019, Jean-Noël de Galzain and Amaury Rosset exercised all of their BCE 2014 founders' warrants and thereby subscribed 30,570 and 16,970 shares respectively at a price of €2.80 per share. There were no BCE 2014 founders' warrants outstanding as of the date of this report.

- **Bonus share plans**

The Company has set up the following bonus share plans.

As of the date of this report, the vesting of all bonus shares granted would result in the issue of 178,222 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(8)
Amaury Rosset	1,200(2)	500	14,500(8)
Didier Lesteven	900(2)	500	9,500(8)
Vesting date	(1)	July 25, 2020: 21,746(6) July 25, 2021: 21,746(7) July 25, 2022: 2,008(7)	July 25, 2020: 32,818(9) July 25, 2021: 32,818(10) July 25, 2022: 32,864(10)
End of lock-in period	(1)	(6), (7)	(9), (10)
Number of shares vested as of 12/31/2019	14,205(3)	0	0
Total number of shares canceled or lapsed as of 12/31/2019	2,753(4)	2,500	0
Outstanding bonus shares granted	16,722(5)	63,000	98,500

(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 will vest on July 6, 2020 subject to compliance with the plan rules. 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) Total number of bonus shares that may vest to Messrs. Rosset and Lesteven in respect of the three vesting periods referred to in note (1); in respect of the third vesting period, 540 shares could vest to Mr. Rosset and 405 to Mr. Lesteven on July 6, 2020.

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

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

(5) Remaining number of shares vesting on July 6, 2020 in respect of the third vesting period referred to in note (1).

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

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

(8) 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.

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

(10) 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. 225-209 ET SEQ. OF THE FRENCH COMMERCIAL CODE

On June 6, 2019, under the seventh ordinary resolution, 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 year ended, pursuant to the authorization granted by the June 6, 2019 Combined Shareholders' Meeting under its seventh resolution, the Company purchased and sold treasury shares as set out below:

- Number of shares purchased: **96,697**
  Average purchase price: **11.99880379**

- Number of shares sold: **58,714**
  Average sale price: **12.09822461**

- Total trading fees: **€8,847.52** (incl. tax)

As of December 31, 2019, the Company held 48,267 treasury shares (0.83% of the share capital) valued at €713,386.26 based on the closing share price of €14.78 and having a total par value of €4,826.70. As of the same date, the Company also held €141,901.49 in cash in the liquidity account and €500 in the share buyback account.

57.6% of treasury share purchases made during the year ended (covering 55,697 shares representing 0.96% 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.

42.4% of treasury share purchases made during the year ended (covering 41,000 shares representing 0.71% of the share capital) were carried out in order to 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. WALLIX GROUP carried out these purchases under the share buyback program managed by Louis Capital Markets pursuant to an agreement dated October 22, 2018.

No items were reallocated during the year ended December 31, 2019.

Given that the authorizations granted by the June 6, 2019 Combined Shareholders' Meeting expire on December 6, 2020, 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. 225-209, 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 6, 2019 shareholders' meeting in its seventh 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 this shareholders' meeting grants the requisite authorization under the ninth 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 €29,071,200.

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 under the following terms.

1. Delegation of authority to increase the share capital via capitalization of reserves, profits and/or premiums

We hereby ask you to renew the delegation of authority to increase the share capital via capitalization of reserves, profits and/or premiums and thereby grant the Management Board, for a further 26-month term, the requisite authority to increase the share capital via capitalization of reserves, profits, premiums or other capitalizable amounts, by issuing and allotting bonus shares or by raising the par value of existing shares of common stock or via a combination of these two methods.

The nominal amount of the capital increase resulting from the share issues carried out in accordance with this authorization could not exceed €40 million. This amount would not include the total par value of any additional shares of common stock issued to maintain the rights of holders of equity derivatives, as required by law. The aforementioned cap would be independent of all other caps provided for under other delegations of authority by the shareholders' meeting.

2. 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

We hereby ask you to renew the delegations of authority to issue shares of common stock and/or securities against cash contributions with or without preferential subscription rights, under the terms set out below.

Furthermore, the Management Board would like to have authority to issue shares of common stock and/or securities against cash contributions without preferential subscription rights to a specific category of persons. Accordingly, you are asked to delegate such authority to the Management Board under the following terms.

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, at such times as it shall see fit during a 26-month term (except for the authority to issue securities to a specific category of persons, which is granted 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.

2.1 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>with preferential subscription rights</u>

We propose that the total par value of shares liable to be issued under this delegation of authority 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 share capital increase cap set pursuant to the resolutions delegating authority to increase the share capital 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) or via an offer to a specific category of persons.

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

This amount would be deducted from the cap on the total par value of debt instruments set by the resolutions delegating authority to increase the share capital 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) or via an offer to a specific category of persons.

Shares of common stock and/or all securities conferring entitlement to share capital issued under this delegation of authority would be subject to shareholder preferential subscription rights.

If subscriptions pursuant to shareholders' automatic entitlement and, where applicable, subscriptions of additional shares in excess of their entitlement 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,
- make a public offering of some or all of the unsubscribed securities.

2.2 Delegation of authority <u>without preferential subscription rights</u>

2.2.1 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 via a public offering, excluding the offers referred to in Article L. 411-2 (1) of the French Monetary and Financial Code and subject to the option of establishing a priority period</u>

Under this delegation of authority, the issues would be carried out without preferential subscription rights via a public offering, <u>excluding the offers referred to in Article L. 411-2 (1) of the French Monetary and Financial Code</u>.

Shareholder preferential subscription rights to shares of common stock and/or securities conferring entitlement to share capital would be canceled. Where applicable, subject to the conditions provided for by Article L. 225-135 of the French Commercial Code, in respect of all or part of an issue, the Management Board would be entitled to establish a priority subscription right in favor of the shareholders, in respect of their automatic entitlement and/or additional subscriptions. Such priority would not give rise to tradable rights.

The total par value of shares 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 an <u>offer as referred to in Article L. 411-2 (1) of the French Monetary and Financial Code</u> or to a specific category of persons.

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 pursuant to the delegation of authority to issue shares and/or other securities with or without preferential subscription rights via an <u>offer as referred to in Article L. 411-2 (1) of the French Monetary and Financial Code)</u> or to a specific category of persons.

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.

2.2.2 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 via an offer as referred to in Article L. 411-2 (1) of the French Monetary and Financial Code</u>

Under this delegation of authority, the issues would be carried out without preferential subscription rights via an offer as referred to in Article L. 411-2 (1) of the French Monetary and Financial Code.

Shareholder preferential subscription rights to shares of common stock and/or securities conferring entitlement to share capital would be canceled.

The total par value of shares liable to be issued would be capped at €300,000, on the understanding that it would also be capped at 20% of the share capital per year. 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 or to a specific category of persons.

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 or to a specific category of persons.

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.

2.2.3 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>

Under this delegation of authority, the issues would be carried out without preferential subscription rights in order to allow the following category of beneficiaries 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, each having the status of a qualified investor (within the meaning of Article L.411-2 (1) of the French Monetary and Financial Code) 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).

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).

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.

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

With regard to the foregoing delegations of authority with or without preferential subscription rights, 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.

3. **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.

4. **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 (BSAAR)**

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.

5. 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.

6. Amendments to Company bylaws

We propose that we amend the Company's bylaws to bring them into compliance with French law no. 2019-486 of May 22, 2019, known as the "PACTE law", and law no. 2019-744 of July 19, 2019 known as the "Soilihi law".

- **Amendments to the following articles to bring them into compliance with French law no. 2019-486 of May 22, 2019, the "PACTE law":**

- The following paragraph would be added to Article 5 "Term" to bring it into compliance with Article 1844-6 of the French Civil Code, with the rest of the article remaining unchanged:

*"**Where the consultation has not taken place, the President of the Court, ruling on an application filed by any Shareholder during the year following the expiry of the Company's term, may note the Shareholders' intention to extend the Company's term and authorize the consultation by way of rectification within three months, where applicable appointing a court officer to see that the consultation takes place. If the Company's term is extended, acts accomplished in accordance with the law and the bylaws prior to the extension shall be deemed valid and to have been accomplished by the Company whose term is extended accordingly.**"*

- The first paragraph of Article 8.2 "Form of equity securities and other securities - Identification of shareholders - Crossing of shareholding thresholds" would be amended as follows to bring it into compliance with Article L. 228-2 I of the French Commercial Code, with the rest of the article remaining unchanged:

  *"8-2 The company is authorized at any time to request the information provided for by law regarding the identification of the holders of bearer shares conferring, immediately or subsequently, the right to vote at shareholders' meetings, **either** from the central depository of financial instruments **or directly from one or more intermediaries as referred to in Article L. 211-3 of the French Monetary and Financial Code.** The company is also entitled to request the identity of the owners of securities, subject to the conditions provided for by law, where the company considers that some holders whose identity has been disclosed to it own the shares on behalf of a third party."*

- **Amendments to the following articles to bring them into compliance with French law no. 2019-744 of July 19, 2019, the "Soilihi law":**

  - The second paragraph of Article 16 "Shareholders' right to information" would be amended as follows to bring it into compliance with Article L. 225-108 paragraph 3 of the French Commercial Code, with the rest of the article remaining unchanged:

    *"As from the day when they are entitled to exercise their right to receive information prior to each shareholders' meeting, each shareholder shall be entitled to submit written questions to the Management Board, which the Management Board **or one of its members authorized by the Management Board** shall be required to answer during the meeting. The answer to a written question shall be deemed to have been given when it is published on the company website."*

  - Article 13 "Supervisory Board" would be amended to bring it into compliance with Article L. 225-82 of the French Commercial Code by inserting the following paragraph between paragraphs 5 and 6, with the rest of the article remaining unchanged:

    "The Supervisory Board shall be entitled to adopt decisions provided for by applicable regulations by written consultation."

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

	2019	2018	2017	2016	2015
Share capital at year-end					
Share capital	581,425	575,250	404,471	400,799	399,718
Number of shares issued	5,814,247	5,752,502	4,044,710	4,007,990	3,997,180
Number of bonds convertible into shares					
Revenues and earnings					
Turnover excl. tax	276,670	481,857	509,982	455,335	795,269
Earnings before tax, profit-sharing, depr./amort. and provisions	(5,654,238)	(2,213,137)	(900,481)	(1,014,042)	(648,466)
Income tax	(830)	3,044	4,541		(780)
Earnings after tax, profit-sharing, depr./amort. and provisions	(5,801,090)	(2,060,401)	(1,146,386)	(1,057,788)	(578,843)
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	5	5	4
Payroll expenses	535,876	811,540	545,815	444,099	478,349
Employer social security charges paid (a/c 645)	234,822	488,082	221,368	190,640	204,293

APPENDIX 2 - SUMMARY TABLE OF SECURITIES TRANSACTIONS EXECUTED BY CORPORATE OFFICERS, SENIOR EXECUTIVES AND RELATED PERSONS IN RESPECT OF THE YEAR ENDED DECEMBER 31, 2019 (Art. L. 621-18-2 of the French Monetary and Financial Code and Art. 223-26 of the AMF General Regulation)

Name	Jean-Noël de Galzain
Positions held in the issuing entity	Chairman 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 €50,000 shares for a total price of €695,817.04 entailing an average price of €13.92 per share
Purchase of financial instruments: Total purchase amount	Exercise of 30,570 BCE 2014 founders' warrants at a price of €2.80 per share, entailing a total amount of €85,596

Name	Amaury Rosset
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	-
Purchase of financial instruments: Total purchase amount	Exercise of 16,970 BCE 2014 founders' warrants at a price of €2.80 per share, entailing a total amount of €47,516

Consolidated Financial Statements

FY 2019

250 Bis rue du Faubourg Saint Honoré

75008 Paris

CONTENTS

WALLIX
TRACE, AUDIT & TRUST

WALLIX
TRACE,AUDIT&TRUST

CONSOLIDATED BALANCE SHEET

€000

ASSETS	Note	31/12/2019	31/12/2018
Goodwill	**2**	4,189	
Intangible assets	**3**	7,942	6,850
Property, plant and equipment	**3**	987	844
Long-term investments	**3**	402	349
Non-current assets		**13,521**	**8,043**
Inventory		34	4
Trade receivables	**4**	7,591	6,205
Other receivables and accruals	**4**	4,929	3,289
Cash and cash equivalents	**CFS**	29,317	36,400
Current assets		**41,870**	**45,899**
Total assets		**55,391**	**53,942**

EQUITY & LIABILITIES	Note	31/12/2019	31/12/2018
Share capital		581	575
Additional paid-in capital		49,528	49,441
Consolidated reserves		-10,521	-7,264
Currency reserve		-9	-6
Net profit/(loss) - Group share		-6,845	-3,288
Treasury shares		-580	-114
Shareholders' equity	1	**32,155**	**39,344**
Minority interests			
Provisions for contingencies and charges	**5**	911	457
Loans and borrowings	**6**	3,903	1,564
Trade payables	**7**	1,520	910
Other payables and accruals	**7**	16,901	11,667
Total equity & liabilities		**55,391**	**53,942**

PROFIT & LOSS STATEMENT

€000

	Note	31/12/2019	31/12/2018
Turnover	**8**	**16,335**	**12,640**
Other operating income	**9**	4,196	4,047
Purchases & inventory		-422	-363
Other operating expenses		-7,158	-5,425
Taxes and duties		-367	-355
Payroll	**10**	-16,304	-11,678
Depreciation, amortization and provisions		-3,117	-2,148
Operating profit/(loss)		**-6,837**	**-3,281**
Financial income/(expense)	**11**	-5	-5
Recurring profit/(loss) of consolidated companies before t		**-6,842**	**-3,285**
Non-recurring income/(expense)	**12**	-2	
Tax expense	**13**		-3
Net profit/(loss) of consolidated companies		**-6,845**	**-3,288**
Consolidated net profit/(loss)		**-6,845**	**-3,288**
Minority interests			
Net profit/(loss) - Group share		**-6,845**	**-3,288**
Earnings per share (€)		-1,188	-0,772
Diluted earnings per share (€)		-1,188	-0,772
Number of shares at year-end		5,814,247	5,752,502
Weighted average number of shares during the year		5,759,429	4,262,028

TRACE,AUDIT&TRUST

CASH FLOW STATEMENT

€000

	31/12/2019	31/12/2018
Net profit/(loss) of consolidated companies	**-6,845**	**-3,288**
- Depreciation, amortization and provisions (1)	2,868	1,755
- Gains on asset disposals	-6	-2
Gross cash flow of consolidated companies	**-3,982**	**-1,536**
- Change in operating working capital (2)	914	-254
Net cash flow from operating activities	**-3,068**	**-1,789**
- Acquisition of non-current assets	-3,984	-3,167
- Disposal of non-current assets	162	77
- Impact of changes in consolidation scope (3)	-2,361	
Net cash flow from investing activities	**-6,183**	**-3,090**
- Cash capital increase and issue premiums	108	34,688
- New borrowings	2,731	
- Repayment of borrowings	-673	-390
Net cash flow from financing activities	**2,167**	**34,298**
- Impact of changes in exchange rates	1	
Cash in cash and cash equivalents	**-7,084**	**29,420**
Opening cash and cash equivalents	36,400	6,980
Closing cash and cash equivalents	29,316	36,400

(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	1,582
Cash at bank and in hand	28,324	34,819
Bank overdrafts	-1	-1
Net cash and cash equivalents	**29,316**	**36,400**

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, 2017	**404**	**14,917**	**-6,149**	**-1,050**	**-2**	**-146**	**7,974**
Change in consolidating company's share capital	171	34,524					**34,695**
Allocation to reserves			-1,050	1,050			
Profit/(loss)				**-3,288**			**-3,288**
Change in currency reserve					-4		**-4**
Purchase/sale of treasury shares			-58			32	**-26**
Other changes			-7				**-7**
Net assets at December 31, 2018	**575**	**49,441**	**-7,264**	**-3,288**	**-6**	**-114**	**39,344**
Distribution of dividends							
Change in consolidating company's share capital	6	87					**93**
Allocation to reserves			-3,288	3,288			
Net profit/(loss) - Group share				**-6,845**			**-6,845**
Change in currency reserve					-3		**-3**
Purchase/sale of treasury shares (1)			16			-466	**-450**
Other changes			15				**15**
Net assets at December 31, 2019	**581**	**49,528**	**-10,521**	**-6,845**	**-9**	**-580**	**32,155**

(1) The €16,000 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 currently specializes in publishing 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, publishes cybersecurity software and markets all Group solutions in North America.

Cybersécurité WALLIX Canada Inc., the Canadian subsidiary, publishes cybersecurity software and provides support services to all Group customers.

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

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

On June 26, 2019, WALLIX opened its second R&D center, located in Rennes and specializing in the development of new **Cloud-Based Security Services (CBSS).**

WALLIX GROUP acquired Trustelem on July 1, 2019. All of Trustelem's assets and liabilities were transferred to WALLIX Sarl with effect from December 29, 2019. A new solution, **WALLIX Trustelem**, was thereby added to the Group's product offering.

On July 16, 2019, WALLIX GROUP acquired Simarks, which was renamed WALLIX Iberica S.L.u (Spain). A new solution, **WALLIX BestSafe**, was thereby added to the Group's product offering.

On the **international market**, WALLIX considerably expanded its distribution network by forging strategic partnerships in priority regions, a move that will help the Group achieve its medium-term targets. The Group hired 21 new employees during the year.

Post-balance sheet events

While the consequences of the global COVID-19 crisis are difficult to assess with precision, a number of implications for WALLIX GROUP may be highlighted:

The Group rolled out a business continuity plan enabling all employees of the Company and its subsidiaries to remain operational, working from home, as from the first day of lockdown (equipment, network, remote access to business applications, IT support, legal support and HR). WALLIX had already made arrangements allowing most of its employees to work from home in response to the wave of strikes that hit France towards the end of 2019.

WALLIX has also made the necessary arrangements to support its customers, partners and all companies that need to establish a service continuity plan during the COVID-19 epidemic. Remote access to information systems by employees and external service providers is becoming a major factor in ensuring continuity of business. On no account should this form of access jeopardize cybersecurity or render systems vulnerable to cyberattack.

Throughout the health crisis WALLIX is offering free licenses for remote access to its WALLIX Bastion PAM software suite. WALLIX's entire catalog of solutions and technical expertise will also be adapted in order to meet urgent demand for protecting access to information systems and applications by employees working from home.

Lastly, although the health crisis will have a profound and lasting disruptive impact on the global economy, it will not threaten the Company's market fundamentals, given that they are based on digital transformation, or its growth potential. However, the crisis could cause a few setbacks in the Company's sales development plans over the short term.

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, 2019 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, 2019 and December 31, 2018, 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	Method	% control December 31, 2019	% control December 31, 2018
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 (Simarks)	Spain	Calle Copenhague, 12, 28232 Las Rozas, Madrid		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 and WALLIX Iberica. 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 share-holders' equity under "Currency reserve".

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

Closing date	Average rate	Closing rate
31/12/2018	1,1793	1,1450
31/12/2019	1,1196	1,1234

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

Closing date	Average rate	Closing rate
31/12/2018	1,5329	1,5605
31/12/2019	1,4857	1,4598

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:

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.

As from January 1, 2016, goodwill is no longer subject to systematic amortization and only goodwill of limited duration continues to be amortized. Goodwill is subject to annual impairment testing and, where applicable, an exceptional impairment charge is recognized. Goodwill impairment charges cannot be subsequently reversed. The WALLIX Group does not amortize goodwill given that no items of goodwill are of limited duration.

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 balance sheet date, the company verifies the existence of indications that an asset may have lost value. If the net book value is higher than the present value, an impairment charge is recorded for the difference.

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

\- 0.77% discount rate

- Staff parameters:

- Voluntary retirement at 65

- Average social security charge rate of 42.5%

- 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	31/12/2019	31/12/2018
CIR restated under deferred income	741	673
CIR restated under operating subsidies	468	290
CIR research tax credit	**1,209**	**963**

Operating subsidies break down as follows:

€000	31/12/2019	31/12/2018
Subsidies restated under deferred income	183	272
Subsidies not restated	82	147
Operating subsidies	**264**	**419**

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		repayments bal. on balance she	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
2007	190	34				
2008	184	65				
2009	252	93				
2010	410	128				
2011	427	150				
2012	427	281				
2013	523	297		59		
2014	496	339	68	68		68
2015	624	403	81	81	81	161
2016	851	524	105	105	210	314
2017	974	727	145	145	436	582
2018	963	673	135		539	673
2019	1,209	741			741	
			533	458	2,006	1,799
			Note 9		Note 7	

Operating subsidies restated under prepayments:

€000

Year	Subsidies	Prepayments	Posted to income over 5 years		Prepayments bal. on balance sheet	
			31/12/2019	31/12/2018	31/12/2019	31/12/2018
2007	19					
2008	54					
2009	366	172				
2010	506	184				
2011	382	125				
2012	273	129				
2013	323	189		38		
2014	137	59	12	12		12
2015	246	112	22	22	22	45
2016	366	150	30	30	60	90
2017	220	151	30	30	91	121
2018	419	272	54		218	272
2019	264	183			183	
			149	133	574	540
			Note 9		Note 7	

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	**5,752,502**	**0,10**
Shares issued during the year	14,205	0,10
Shares redeemed during the year		
Shares comprising share capital at year-end	**5,766,707**	**0,10**

Potential share capital

At the balance sheet date, equity derivatives issued and stock options awarded by WALLIX GROUP were as follows:

AGM	Board meeting	Type	No. of warrants authorized	Allotment	Lapsed & canceled warrants	Warrants previously exercised	Warrants exercised during the year	Warrants outstanding	Number of potential shares (1)	Exercise price (€) (1)	Expiration date
12/06/2014	28/11/2014	2014 founders'	5,835	5,835		1,081	4,754			2,800	28/11/2019

(1) As per the 10:1 reverse stock split decided by the May 6, 2015 shareholders' meeting

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	33,680	-	-
Number of shares allotted during the year	-	65,500	98,500
Number of shares canceled	2,753	2,500	-
Number of shares issued during the year	14,205	-	-
Total number of issuable shares	16,722	63,000	98,500
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	327 €	1,289 €	84,859 €

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 (Simarks)	16/07/2019	2,793			**2,793**
TOTAL		4,189			4,189

The goodwill allocation process is underway and the relevant amounts will be recognized during 2020.

Note 3 - Non-current assets, depreciation and amortization

Summary

€000

	31/12/2019			31/12/2018		
	Gross	Depr./amort.	Net	Gross	Depr./amort.	Net
Intangible assets	17,571	-9,630	**7,942**	14,367	-7,516	**6,850**
Property, plant and equipment	2,054	-1,067	**987**	1,595	-751	**844**
Long-term investments	402		**402**	349		**349**
Total	20,028	-10,697	9,331	16,310	-8,267	8,043

Intangible assets

€000

	31/12/2018	Increase	Decrease	Other changes	Change in conso. scope	31/12/2019
Intangible assets						
Development costs (see Note 8)	**13,924**	2,680				**16,605**
Concessions, patents and similar rights	**440**	442		2	73	**957**
Other	**2**			-2		
Non-current assets in progress				9		**9**
Advances and down payments on intangible assets				1		**1**
Gross intangible assets	14,367	3,122	0	10	73	17,571
Amortization of intangible assets						
Development costs	**7,389**	1,927				**9,317**
Concessions, patents and similar rights	**126**	173		1	13	**313**
Depr./amort.	7,515	2,100	0	1	13	9,630
Other	1			-1		
Provisions	1	0	0	-1	0	0
Net intangible assets	6,850					7,942

Property, plant and equipment

€000

	31/12/2018	Increase	Decrease	Other changes	Change in conso. scope	31/12/2019
Property, plant and equipment						
Other property, plant and equipment	**961**	278	-82	-7	9	**1,160**
Other property, plant and equipment - finance lease	**634**			260		**894**
Advances and down payments				1		**1**
Gross property, plant and equipment	1,595	278	-82	254	9	2,054
Depreciation of property, plant and equipment						
Other property, plant and equipment	**259**	180	-6	4	6	**442**
Other property, plant and equipment - finance lease	**492**	133				**625**
Depr./amort.	751	313	-6	4	6	1,067
Provisions	0	0	0	0		0
Net property, plant and equipment	844					987

Long-term investments

€000

	31/12/2018	Increase	Decrease	Other changes	Change in conso. scope	31/12/2019
Long-term investments						
Loans	**39**		-33			**6**
Other long-term investments (1)	**310**	584	-32	-466	1	**396**
Gross long-term investments	349	584	-65	-466	1	402
Provisions for long-term investments						
Provisions	0	0	0	0	0	- 0
Net long-term investments	349					402

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

Note 4 - Receivables

€000

	31/12/2019			31/12/2018
	Gross	Impairment	Net	Net
Trade receivables	7,772	-181	**7,591**	**6,205**
Trade receivables	**7,772**	**-181**	**7,591**	**6,205**
Advances and payments on account	60		**60**	**6**
Other receivables (1)	4,084	-1	**4,083**	**2,672**
Prepaid expenses	772		**772**	**611**
Deferred expenses	14		**14**	
Redemption premium				
Other receivables	**4,929**	**-1**	**4,929**	**3,289**
Differed tax assets				
Operating receivables	**12,701**	**-182**	**12,519**	**9,495**

All receivables are due in less than one year.

(1) As of December 31, 2019, other receivables mainly comprise the CIR research tax credit (€2,923,000), CII innovation tax credit (€240,000) and subsidies receivable (€522,000).

Impairment of current assets

€000

	31/12/2018	Charges	Reversal	31/12/2019
Trade receivables	**53**	229	-101	**181**
Other receivables		1		**1**
Total	53	230	-101	182

Note 5 - Provisions

Provisions for contingencies and charges

€000

	31/12/2018	Charges	Reversals used	31/12/2019
Provisions for contingencies (1)	**85**	69	-16	**137**
Provisions for charges (2)	**372**	226	176	**774**
Total	457	295	160	911

(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. The Company has challenged most of this amount and has recognized a provision for €69,000 which is included in the €85,000 provision brought forward. The €69,000 charge added in 2019 corresponds mainly to the risk of employment litigation.

(2) Provisions for charges mainly comprise provisions for pension commitments (€545,000) and special contributions related to bonus share plans (€228,000). 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

	31/12/2019	31/12/2018
Borrowings from credit institutions	3,618	1,418
Bank overdrafts	1	1
Finance lease liabilities	270	145
Other loans and borrowings	14	
Total	**3,903**	**1,564**

€000

	31/12/2019	Due in < 1 yr	Due in 1-5 yrs	Due in > 5 yrs
Borrowings from credit institutions (fixed-rate)	3,618	577	3,041	
Bank overdrafts	1	1		
Finance lease liabilities	270	130	140	
Other loans and borrowings	14	14		
Total	**3,903**	**722**	**3,181**	**0**

As of December 31, 2019, 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: €76,000 - Final installment scheduled March 29, 2021
- €700,000 interest-free loan contracted by WALLIX GROUP and WALLIX Sarl with OSEO (now Bpifrance Financement) on July 24, 2013 to finance the design and development of a centralized privileged access management solution for IT resources catering to both security and production requirements. Outstanding balance: €62,000 - Final installment scheduled March 31, 2020
- €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: €680,000 (grace period underway, followed by straight-line repayment beginning March 31, 2019 and ending December 31, 2023)
- €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: €49,000 - Final installment scheduled August 30, 2022
- €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: €48,000 (grace period underway, followed by straight-line repayment beginning July 31, 2018 and ending October 31, 2022)

- €110,000 fixed-rate loan at 1.50% contracted by WALLIX Sarl with BNP Paribas on June 17, 2019 for additional financing of works. Outstanding balance: €92,000 Final installment scheduled June 17, 2022
- €2.6 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: €2.6 million (grace period underway, followed by straight-line repayment beginning July 9, 2020)

Note 7 - Operating payables

€000

	31/12/2019	31/12/2018
Trade payables	1,520	910
Trade payables	**1,520**	**910**
Tax and social security payables	3,828	2,725
Fixed asset payables	1,888	
Other payables	37	20
Prepayments	11,149	8,921
Other payables	**16,901**	**11,667**
Total	**18,422**	**12,577**

Operating payables mature in less than a year except for fixed asset payables, of which €744,000 is due in more than a year.

The Company charges VAT on amounts received. Tax payables include VAT on uncollected trade receivables totaling €835,000 at December 31, 2019 compared to €621,000 at December 31, 2018.

Prepayments relate to different categories of income as detailed below:

€000

Year	payments bal. on balance sh	
	31/12/2019	31/12/2018
Prepayments on income	8,569	6,583
Prepayments on CIR research tax credit	2,006	1,799
Prepayments on subsidies (1)	574	540
	11,149	8,921

(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 three years.

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

€000

Income	31/12/2019	%	31/12/2018	%
Licenses	8,914	54,6%	7,295	57,7%
Maintenance	5,820	35,6%	4,259	33,7%
Subscription	439	2,7%	284	2,2%
Managed services	156	1,0%	37	0,3%
Professional services	1,005	6,2%	766	6,1%
Total	**16,335**	**100%**	**12,640**	**100%**

Geographical segments	31/12/2019	%	31/12/2018	%
France	11,002	67,4%	8,116	64,2%
International	5,333	32,6%	4,524	35,8%
Total	**16,335**	**100%**	**12,640**	**100%**

Note 9 - Other operating income

€000

	31/12/2019	31/12/2018
- Capitalized production (1)	2,652	2,517
- Operating subsidies (2)	1,232	1,027
- Reversals of provisions, depr./amort., reclassification	288	489
- Other income (Note 5)	24	15
Other income	**4,196**	**4,047**

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

(2) Operating subsidies break down as follows:

	31/12/2019	31/12/2018
Operating subsidies not restated	82	147
CIR tax credit restated under grants	468	290
Portion of CIR tax credit spread over 5 yrs (prepayments) (1)	533	458
Portion of subsidies spread over 5 yrs (prepayments) (1)	149	133
Operating subsidies	**1,232**	**1,027**

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

Note 10 - Payroll

€000

Payroll	31/12/2019	31/12/2018
Salaries and profit-share	11,677	8,026
Social security charges	4,627	3,652
Profit sharing		
Total	**16,304**	**11,678**

Average annual headcount	31/12/2019	31/12/2018
Executives	142	96
Employees	3	1
Total	**145**	**97**

Note 11 - Net financial income/(expense)

€000

	31/12/2019	31/12/2018
- Other interest and similar income	9	
- Currency gains	10	3
- Net gains on disposal of short-term investments	1	
FINANCIAL INCOME	20	4
- Interest and related expenses	-24	-7
- Currency losses		-1
FINANCIAL EXPENSES	-25	-8
NET FINANCIAL INCOME/(EXPENSE)	-5	-5

Note 12 - Non-recurring income/(expense)

€000

	31/12/2019	31/12/2018
- Operating transactions	8	
- Capital transactions (1)	81	10
NON-RECURRING INCOME	88	10
- Operating transactions (2)	-16	-2
- Capital transactions (3)	-75	-8
NON-RECURRING EXPENSES	-91	-10
NON-RECURRING INCOME/(EXPENSE)	-2	

Note 13 - Analysis of tax expense

€000

DEFERRED TAXES RECOGNIZED ON BALANCE SHEET

	31/12/2019	31/12/2018
- Deferred tax assets	0	0
- Deferred tax liabilities	0	0
Total	**0**	**0**

ANALYSIS OF TAX EXPENSE

	31/12/2019	31/12/2018
- Current tax	0	3
- Deferred tax	0	0
Total	**0**	**3**

€000

	31/12/2019
Net profit/(loss) of consolidated companies	-6,845
Effective tax charge/income	0
Profit/(loss) of consolidated companies before tax	-6,845
Theoretical tax charge/income	-1,711
Impact of definitively non-deductible expenses	1,209
Impact of differences in tax rates	
DTA cap at amount of DTL	90
Unrecognized losses for the year	684
Tax credit	-302
Other	31
Effective tax charge/income	**0**

Theoretical tax rate	25%
Effective tax rate	0%

WALLIX TRACE, AUDIT & TRUST

€000

BREAKDOWN OF DEFERRED TAXES ON BALANCE SHEET

	31/12/2018	Change	31/12/2019
Differences between accounting and taxable profit	57	34	91
Restatement of finance leases	1		
Recognition of pension commitments	91	45	136
Restatement of operating subsidies	135	8	143
DTA cap (1)	-270	-101	-371
Deferred tax assets (1)	**14**	**-14**	
Cancellation of internal provisions	14	-14	
Deferred tax liabilities (2)	**14**	**-14**	
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	11,760	25%	2,940	2,940	Unlimited
Wallix	7,663	25%	1,916	1,916	Unlimited
Total (€)				**4,856**	

(1) Tax loss generated in the 2019 financial year

Note 14 - Corporate officer compensation

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

€000

Compensation	31/12/2019	31/12/2018
Corporate officer compensation	639	898
Attendance fees	38	40
Total	677	938

Note 15 - Statutory auditor fees

€000

Statutory auditor fees	31/12/2019	31/12/2018
Statutory audit	60	67
Other services	30	30
Total	90	97

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.