10 CONSOLIDATED MANAGEMENT REPORT

Shareholders are kindly informed that they are convened to an Ordinary and Extraordinary General Meeting to be held at the registered office on **28 April 2021 at 11 a.m.**, to deliberate on the following agenda:

Within the competence of the General Meeting taking decisions under the quorum and majority conditions required for Ordinary General Meetings:

- confirmation that they have read the Board of Directors' management report, including the Group management report, and noting that six agreements under Article L.441-7 of the Law of 10 August 1915, as amended, have been concluded during the year ended 31 December 2020;
- confirmation that they have read the statutory auditor's report on the 2020 financial statements, the Group's consolidated financial statements and the performance of its duties;
- confirmation of the decision taken by the Board of Directors on 28 August 2020 on the distribution and payment of a special dividend totalling €22,907,916;
- approval of the corporate accounts as at 31 December 2020;
- approval of the consolidated financial statements as at 31 December 2020;
- the allocation of profit or loss for the year ended 31 December 2020;
- discharge granted to the directors for their management duties for the year 2020;
- appointment of a new director;
- the compensation of the directors;
- discharge granted to the statutory auditor for its duties for the year 2020;
- the reappointment of the statutory auditor;
- the authority to complete formalities.

Within the competence of the General Meeting taking decisions under the quorum and majority conditions required for Extraordinary General Meetings:

- recasting of the Memorandum and Articles of Association without altering their key characteristics, in particular to take account of changes made to the Law of 10 August 1915, as amended;
- the authority to complete formalities.

Any shareholder, regardless of how many shares they hold, is entitled to participate in General Meetings or to be represented by proxy or vote by post there.

In light of the Law of 23 September 2020, as amended, introducing measures concerning meetings of companies, brought in because of the global coronavirus pandemic, shareholders are informed that this meeting will be held without physical attendance. Therefore, participation in person will not be possible, and all shareholders are invited to participate in this meeting and to exercise their rights exclusively by postal voting or by proxy or through a designated representative.

1. Sword Group's activities

To meet its clients' strategic challenges and their need both to make changes to their technological environments and to update their business processes, Sword is divided into specialist competence centres (Business Units). We provide our clients with a local presence, high-value-added know-how, a high production capacity and an optimised economic approach.

The business comprises two divisions:
- **Services:** this is organised into competence centres and accounts for 90% of the Group's revenue;
- **Software:** this is responsible for 10% of the Group's revenue.

Services: Sword advises companies on implementing innovative solutions, technically develops and integrates these solutions, and accelerates internal and external digital transformation programmes.

Software: Sword offers comprehensive solutions for Governance, Risk and Compliance (GRC), portfolio management, and event planning, collaboration and organisation.

One of the key factors in Sword's success is the local service we foster with our clients.

2. Highlights of the year ended 31 December 2020 within Sword Group

2020 was a year dominated by the COVID-19 pandemic. The impact of this health crisis was reflected in a slight drop in revenue vis-à-vis our initial targets due to postponements of orders. However, an overhaul of the Group's working methods, including the introduction of teleworking, has made it possible to mitigate the 'COVID-19 effect'.

Given the largely positive net cash position (after the deduction of bank debt) and its ability to draw on lines of credit worth €130 million (a sum of €20,000,000 matured on 4 January 2021), Sword Group's management believes that the Group has a competitive advantage and that its going concern basis still very much holds.

Brexit's impact is considered to be limited. As at 31 December 2020, the United Kingdom accounted for 30.5% of revenue and 35.4% of EBITDA. As the Group uses sterling for its UK operations, the impact on the Group's operating margin (EBITDA expressed as a percentage of revenue) is immaterial.

On 6 March 2020, the Group acquired 100% of Codify Holding Ltd, a company incorporated in the UK, for GBP 1,946,000 (equivalent to €2,322,000), excluding additional payments. See Note 11.1 to the consolidated financial statements.

On 3 April 2020, the Group acquired 100% of the shares in the property companies Arolla SCI, SCI Decan and Ormelune SCI (hereinafter "the property companies") at a total cost of €1,610,000, before selling them on, following the sale of the Group's French activities, on 8 December 2020. See Notes 11.1 and 12.1, respectively, to the consolidated financial statements.

On 31 August 2020, the Group acquired 50% of the capital plus one share in Lemonade Software Development S.L., a company incorporated in Spain, for €755,000. See Note 11.1 to the consolidated financial statements.

On 29 September 2020, the Group sold its stake in Sword Sol, the company owning the Group's French activities, to AW FG Carré for a total price of €73,000,000, excluding the relevant additional payment. See Note 12.1 to the consolidated financial statements. As at 31 December 2020, the additional payment was calculated to be €8,000,000.

On 3 August 2020, the Group established a special investment fund called the Sword Co-Investment Fund (hereinafter "the Fund") to provide co-investment opportunities for holders of management positions within Sword Group subsidiaries, by aligning their interests with those of Sword Group, by creating exit conditions for investments deemed to be illiquid in nature, by harmonising the rules applicable to these co-investments and by using a centralised platform to increase the efficiency of operations. The Fund was not created for tax purposes. In fact, there is no tax benefit for those making co-investments. Any acquisition of shares issued by the Partnership involves risks and there is no direct correlation between the price of shares issued by Sword Group SE and the valuation of the securities held by the Partnership in Sword Group subsidiaries. As at 31 December 2020, €31.1 million has been

invested in plans via the Fund, and €28.6 million of this total has been paid up. See Note 10.2.4 to the consolidated financial statements.

3. Social responsibility

Following the latest revision in December 2017 of the X Principles of Corporate Governance of the Luxembourg Stock Exchange, Sword Group has adopted the new principle on corporate social responsibility (CSR), covering social, societal and environmental matters.

Since 2011, Sword Group has been a signatory to the Ten Principles of the United Nations Global Compact, relating to human rights and labour, the environment and corruption.

By joining, the Company was keen to show it was a socially responsible stakeholder in the global economy.

Sword chose the UN Global Compact as it provides a globally recognised framework as well as sustainability, and therefore the Group has ensured compliance with the 10 principles set out there ever since.

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: eliminate discrimination in respect of employment and occupation.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Action regarding challenges facing the Group
- Attracting and retaining talent
- Developing and transforming skills
- Developing an entrepreneurial culture within teams
- Developing social dialogue
- Promoting diversity and equal opportunities
- Promoting well-being at work and employee engagement

The human aspect
Education, work-linked training and ongoing training

As Sword is a specialised services company, the added value that the company provides to its clients is largely determined by the quality of its human resources' training and expertise. This is one of the most important development areas for Sword and is the reason why the company pays particular attention to skills and team management. The company has introduced specific procedures for the following items:

- Maintaining skills levels and pooling knowledge through implementation of training processes, capitalisation and sharing of knowledge These processes are tailored to the specialist domains of each of our competence centres and facilitate the growth and development of our staff so that they become experts in their field. Sword makes various learning resources available to this end: a specialised set of shared documentation, a listing of the tutorials available for each specialist field, coaching of new staff through tutoring and mentoring, and the provision of internal or external training and of certification training programmes.
- Sustaining team motivation throughout a contract, based essentially on small competence centres, proximity management, close involvement of the competence centre's management team, internal mobility and personalised training plans
- Change management: arrival or departure of a new team member, taking into account the project constraints and objectives

Managerial excellence

Given the nature of Sword's business activities (specialised services) and contracts, the Group's organisational structure has been adapted to accommodate and make a success of this type of activity, in particular at the management level:

- profit centre organisation: organisation of the company into autonomous specialist competence centres; each of these is a profit centre responsible for its production and results;
- project know-how and expertise: all managers in charge of the specialist competence centres are trained in technical IT domains, and as such, have extensive experience in IT project management on a fixed-price basis; most managers are experts in their specific field;
- reinforcement of the technical management: each competence centre relies on a technical management team directly integrated into its strategic management to the same extent and with the same decision-making power as the sales management team;
- specialist sales approach: Sword's sales approach is based primarily on our know-how and capacity to innovate and manage core and innovative projects in our various specialist fields. The managers in charge of sales activities report directly to each competence centre and have a good technical understanding of the core business, thereby ensuring their relevance in our specialist domains.

Staff empowerment

The majority of the staff or subcontractors who work for Sword Group are highly-skilled managers. Sword provides its staff with a wide range of tools to facilitate their day-to-day activities.

Some 80% of the Group's engineers have a high level of studies (the equivalent of the French 'BAC +4' or 'BAC +5' (four or five years of university studies) or a PhD).

Sword has numerous tools for leveraging know-how. This allows teams to independently access relevant information and if necessary optimise access to the appropriate specialists.

This requires tools tailored to specific needs:

- laptop computers for mobile employees, with external access to Sword's IT system: all staff have one or two screens in addition to their laptop, with a view to improving their work comfort;
- state-of-the-art collaborative tools (email and instant messaging, collaborative spaces, standardised documentary reference frameworks, professional HR tools, client relations management tools, video conference rooms on every Group site);
- methods promoting staff empowerment, in particular through the growing use of Agile development methodologies;
- quality working environment: the offices are organised around small project teams, and there are never more than five people working in a room. Management accessibility is also ensured by the geographical proximity of the offices.

The improvement of information flow in the company

Sword's staff are involved in the corporate strategy through short hierarchical chains of command and regular briefings and updates.

Entity meetings are held at least twice a year, dealing with the following subjects in an open discussion:

- the results and outlook for the whole Group and its strategic orientation;
- the results and outlook for the relevant entity, business opportunities and strategic orientation;
- a global review of the projects under way, the difficulties encountered and the successes;
- the highlighting of best practices.

Regular meetings are organised between each employee and their manager to provide updates on each service. This proximity of the teams promotes informal exchanges and the effective flow of information.

The balance between work, family and leisure activities

Sword Group provides a range of facilities that help employees to better balance their work, family and leisure activities.

- At some Sword sites, staff can use tennis courts and football pitches, compete in sporting events, and so on.
- Staff wishing to work part-time can do so.

Employees cannot be moved to a different work location without their consent. Sword's international presence also means the company can offer its staff job opportunities in other countries.

Equal treatment

Sword applies a number of measures aimed at ensuring equal treatment for all, as far as possible. The following measures are applied:

- annual individual meetings conducted by company managers – meeting documents completed jointly by the manager and the staff member;
- variable compensation described on an annual mission task sheet – regular assessment of results;
- annual overview of training (including details of the number of male/female participants);
- assessment highlighting the maximum and minimum compensation for each staff category (broken down by gender, among other things).

When hiring, particular attention is paid to equal opportunities:

- job advertisements are systematically published online on each country's local channels, on the Group's website and on LinkedIn;
- advertisements always use inclusive language;
- a standardised recruitment process revolving around a series of logical reasoning tests is aimed at providing recruiters with objective decision-making criteria.

Sword has introduced regular monitoring of equal treatment between staff. This involves regularly checking indicators such as wage distribution by gender in various regions, with a comparison of average wages between the current and previous years.

Disability

The Group has very few disabled staff as it receives virtually no applications from people with disabilities. Sword helps those with a disability find work by calling on the services of companies that employ disabled people, for example for sorting through records, recycling waste and purchasing office supplies.

4. Environmental responsibility

Sword is a services business whose impact on the environment can be controlled. This impact is now being monitored and is deemed to be low, because in the interests of sustainable development, we have implemented a simple and practical policy for protecting the environment and reducing energy consumption.

Environmentally friendly buildings

Sword has its premises in buildings that meet insulation standards and minimise the use of air conditioning. In addition, motion detection switches are widely used in these buildings to avoid unnecessary electricity consumption. Buildings are checked regularly to assess the quality and ongoing performance of electrical installations. Greenhouse gas emissions are reduced by controlling the use of air conditioning.
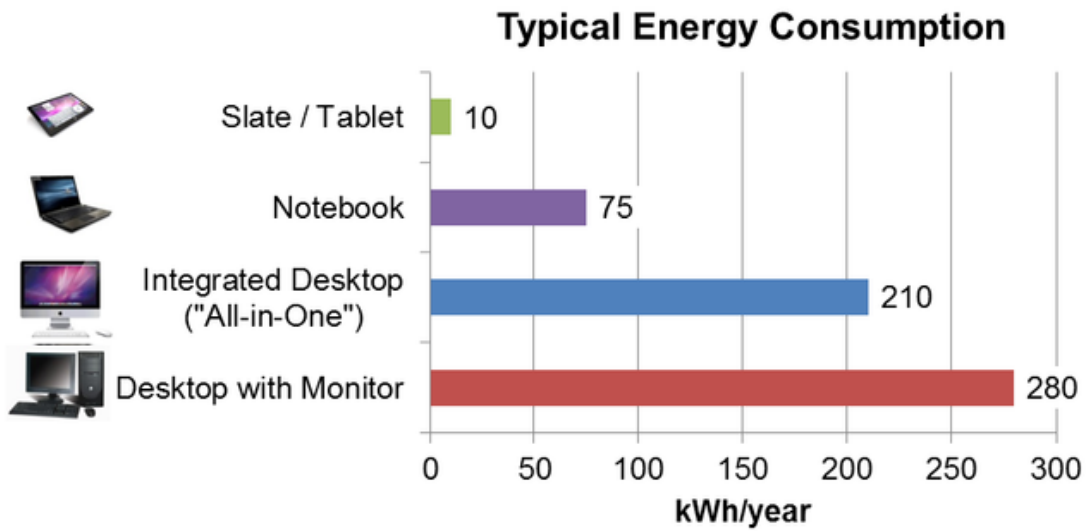
Employee awareness

We make all our employees aware of electricity consumption by reminding them to turn off lights, computers and all electrical devices as soon as possible. In addition, we encourage all staff to configure their IT equipment so that it goes into standby mode after 15 minutes of inactivity.

Working equipment

At Sword, we have opted to prioritise laptops over desktop computers for practical reasons associated with mobility for our employees. This choice also has a positive impact on reducing our energy consumption as laptops consume up to 74% less electricity than desktops. [1]

The graph below illustrates the electricity consumption of various devices.

Typical Energy Consumption

Device	kWh/year
Slate / Tablet	10
Notebook	75
Integrated Desktop ("All-in-One")	210
Desktop with Monitor	280

Comparison of energy consumption

[1] For more information, see. https://www.nrdc.org/experts/pierre-delforge/new-report-computer-energy-use-can-easily-be-cut-half.

Server virtualisation

Sword's main environmental impact is the electricity consumption of its IT infrastructure. However, this impact has now been minimised, with the organisation's server virtualisation approach cutting the number of physical servers by two thirds. The remaining servers are still needed for IT security reasons but are renewed every five years to maximise energy efficiency, while the cooling of the server room is kept to a minimum. When selecting the data centre to host the data, the Group took into account not only the key environmental indicators but also other factors such as the generation of renewable energy, the location, the profitability and the level of investment in green energy. It settled on Microsoft Azure, which seemed to provide the most environmentally friendly solution. The move from on-premises hosting to the cloud enables a dramatic reduction in energy consumption and the underlying CO_2 emissions. Hosting data in the cloud is significantly more energy efficient than on-premises hosting. The high energy-efficiency levels of Microsoft Azure services, i.e. the ratio between the amount of useful energy obtained and the amount of energy consumed, can be attributed to the following factors:

- dynamic provisioning: IT resource wastage is reduced thanks to a better match between server capacity and actual demand;
- multi-client service: sharing service solutions between multiple clients makes it possible to smooth peaks in electricity consumption;
- server utilisation: servers are operated at high utilisation rates, creating economies of scale – thus, an increase in a server's utilisation rate from 10% to 40% makes it possible to process four times the previous load with twice the power consumption;
- data-centre efficiency: state-of-the-art infrastructure minimises energy loss through improved cooling and power conditioning systems.

By using Microsoft Azure for data hosting, Sword dramatically reduces the carbon footprint of its IT activities because in addition to the energy efficiency of Azure services, 60% of the electricity consumed by Azure data centres comes from renewable energy sources. In addition, Microsoft aims to use 100% renewable energy by 2025.

In 2020, Microsoft was the first cloud provider to launch a tool for its customers to estimate the carbon footprint of provided services (Microsoft Sustainability Calculator). Specifically, this service, in accordance with the Greenhouse Gas Protocol, makes it possible to calculate the reduction in CO_2 emissions associated with the switch from on-premises to Azure hosting.

In this way, Microsoft estimated that Sword avoided the emission of 20 tonnes of CO_2 in 2020 by hosting its data in the Azure cloud.

Staff travel
- Reduction of business trips by optimising the use of modern communication technologies (phone, video conferencing, etc.), including for management meetings for client projects
- At least one meeting room with a video conferencing system on each Sword site, allowing virtual meetings to be held with external stakeholders
- Introduction of an instant messaging system linking up the Group's international sites with each other and the outside world, enabling point-to-point discussions between staff or with clients using IP phone systems, instant messaging, application sharing and video solutions
- Maximisation of public transport use for travel within cities: Sword covers some of the cost of travel passes to promote the use of public transport
- Promotion of car sharing for all work-related trips made by our engineers outside the city where they operate
- Use of rail transport whenever possible, and in particular for trips between sites
- Restriction of the engine rating of company cars
- Introduction of incentives to encourage staff to buy electric vehicles
- Introduction of a customised policy for each country

Recycling
- Minimisation of the number of documents printed as part of projects: Engineers only print the final version of documents. All revision/proofreading is done on screen. The Group's printing plant is *Imprim'vert* (green printing) certified and complies with Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) principles, among others.
- Reuse and recycling of paper via approved suppliers
- Recycling of computer hardware and accessories (ink cartridges) by appropriately certified companies
- Introduction of waste sorting in all countries

5. Societal responsibility

Sword's various sites play an active role in the life of their region, undertaking a range of initiatives in this regard:
- Sponsorship of social and cultural activities
- Participation in clusters aimed at making the regions where Sword operates more economically attractive
- Involvement in the higher-education sector, giving presentations as part of various courses, participating in student forums and providing students with internships developed with the institutions and students in question in the majority of countries where Sword has a presence
- Recruitment on the local labour market or based on voluntary relocation
- Support for not-for-profit organisations

6. Business Ethics

As one of the world leaders in business process improvement solutions for the regulated sectors, Sword Group makes its expertise, experience and infrastructure available to its clients to help them improve their performance, boost their efficiency and maximise their returns on investment.

Sword Group does business around the world in compliance with the laws and rules and regulations in force in the various countries where Sword Group and/or its subsidiaries operate.

On 20 December 2010, the Board of Directors of Sword Group adopted an Ethical Charter. The Charter aims, in particular, to lay down the key values and principles shared by the whole of Sword Group and its employees and to affirm the ethical commitment of Sword Group in all its areas of activity, vis-à-vis shareholders, members of the company, clients, suppliers and partners.

Sword Group's commitments

- Shareholders: Sword Group wants to assure shareholders of the profitability of their investment and to regularly provide them with transparent and complete, fair and true information.
- Clients and suppliers: In its dealings with clients and suppliers, Sword Group complies with principles of integrity and fairness and undertakes to provide quality products and services and to respect the commitments it has made. Therefore, Sword Group's expertise, experience and infrastructure are made available to its clients to help them improve their performance, boost their efficiency and maximise their returns on investment. The success of its products and solutions is based on a unique combination of experts from the fields of industry and technology who fully understand the challenges facing the business and are committed to providing innovative solutions through close collaboration. The talent running through Sword Group's teams and its robust network of affiliated partners are key to the lasting success of our company.
- Employees: Sword Group respects employees' rights and working conditions and ensures they develop their professional skills. Sword Group fosters its employees' personal development while respecting their privacy and aims to promote their creativity and initiative. Sword Group seeks to develop a trusting, respectful and frank relationship with each of its employees.
- Civil society: Sword Group is involved in the economic and social development of the countries where it operates, complying with the legislation in force there. In particular, Sword Group abides by the principles of the 1948 Universal Declaration of Human Rights and of the International Labour Organization. Sword Group follows the rules surrounding free competition and supports the fight against corruption in all its forms. Sword Group does not make political interventions or fund political parties. In the context of its activities, Sword Group ensures respect for the environment and sustainable development. In keeping with its values, Sword Group is a signatory to and participant in the United Nations Global Compact.

Sword Group employees' commitments

Sword Group employees are expected to reflect the Group's principles and values in their day-to-day activities by:

- complying with applicable legislation;
- being fair and honest in their relations with Sword Group and ensuring good relationships within work teams and in particular, as part of this, not accepting or soliciting gifts or benefits going beyond standard or commercial practice and that are likely to influence their behaviour;
- meticulously applying health, safety and environmental protection rules;
- forging clearly defined, honest and professional relationships with Sword Group's clients and partners, meaning that they must provide their clients and partners with a top-class commercial approach and a high level of technical know-how;
- refraining from disclosing to third parties or unauthorised Group employees confidential business information to which they are privy;
- respecting the confidentiality of the information to which they are privy and in particular, refraining from directly or indirectly using for personal ends privileged information that may come into their possession in the course of their duties, and not engaging in any insider trading;
- avoiding any conflict of interests between Sword Group and their personal interest; and
- refraining from engaging in any political activity except as a private individual, in which case this must be undertaken outside working hours and away from the workplace and without mentioning that they are a Sword Group employee.

7. Non-financial performance indicators

The table below presents for each non-financial domain the policies implemented by the Group and the relevant performance indicators. Given the lack of any more precise way of assessing these at the time of writing, the Executive Management has provided a brief evaluation of the effectiveness of the policies implemented and has not identified any specific shortcomings.

Domain	Objectives	Policies implemented	Performance indicators
Staff	Recruitment process	Increasing attractiveness to universities and engineering schools	Number of interns/number of employees and freelancers Number of activities at universities and engineering schools per year
	Staff retention	Maintaining a high-quality work environment Giving each employee the tools to evolve and develop their skills through training programmes	Absenteeism Average number of training hours per employee
Information Technology	Security, reliability and continuity of our systems	Protecting our data	Number of incidents per year
Ethics and Governance	Amendments to laws and regulations	Strengthening the internal control system	Substantial fines for non-compliance
Environment	Energy and carbon emissions	Using green energy	Energy consumption within the organisation

8. Consolidated financial review

The table below presents Sword Group's simplified consolidated income statement for the year ended 31 December 2020 compared with that for the year ended 31 December 2019.

Year			
€m	2020	2019	Growth
Revenue	212.5	213.2	-0.3%
EBITDA	29.5	28.6	+3.1%
EBITDA margin	13.9%	13.4%	-

The following analyses are based on a comparison of 2020 with 2019.

Activity and revenue
Consolidated revenue stood at €212.5 million in 2020 with profitability of 13.9% (EBITDA). The backlog as at 31 December 2020 was 26.4 months of revenue vis-à-vis the budgeted revenue for 2021 on a like-for-like basis.

Specialisation
The Group is now focusing on the digital transformation across both its divisions: Software and IT Services.

Internationalisation
The Group operates in 50 countries and has a physical presence in the form of subsidiaries and offices in 20 of these, covering Asia Pacific, the Middle East, Europe, America and South Africa.

Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items (EBITDA)
Consolidated EBITDA in 2020 was €29,476,000, i.e. 13.9% of 2020 revenue.

Debt, cash flow and investments
The Group's net cash (active cash – debt) increased from €70.8 million as at 31 December 2019 to €105.8 million (excluding the impact of IFRS 16) as at 31 December 2020.

The cash flow generated by operating activities (see statement of cash flows) came to €32,840,000.

Gross investments for the year, both intangible (excluding goodwill, market shares and business capital) and tangible, stood at €4,207,000.

Acquisitions
Growth operations are detailed in Note 11 to the consolidated financial statements.

Disposals
Disposals are detailed in Note 12 to the consolidated financial statements.

Provisioning policy
The level of provisions for risks and contingencies is due to Business Unit Directors' rigorous approach regarding the risks covered.

Provisions are recognised for these risks and contingencies on the basis of the best estimate of costs likely to be incurred. The total sum of provisions for risks and contingencies stood at €1,639,000 in the consolidated financial statements as at 31 December 2020.

Breakdown of 2020 revenue for the 2021 consolidation scope
The 2020 consolidated revenue breaks down as follows:
Software: 10%
IT Services: 90%

BY DIVISION | EXCLUDING FRANCE

€m	Revenue	EBITDA	%
Software	**16.4**	**4.1**	**25.3%**
Governance, Risk & Compliance	16.4	4.1	25.3%
IT Services	**152.8**	**19.5**	**12.8%**
Belux	50.6	4.9	9.7%
Switzerland	29.8	3.0	10.2%
UK	61.0	9.5	15.6%
Other *(including offshore)*	11.4	2.1	18.0%
Total	**169.2**	**23.7**	**14.0%**

The percentages are calculated based on the figures in thousands of euros.

SOFTWARE | EXCLUDING FRANCE

€m	Consolidated	
	2020	2019
Revenue	16.4	24.2
EBITDA	4.1	6.2
%	25.3%	25.8%

This division brings together the GRC products.

Note that the growth in GRC activity, which was negative on an annual basis (-6.3%), became positive again (2.8%) in Q4.

SERVICES | EXCLUDING FRANCE

(A) Belux

€m	Consolidated	
	2020	2019
Revenue	50.6	45.3
EBITDA	4.9	4.3
%	9.7%	9.4%

Belux's profit margin continued to surpass expectations, with an organic growth rate of +11.7%.

(B) Switzerland

€m	Consolidated	
	2020	2019
Revenue	29.8	28.0
EBITDA	3.0	3.4
%	10.2%	12.3%

Switzerland enjoyed organic growth of +6.4%.

The lockdown in the second quarter of 2020 had a negative impact on the growth rate, but this returned to normal levels in Q4.

(C) UK

€m	Consolidated	
	2020	2019
Revenue	61.0	52.1
EBITDA	9.5	6.4
%	15.6%	12.2%

Another company, Codify, joined the UK scope in September 2020.
Organic growth for the Services division in the UK was +13.2%.

(D) Other (Offshore + Other)

€m	Consolidated	
	2020	2019
Revenue	11.4	10.7
EBITDA	2.1	1.5
%	18.0%	14.3%

The figures given here include activities disposed of with France. The growth rate restated in light of this change of scope was +6.5%.

GRAND TOTAL

€m	Consolidated	
	2020	2019
Revenue	169.2	153.6
EBITDA	23.7	19.9
%	14.0%	12.9%

Group profitability is defined as a gross margin rate by comparing current EBITDA with revenue.

Current EBITDA corresponds to revenue less purchases, personnel expenses, other external charges, allocations to provisions and other current operating expenses, plus write-backs on provisions and other current operating income, as presented in the consolidated income statement. In the income statement, reference is made to 'Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items'.

This profitability indicator has two objectives:

- to assess the Group's development in the medium term (excluding non-recurring costs);
- to assess the Group's capacity to generate cash flow arising from day-to-day operations (in other words, its self-financing capacity).

9. Financing structure and policy

Since 2018, the Group has no longer had any bank debt. Sword Group SE's management plans to maintain substantial lines of bank credit. Available lines of credit amounted to €130 million as at 31 December 2020 (a sum of €20,000,000 matured on 4 January 2021).

These are intended to finance internal and external growth based on market opportunities, while maintaining a sound financial structure.

10. Risks

Risks related to the Group's activities

An overview of the most significant risks is provided below:

High likelihood of occurrence

Risks related to the performance of fixed-price projects and to the recognition of income associated with these

Risks related to hiring personnel as a result of strong organic growth

Moderate likelihood of occurrence

Risks related to technological obsolescence

Low likelihood of occurrence

Risks related to system security and protection

Risks related to ethics and legal compliance

For the key performance indicators in terms of non-financial risks, please refer to the preceding section.

As set out below, the Group's structure and the measures it has taken aim to mitigate the effects of the above risks if they occur.

Risks related to the performance of fixed-price projects

Sword Group's industrial methodological approach makes it possible to guarantee results while keeping to the budget and the schedule. This approach is based on the quality-assurance system accompanying a set of certifications tailored to each division, and has the following features:

- compliance with ISO 9001;
- a strong commitment by Sword's Executive Management;
- the day-to-day involvement of all engineers during project execution.

For Sword Group, project quality assurance is not limited to simply drafting a Quality Assurance Plan (QA Plan). This plan's effectiveness depends on its full adoption by the various project stakeholders and on quality monitoring. During the project, various participants are involved and take action that contributes to the quality of the end product.

A Quality Assurance approach to a project entails:

- the documentation of the project's priority objectives;
- the implementation of the rules and the means deployed to achieve them;
- the implementation of the rules and the means deployed to control them;
- the proper targeting of actions required for the project, thereby increasing the effectiveness and level of the service provided.

However, teamwork is required to achieve a quality product. Quality Assurance channels all the project stakeholders' actions to ensure the success of the project and achieve the required level of quality. However, this is no substitute for everybody having the appropriate expertise and motivation, which are the basic prerequisites for a quality product.

A progress report is provided each month by the Business Unit Directors. This is then checked by the local CFOs and validated by the parent company. If there are doubts about any revenue recognition for fixed-price projects, an external audit is carried out.

In the year 2020, the total of days gained and lost vis-à-vis the initial estimates for the cost of projects was positive as a result of the systematic application of our quality-focused approach.

However, any delay in a project means that all overruns estimated with respect to the project's initial budget are immediately recognised in profit or loss in the form of commercial concessions (= excess time assigned to the project not recognised in revenue).

Risks related to hiring employees

Due to its strong organic growth, the Group is always on the lookout for new employees, as they are instrumental to its success. As a result, the Group places particular emphasis on its attractiveness and ability to retain talent. This is demonstrated specifically by the following:

- investment in training, enabling skills to be maintained and knowledge to be shared;
- involvement with universities and engineering schools through internships and regular contributions to training courses;
- the balance between work, family and leisure activities;
- equal treatment of all employees;
- access for executives to incentive plans related to their local company's performance.

Risks related to technological obsolescence

The Group invests each year in developing its GRC software to meet the market's requirements as closely as possible. See Note 14 to the consolidated annual accounts.

R&D plans, including in particular upgrades to the functionality of marketed software and the development of new software solutions and the acquisition of companies operating in the GRC sector, are helping to minimise the obsolescence risk.

The acquisition of Magique Galileo, a company whose products complemented the Group's existing range, has also further strengthened Sword's reputation and its competitive position on the market.

Risks related to system security and protection
Following the disposal of the French activities, the upkeep of our infrastructure and the storage of daily backups in fireproof cabinets is managed by an outside company.

In addition, a civil-liability insurance policy allows us to cover all risks relating to damage caused by our employees at client sites.
Last but not least, by capitalising on our know-how with our software components, we have a firm grasp of the technological advances of our partners and suppliers.

Risks related to ethics and legal compliance
The Group has an Ethical Charter. The Charter aims, in particular, to lay down the key values and principles shared by the whole of Sword Group and its employees and to affirm the ethical commitment of Sword Group, in all its areas of activity, vis-à-vis shareholders, members of the company, clients, suppliers and partners.

The Group's Finance Department is made up of two people who have worked in chartered accountancy and statutory auditing. Their remuneration is not based on the Group's performance.

Financial risks
The Group adopts a cautious policy when it comes to managing its market risks, of which the main one is foreign-currency risk. The financial risks to which the Group is exposed and the policies to address them are detailed in Note 4 to the consolidated financial statements.

11. Outlook for 2021
The Group forecasts organic growth of 13% in 2021.

The budgeted revenue for 2021 on a like-for-like basis is €191 million+ with an EBITDA margin of 13%.

12. Assessment of the value of goodwill and other intangible assets
An accountancy firm assisted the Group with goodwill impairment testing. The results of these tests are set out in Note 15.3 to the consolidated financial statements.

13. Approval of the consolidated financial statements
We invite you to approve the consolidated financial statements for the year ended 31 December 2020 (balance sheet, income statement and notes) as submitted to you and which reveal a total consolidated profit of €53,397,000 (of which the Group share is €53,283,000).

14. Proposed allocation of profit or loss
We invite you to approve the corporate financial statements for the year ended 31 December 2020 (balance sheet, income statement and notes) as submitted to you and which reveal a profit of €77,699,601.87. We remind you that the sum of €395,041.35 appears under *'Reserve for treasury shares'* as the Company held 12,601 treasury shares as at 31 December 2020.

Profit for the year	€77,699,601.87
with the addition of the following items:	
Distributable profit or loss carried forward:	€162,695,482.58
Share premium:	€70,676,064.46
resulting in a distributable profit of:	**€311,071,148.91**
which Is appropriated to the following items:	
Profit or loss carried forward	€242,347,400.91
Dividend payout	**€68,723,748.00**

The gross dividend per share proposed to the General Meeting of Shareholders will be €7.20, including the interim dividend of €2.40 already paid out in 2020.

In terms of taxation, in accordance with Luxembourg law, dividend payouts are in principle subject to 15% withholding tax in Luxembourg.

However, this rate can be reduced under both tax treaties signed by Luxembourg and European law, depending on the tax residence of the beneficiary and under the beneficiary's own responsibility. In such a case, a refund request shall be sent to the Luxembourg tax authorities no later than 31 December of the year following the payment of the withholding tax, using Form 901bis:
https://impotsdirects.public.lu/dam-assets/fr/formulaires/retenue_a_la_source/pluriannuel/901bis-FR-EN.pdf.

In addition, subject to tax treaties and the legislation applicable in the beneficiary's country of residence, any withholding tax in Luxembourg will be eligible for a tax credit of the same amount on the tax due in that country of residence.

For information purposes, in the view of the French authorities, conventional tax credits related to the proceeds of securities of European companies registered in a PEA share savings plan and whose issuers do not have their headquarters in France are not entitled to reimbursement, in so far as income from shares invested in the PEA is tax-exempt income (see e.g. BOI-RPPM-RCM-40-50-30-20150115 of 15 January 2015).

15. Subsequent events

No significant events have occurred since the reporting date for the consolidated financial statements.

16. Corporate Governance Report

The information on corporate governance that must be published by law is included in the 2020 Financial Report available on Sword Group's website: https://www.sword-group.com/en/investors/#financial-documents.