SWORD

UPGRADE YOUR BUSINESS

2020 Financial Report (FREE TRANSLATION OF THE ORIGINAL REPORT IN FRENCH)

mazars

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To the Shareholders of
SWORD GROUP S.E.
Société Européenne

R.C.S. Luxembourg B 168.244

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L-8399 WINDHOF

AUDITOR'S REPORT RELATED TO THE AGREEED UPON PROCEDURES PERFORMED ON THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS

We have performed the procedures agreed with you and enumerated below with respect to the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements of Sword Group S.E. as at 31 December 2020, set forth in the accompanying schedules.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2020 and are summarized as follows:

1. We obtained and read the free translation from French to English of the consolidated financial statements prepared under IFRS as adopted by European Union and the statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements, and we identified the discrepancies which could be misleading for the users of these financial statements.

2. We suggested a wording deemed more appropriate in the circumstances.

3. We checked the final translation based on our comments.

We report our findings below:

With respect to item 1, 2 and 3 we find the Sword Group 2020 Financial Report to be consistent with the original French version.

We remind you, in accordance with our engagement terms, that in case of any discrepancy which may be noted between the English translation and the French original version, only the French original version shall be considered the legal binding document on which our audit opinions have been signed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2020. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

Luxembourg, 16 June 2021

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, rue Guillaume J. Kroll
L-1882 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé

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1 2020 RESULTS AND OUTLOOK FOR 2021

1.1 MESSAGE FROM THE CHAIRMAN

The Group starts 2021 with a robust scope encompassing:

- Software activities, covering Governance, Risk and Compliance (GRC) and Venue Management;
- Services activities, covering Digital Performance.

We will be earmarking our financial resources mainly to target internal growth by further developing existing activities and investing in an ambitious R&D plan for GRC.
This strategy will be supplemented by a limited number of minor acquisitions intended to enhance our expertise or geographic coverage.

The Group's primary area of expertise is its ability to leverage its employees' talents, combined with quality management.

Over the next four years, we will monitor the progress of the business plan we published in early 2021, using the commitments there as the basis for our communications aimed at the market and the Group's clients and employees.

We would like to thank our employees, clients and investors for our successful partnership and to reaffirm our commitment to growth beneficial to all sides.

Jacques Mottard, Chairman and CEO

1.2 KEY DATA AND INDICATORS

Consolidated financial statements

In thousands of €	31/12/2020	31/12/2019 (restated)	31/12/2018
Revenue	212,534	213,182	171,412
EBITDA	29,476	28,624	20,145
Profit for the year	53,397	13,503	86,405
Non-current assets	82,340	110,812	82,424
Cash and cash equivalents	105,842	71,657	112,929
Equity	135,942	149,963	147,368
Balance-sheet total	235,255	257,297	268,115

Statutory annual accounts

In thousands of €	31/12/2020	31/12/2019	31/12/2018
Revenue	5,000	4,005	3,578
EBITDA	-2,078	411	113
Profit for the year	77,699	31,899	46,353
Non-current assets	183,259	196,326	212,927
Cash and cash equivalents**	62,960	25,766	-8,278
Equity	299,085	244,266	223,805
Balance-sheet total	306,264	249,437	248,602

*** After the deduction of bank debt*

1.3 HIGHLIGHTS OF THE YEAR

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.

1.4 OUTLOOK

The Group forecasts organic growth of 13% in 2021.

The budgeted revenue for 2021 is €191 million⁺ with an EBITDA margin of 13%.

2 ABOUT THE GROUP AND ITS DEVELOPMENT

2.1 PROFILE OF SWORD GROUP

Sword Group SE is a European company (*Societas Europaea*, or SE) having its registered office at 2-4 Rue d'Arlon, 8399 Windhof, Luxembourg.

The purpose of the Company is to acquire stakes and interests, taking any form whatsoever, in any commercial, industrial or financial company, economic interest grouping (EIG) or other organisation, whether governed by Luxembourg or foreign law.

The Company was established on 22 June 2001. Under Article 5 of the Memorandum and Articles of Association, the Company will operate for an unlimited period.

Its shares are listed on Euronext Paris under ISIN reference FR0004180578.

Sword Group is an international consulting, services and software company assisting global leaders with their technological and digital transformation programmes.

The Group, which now has more than 1,900 employees operating in over 50 countries, offers its clients a comprehensive and integrated portfolio of solutions from strategic approach to execution.

2.2 HISTORY

2000 November – **Fundation of Sword Sword**

2002 March – **Initial public offering of the company**
Paris Stock Exchange

2002 April – **Acquisition dof Text Solution**
Company specialised in electronic document management (EDM), based in the UK

2002 December – **Acquisition de la société Cronos Technologies**
IT services company specialised mainly in projects related to the European Community

2003 December – **Acquisition of Zen and Art**
IT Services Company which manly targets major New York accounts in the fields of banking and insurance

Acquisition of FI System Belgium
Company dedicated to the content of the communication of large Organizations and European Institutions

2004 May – **Acquisition of Global Software Services Ltd.**
Company based in Great Britain for its commercial activities and in India in Chennai (Madras) for its production activities.

2004 July – **Acquisition of CIMAGE**
Company specialised in the field of content management

2005 July – **Acquisition of LINKVEST**
Company specialised in ECM and EAI

2005 September – **Sale of the logistics consulting business**

2005 November – **Acquisition of INTECH**
Company designing, building and delivering software for the English insurance market

2006 January – **Sale of Sword Nord**
Sword Group sells its subsidiary Sword Nord to its management
Acquisition of Nextech
Company specialised in Content Management

2006 September – **Sale of Sword Consulting France**

2006 September – **Acquisition of Real Time Engineering**
Company specialised in Content Management

2007 July – **Acquisition of APAK**
Company specialised in GRC

2007 December – **New acquisitions and Sale of Business Unit**

2008 March – **Acquisition of Graham Technology**

2009 September – **Sale of Sword Business Technology Solutions**

2009 November – **Acquisition of AgencyPort**
Leading company in the insurance industry

2011 May – **Cession de deux lignes de produits**

November – **Sale of Sword CTSpace**

2012 April – **Transfer of the head office**

2012 July – **Sale of Ciboodle**

2013 August – **Acquisition of Active Risk**
Company specialised in Enterprise Risk Management Software

2014 January – **Acquisition of Charteris**
Company specialized in the development of Microsoft applications

2015 October – **Acquisiton of AAA**
Company specialized in project outsourcing IT

2016 December – **Sale of Simalaya**

2018 October – **Sale of Apak**

2019 January – **Acquisition of Magique Gallileo**
Company specialized in GRC

2019 November – **Acquisition of DataCo**
Company specialized in data management

2020 March – **Acquisition of Codify**
Company specialized in database software

August – **Acquisition of Lemonade Software Development**
Company specialized in software related to digital strategy

September – **Sale of French Activities**
Sale to Argos Wityu and to Local Management

2.3 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:

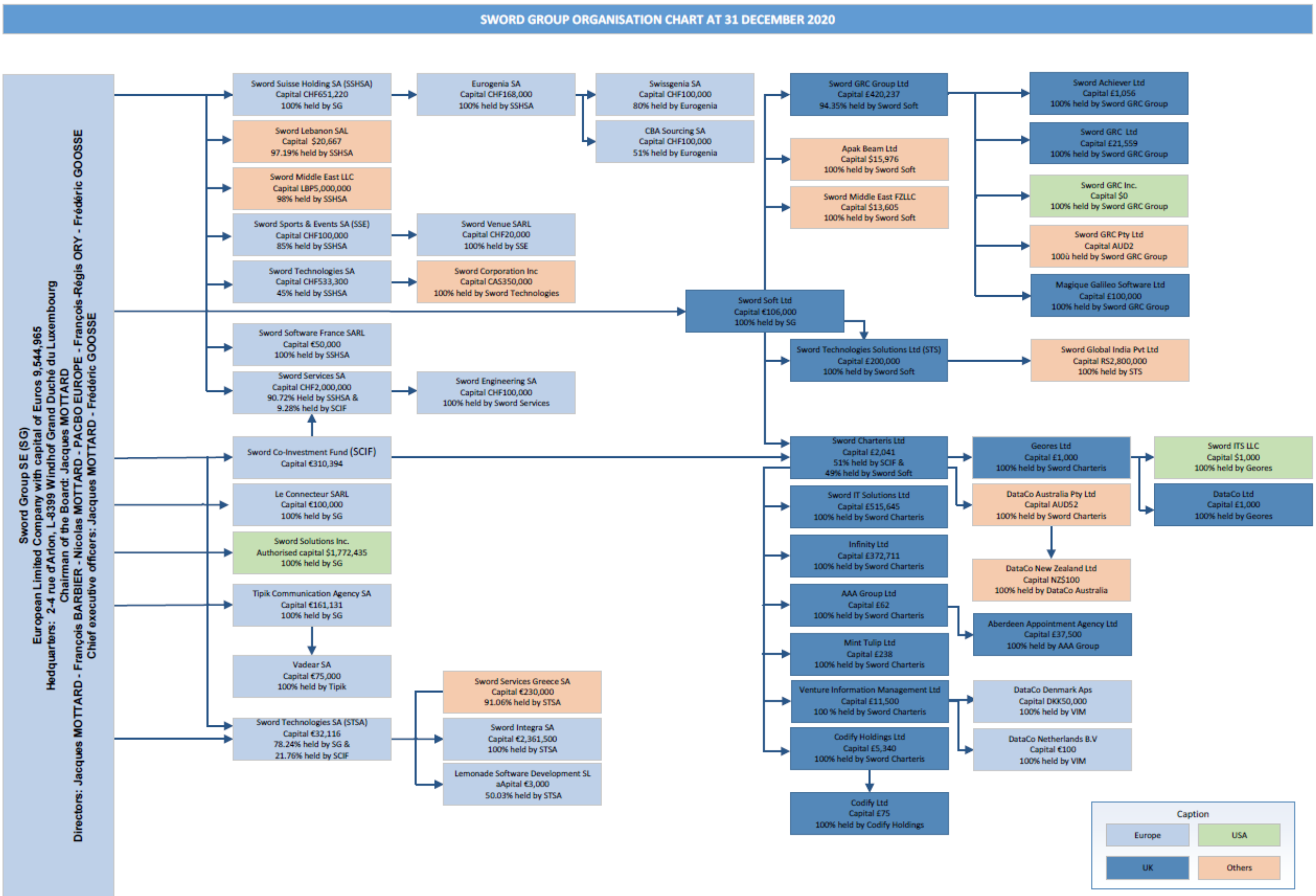
- **Services:** this is organised into competence centres and accounts for 90% of the Group's revenue;
- **Software:** this is responsible for 10% of the Group's revenue.

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.

2.4 SIMPLIFIED GROUP ORGANISATION CHART



The Group has offices in 20 countries or special administrative regions (Australia, Belgium, Canada, Denmark, England, France, Greece, Hong Kong, India, Lebanon, Luxembourg, Malaysia, the Netherlands, New Zealand, Scotland, South Africa, Spain, Switzerland, the United Arab Emirates and the United States) and is working on projects in some 50 nations.

The subsidiaries hire high-level experts and provide work for more than 1,900 people in Luxembourg and elsewhere as employees or subcontractors.

2.5 THE GROUP'S ORGANISATION

The Group is organised around the following senior management and administrative bodies:

the Board of Directors, comprising six members;
the Audit Committee, made up of two directors;
the Executive Management, comprising the two Managing Directors; and
the Management Committee, consisting of six members, including the two Managing Directors.

The mission, composition and modus operandi of the senior management and administrative bodies are set out in section 3.

2.6 MARKETS AND COMPETITION

Sword's range of services is designed for the local and international operations of all key accounts and public institutions. With its technological and methodological expertise, Sword is a market leader in a number of countries.

Sword has developed unique expertise in various targeted markets:

- Banking and Insurance;
- European Union;
- Healthcare;
- Legal;
- Luxury Goods and Services;
- Public Sector;
- Sport;
- Transport.

In these markets Sword is a day-to-day partner for these organisations across its entire range of services, providing them with support for their IT strategy and key operational issues. As a rule of thumb, Sword operates in highly regulated markets where knowledge of current regulations is critical.

2.7 BUSINESS MODEL

Sword's business model is based on two objectives: first, to achieve sustainable growth, and second, to act in an ethical, environmentally friendly and socially responsible way. As such, the model incorporates the four non-financial domains identified as challenges or even risk areas, namely employees, information security, ethical and governance issues, and the environment. These non-financial challenges and risks are discussed in sections 2.13.1 and 4.5 of this report.

Sword takes an information systems approach and leverages powerful project management methodologies to deliver innovative solutions that address its clients' strategic challenges and their need to upgrade their information systems.

To this end, Sword has developed an industrialised production model organised around specialist service centres providing its clients with local services, high-value-added know-how, high production capacity and optimised economic approaches.

OUR RANGE OF SERVICES

As a systems integrator and consultancy, Sword offers a range of specialised, high-added-value solutions and services. We combine an understanding of our clients' businesses with market knowledge and technical expertise to develop competitive advantages for our clients.

Sword's range of services is built around various technology niches:

- IT strategy consulting, programme and project management (PPM) and change management;
- leveraging information: content management, process management, collaborative work, enterprise social networking, information retrieval, repository management, robotic process automation (RPA), natural language processing;
- deployment of decision-making systems for managing and analysing enterprise data;
- communication and collaboration: special intranet portals, client relationship management;
- specific developments;
- development and maintenance of web and mobile applications;
- integration of publishers' partner solutions;
- infrastructure, cloud products and associated managed services;
- ongoing quality assurance (QA): definition and implementation of quality strategy, performance of tests and automation;
- cybersecurity.

OUR SOFTWARE

Sword provides scalable, complete and customised software products. It can collaborate with clients in SaaS mode, offering user-friendly software solutions that can be rolled out quickly.
Our collaborative tools are used by a host of clients and on highly regulated markets.
Sword offers three software ranges:

Sword GRC
Governance, compliance and Enterprise Risk Management (ERM) software

Sword Bizdock
Project portfolio management software

Sword Venue
Software for event planning, collaboration and organisation

2.8 FINANCIAL STRATEGY AND OBJECTIVES

Sword Group's strategy is, in essence, centred on a policy of specialising in certain lines of business. As such, for the Software segment, the Group specialises in Governance, Risk and Compliance (GRC) activities. In the Services segment, it focuses on data management covering technologically innovative solutions aimed at e.g. local government, the healthcare sector, the world of sport, the EU institutions and the oil and gas industry. This strategy promotes organic rather than external growth.

Our 2021-2024 business plan is based on:
- double-digit internal growth;
- an EBITDA margin of 13%.

Acquisitions will remain an additional means of consolidating the Group's competitive position.

The Group's management does not rule out the possibility of micro-acquisitions, which can be integrated into other entities that already exist.

2.9 CONSOLIDATED WORKFORCE

2020	Billable workforce			Non-billable workforce	Total
	Staff	Subcontractors	Total		
Software	69	1	70	33	103
IT Services	812	565	1,377	111	1,488
Offshore	154	136	290	13	303
Holding company	-	-	-	8	8
Total	1,035	702 (1)	1,737	165	1,902 (2)

(1) *438 full-time equivalents*
(2) *1,838 full-time equivalents*

2.10 RESEARCH & DEVELOPMENT

Research & Development (R&D) activities are concentrated in the following domains:

SOFTWARE

R&D on existing products and on the development of new GRC modules accounted for 18.7% of Software revenue in 2020.

SERVICES

Capitalised R&D accounted for 0.4% of Services revenue.

2.11 INVESTMENTS

The main investments in 2020 were:

- the company acquisitions set out in section 1.3 (Highlights of the year);
- investments in property, plant and equipment, worth €1,394,000 and mainly consisting of technical and infrastructure equipment;
- R&D (€2,348,000).

2.12 FINANCIAL REVIEW

2.12.1 Assessment of income and the financial position

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.

2.12.1 Assessment of income and the financial position (continued)

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 €150,000 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 from 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

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

2.12.2 Alternative performance indicators

The non-IFRS financial indicators presented in the annual report do not fall under a set of accounting standards or principles and must not be considered a substitute for the accounting aggregates presented in accordance with the IFRS standards. The non-IFRS financial indicators must be read in conjunction with the consolidated financial statements prepared in accordance with the IFRS standards. It is also possible that Sword Group's non-IFRS financial indicators will not be comparable with other non-IFRS data used by other companies.

Management use non-IFRS financial indicators, in addition to IFRS financial information, to assess their operating performance, evaluate their ability to generate cash flow, take strategic and operational decisions and plan and set their growth objectives. The Group believes that the non-IFRS financial indicators also provide investors and financial analysts with a relevant basis for assessing the Group's operational performance over time and comparing it with that of other companies in its sector, as well as for meeting its development needs.

The Group mainly uses two non-IFRS financial indicators, i.e. **the organic growth rate** and **a measure of profitability calculated on the basis of the EBITDA**.

Organic growth is defined as revenue growth on a like-for-like basis. Organic growth on a constant exchange-rate basis corresponds to revenue growth on a like-for-like basis and at constant exchange rates.

To measure revenue growth on a like-for-like basis, the Group takes as its starting point the consolidation scope at the end of the benchmark year (in this case 31 December 2020). Therefore, the consolidated revenue for the year under review (year N) and the previous year (year N-1) has been restated as follows:

- it includes revenue generated by entities acquired during year N prior to the date on which the Group took control;
- it does not include revenue generated for year N-1 and year N by companies sold during year N.

When reference is made to changes in revenue at constant exchange rates, the impact of exchange rates is eliminated by recalculating the revenue for year N-1 on the basis of exchange rates used for year N.

Organic growth can be used to assess the Group's ability to generate internal growth, in other words its ability to develop its business activities and create added value.

This report presents growth in revenue in terms of historical value before restatement, or on a like-for-like or constant exchange-rate basis.

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).

In addition to the indicators described above, the Group uses **current EBIT** (see definition below) as a starting point for assessing free cash flow when it conducts goodwill impairment tests. A sensitivity analysis is conducted in the context of these tests. It aims to ensure fluctuations, within a reasonable range, in the scenarios used as a basis for estimated financial forecasts, including EBIT expressed as a percentage of revenue.

Current EBIT (listed as 'Earnings before interest and taxes, excluding non-recurring items' in the consolidated income statement) is an aggregate similar to current EBITDA, if only in so far as it provides an indication of the Group's operating margin after deducting depreciation charges, i.e. after taking account of its investment structure.

2.12.3 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.

2.12.4 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%.

2.12.5 Subsequent events

See Note 41 to the financial statements.

2.13 RISK FACTORS AND CONTROLS

2.13.1 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 section 4.5 of this report.

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 financial statements.

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.

2.13.2 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.

2.13.3 Insurance

The Company's general insurance policy involves three main areas:

- operations/post-delivery/professional civil liability for all Group companies;
- liability for the senior executives and corporate officers of Sword Group;
- All Travel Risks liability.

Its general policy aims to cover risks having a significant financial impact and for which the Group is unable to insure itself financially.

The guaranteed levels of the first-line civil liability insurance contract are as follows:

NATURE OF GUARANTEES	LIMITS OF GUARANTEES	EXCESS PER CLAIM
BODILY INJURY of which NEGLIGENCE	**€10,000,000** per claim and **€15,000,000** per year of insurance **€5,000,000** per claim and per year of insurance	**NONE**
CONSEQUENTIAL OR NON-CONSEQUENTIAL MATERIAL AND NON-MATERIAL DAMAGE including **DAMAGE UNITED STATES/CANADA**	**€10,000,000** per claim and **€15,000,000** per year of insurance	**€75,000** except for operations civil liability **€3,000**
ACCIDENTAL HARM TO THE ENVIRONMENT (ALL TYPES OF DAMAGE)	**€1,000,000** per year of insurance	**€3,000** for all damage other than bodily injury
DEFENCE	Included in the guarantee	**NONE**
LITIGATION	**€50,000** per dispute	**NONE**
SUPPLEMENTARY GUARANTEES PERFORMANCE GUARANTEE ADDITIONAL INSURED CLIENT GUARANTEE	Included Included	

Liability insurance for senior executives, de jure and de facto, including corporate officers, covers those subsidiaries in which Sword Group is the majority shareholder and encompasses, on behalf of the insured parties, the defence costs and financial consequences of legal action against them incurring their personal liability in their role, up to the policy limit (€15,000,000 per claim).

All Travel Risks insurance covers employees on business trips.
An analysis of the main risks involved in the Group's activities and which can and must be insured reveals that these are normally covered by an insurance contract taken out with companies known to be solvent.

2.13.4 Internal control system

The Group's internal control procedures have the following aims:

- on the one hand, to ensure that the operational management, transactions and employees' conduct comply with the framework provided by the broad sweep of the Company's activities as defined by the corporate bodies and by the applicable laws and regulations and by the values, standards and internal rules of the Group;
- on the other hand, to check that the accounting, financial and management information provided to the management of the Company accurately reflects the Group's operations and financial position.

One of the objectives of the internal control system is to prevent and manage the risks resulting from the Company's business activity, as well as the risk of errors and fraud, in particular in accounting and finance.

The internal control procedures are decided on by Sword Group's Board of Directors and an internal control officer was appointed to monitor the different risks identified by the Board of Directors, in accordance with the X Principles of Corporate Governance of the Luxembourg Stock Exchange.

The internal control procedures focus on operational and financial activities. All the bodies involved in corporate governance participate in implementing internal control processes.

In terms of internal control procedures relating to the preparation of financial and accounting information, the Group has introduced the following measures:

- reporting financial information in the form of monthly analytical reporting to identify and analyse deviations from the objectives set by the Group's Finance Department;
- making the consolidation process more reliable and reducing the time frames for producing and communicating financial information, based on:
    - empowering the heads of subsidiaries;
    - using consolidation software to secure data processing and eliminate intra-group transactions;
    - introducing a module on IFRS 16, covering commitments related to buildings and vehicles;
    - an in-depth review by the Group's Finance Department;
- systematising the review of quarterly financial information by the Audit Committee and the Board of Directors.

While not providing a cast-iron guarantee that these risks will be completely eliminated, the internal country system aims to identify risks and prevent their occurrence.

2.13.5 Extraordinary events and litigation

To the Company's knowledge, apart from litigation that has been provided for in the accounts, there have not been any events or litigation that could lead to such a situation and could have or have had a significant impact on the results in the last 12 months, the financial position or the assets of Sword Group SE or any of its subsidiaries.

3 CORPORATE GOVERNANCE

3.1.1 Introduction

From 11 April 2012 onwards, the Board of Directors decided to adhere voluntarily to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

3.1.2 Corporate Governance Charter

Following the transfer of the Company's registered office to the Grand Duchy of Luxembourg at the General Meeting held on 26 March 2012, the Board of Directors of Sword Group adopted this Governance Charter on 28 August 2012. The Charter presents the governance framework for the activities of Sword Group, pursuant to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange which the Company subscribed to voluntarily with the exception of certain principles mentioned in this charter. Its aim is to clarify the powers and responsibilities of the different entities that constitute the governance of Sword Group.

This Governance Charter complements the following existing documents:

- a management manual that sets out all of the Group's internal control procedures, a welcome manual for each employee, detailing his/her rights, obligations and position in the operations of Sword Group;
- a manual of the IFRS accounting principles, drafted by an independent firm;
- a technical handbook for each country that includes the quality standards in force (CMM, ISO);
- an ethical charter that was approved by Sword Group's Board of Directors on 20 December 2010. It is available on the Sword Group website.

The Governance Charter is subject to a review procedure initiated by the Board of Directors.

3.1.3 Board of Directors

3.1.3.1 Mission

The Board of Directors is the body responsible for the management of Sword Group. It meets as many times as is necessary to perform its duties.

The Board of Directors is a collegiate body that is responsible for making all decisions and performing any actions that are necessary or useful for the achievement of the Company's corporate purpose, with the exception of powers explicitly reserved by law or the Memorandum and Articles of Association for the General Meeting of Shareholders.

The Board of Directors has the task of managing the general course of the organisation. As such:

- it makes the Company's strategic decisions;
- it handles any issues that need to be addressed to ensure the proper operation of the Company;
- it checks and verifies all aspects that in its opinion require monitoring.

3.1.3.2 Composition

The Board of Directors has the following members:

- Jacques Mottard, Chairman of the Board of Directors;
- François Barbier, Independent Director;
- François-Régis Ory, Independent Director;
- Patrice Crochet, Independent Director;
- Nicolas Mottard, Director; and
- Frédéric Goosse, Director.

The members of the Board of Directors were chosen for their financial and/or technical expertise and their variety of professional backgrounds, ensuring that they bring a wealth of experience to the Board.

The Board of Directors' makeup reflects the Company's desire to have top-class directors on its Board with a varied skillset and proven expertise in a range of fields. The Board has always taken care to maintain a balanced makeup, in particular by including independent directors.

The Memorandum and Articles of Association of Sword Group provide for a Board of Directors which shall have a minimum of three members and a maximum of eighteen members, except when the temporary derogation provided for mergers applies, appointed for a maximum duration of four years. The Board of Directors comprises competent and well-informed persons who have been chosen based on the specific features of the Company and its activities.

In accordance with the recommendations of the Luxembourg Stock Exchange, 50% of the Board of Directors are independent directors. Moreover, none of the above Directors have a significant holding in the share capital of the clients or suppliers of Sword Group, or in the subsidiaries of the latter.

No Directors are elected by the staff.

Given the size of the Company, and in order to improve the efficiency of the Board's decisions, the functions of the Chairman and Chief Executive Officer are not separate. For the same reasons, the appointment of a compliance officer is not considered necessary.

3.1.3.3 Appointment of a new director

Ms Antonella Michelino has been proposed as a new director. She can draw on extensive financial experience from her time working in the banking sector in Luxembourg and from her current position as Chief Executive Officer of Midas Wealth Management in Luxembourg. Antonella holds a degree in business administration and a Master's degree in finance from the London School of Economics.

3.1.3.4 Other offices held by corporate officers in listed companies

No members of the Board of Directors held offices or positions in listed companies other than Sword Group during the year in question.

3.1.3.5 Modus operandi

The Board shall meet, carry out its functions and take decisions in compliance with applicable statutory and regulatory provisions, as complemented by the provisions of Sword Group's Memorandum and Articles of Association. Currently there are Rules of Procedure but no teller.

In the absence of a Works Council, no staff representative of the Company or the Group takes part on a regular basis in the Board of Directors' meetings.

The budgets are forwarded to the Board annually. The Board also receives the analytical accounts on a monthly basis and the general accounting every quarter.

The Board is informed ahead of time of any acquisition or activity creation project and more generally speaking of all significant financial operations.

For each meeting of the Board of Directors, the relevant documents in relation to the agenda are sent to the members prior to the meeting. The Directors may request, at any time of the year, any information that they consider useful on the way in which the Company goes about its business.

All the Directors, executive or otherwise, have the same access to the information and resources that are necessary for the performance of their duties.

Sword Group's Memorandum and Articles of Association provide for a Board of Directors' meeting to be held as often as the Company's interests require this. The Group uses its law firm to send out the invitations to attend the Board meetings. The Board generally meets at the registered office and the law firm assists the Chairman with drafting the minutes.

Within the scope of the reinforcement of the governance rules, Sword Group has laid down a set of Rules of Procedure that specify how the Board of Directors works as well as the obligations of the Directors within the scope of their functions, in particular their ethical obligations.

The Board of Directors completes its assessment every year. The Directors consider as at the reporting date that the current functioning of the Board of Directors enables them to perform their role properly.

3.1.4 Audit Committee

In specific domains, the Board of Directors may be assisted, in an advisory capacity, by specialist committees established by the Board, which also determines their role, responsibilities, composition and modus operandi. As such, it established an Audit Committee,

which assists Sword Group's Board of Directors in its tasks of supervising the financial reporting, external audit and internal control processes.

The Audit Committee has the following members:

- François-Régis Ory, Chairman;
- François Barbier.

3.1.5 Executive Management and Management Committee

The Board of Directors has delegated the day-to-day management of Sword Group as well as representing the Company in this regard to two of its members, who make up the Executive Management.

Sword Group SE's Executive Management consists of Jacques Mottard, Managing Director, and Frédéric Goosse, Managing Director and Group CFO.

The Executive Management is assisted in its task by a Management Committee, also called the 'Executive Management Committee', or 'EMC'.

The EMC has the following members:

- Jacques Mottard | Chairman and CEO;
- three heads of subsidiaries, namely:
  - Dieter Rogiers | CEO Belux & Greece Services;
  - Dave Bruce | CEO UK Services;
  - Nick Scully | CEO UK Software;
- Phil Norgate | CEO M&A;
- Frédéric Goosse | Chief Financial Officer.

The members of the EMC are selected for their managerial, technical and professional attributes and come from a range of countries and cultures, thereby providing the Group with a global outlook.

The EMC sets out the annual guidelines, monitors the business activity, defines the long-term strategy, manages the annual budget and supervises the profit centres known as 'Business Units'.

3.1.6 Directors' compensation and benefits

Corporate officers are paid according to their experience and their know-how specifically within the context of the European and global markets.

The remuneration package of the senior management and administrative bodies may be made up of various components such as the granting of shares, stock options or any other right to acquire shares, attendance fees, retirement and departure conditions and other specific benefits, whether they are granted by Sword Group or its subsidiaries or companies within the Group.

The fixed and variable parts of the remuneration package are determined in a balanced manner. If stock options are granted, the Board of Directors sets performance conditions as well as the number of shares resulting from each option that must be kept by the corporate officer until the end of his or her term of office.

The presentation of compensation for corporate officers below is consistent with the relevant recommendation (No. 8) of the principles of corporate governance of the Luxembourg Stock Exchange relating to information on compensation for such officers.

Table 1: Table setting out the compensation and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2020**	**31/12/2019**
Compensation due for the year *(detailed in Table 2)*	€70,175 (1)	€32,745 (1)
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€70,175	€32,745

(1) Financière Sémaphore S.à r.l., a company owned by Jacques Mottard, billed Sword Group SE for services and recharged miscellaneous fees for a total amount of:

- €950,000 (excl. tax) for the year ended 31 December 2020;
- €669,999.92 (excl. tax) for the year ended 31 December 2019;

Nicolas Mottard	**31/12/2020**	**31/12/2019**
Compensation due for the year	€15,000	€15,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€15,000	€15,000

Frédéric Goosse	**31/12/2020**	**31/12/2019**
Compensation due for the year	€20,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€20,000	€20,000

François Barbier	**31/12/2020**	**31/12/2019**
Compensation due for the year	€20,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€20,000	€20,000

François-Régis Ory	**31/12/2020**	**31/12/2019**
Compensation due for the year	€20,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€20,000	€20,000

Patrice Crochet	31/12/2020	31/12/2019
Compensation due for the year	€20,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€20,000	€20,000

Table 2: Table providing a detailed breakdown of the compensation of the Chairman and CEO

Jacques Mottard	Amount as at 31/12/2020		Amount as at 31/12/2019	
	Due	Paid	Due	Paid
Fixed compensation	€17,760	€17,760	€13,664	€13,664
Directors' fees	€13,985	€13,985	€12,862	€12,862
Benefits in kind	€38,430	€39,430	€6,219	€6,219
TOTAL	€70,175	€70,175	€32,745	€32,745

Table 2 is only completed for Jacques Mottard because for the other officers the sums are solely made up of directors' fees.

Table 3: Share subscription or purchase options allocated during the year to each corporate officer by the company or by any Group company
Not applicable

Table 4: Share subscription or purchase options exercised during the year by each corporate officer
Not applicable

Table 5: Performance shares allocated to each corporate officer
Not applicable

Table 6: Performance shares that became available during the year for each corporate officer
Not applicable

Table 7: History of allocations of share subscription or purchase options
No share subscription or purchase option schemes are currently in place.

Table 8: Share subscription or purchase options allocated to the top 10 employees who are not corporate officers and options they have exercised
Not applicable

Table 9: Other information about the corporate officer

	Employment contract		Top-up retirement plan		Allowances or benefits due or likely to be due as a result of termination or a change of role		Allowances related to a non-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
J. Mottard – Chairman & CEO		X		X		X		X

Directors' fees
We propose that the directors' fees paid to members of the Board of Directors be set at €125,000.

4 CORPORATE RESPONSIBILITY

4.1 SOCIAL RESPONSIBILITY

Following the latest revision in December 2017 of the X Principles of Corporate Governance of the Luxembourg Stock Exchange, Sword Group adopted a new governance framework covering social, societal and environmental responsibility (corporate social responsibility, or CSR).

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 centres of expertise, 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.

4.2 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

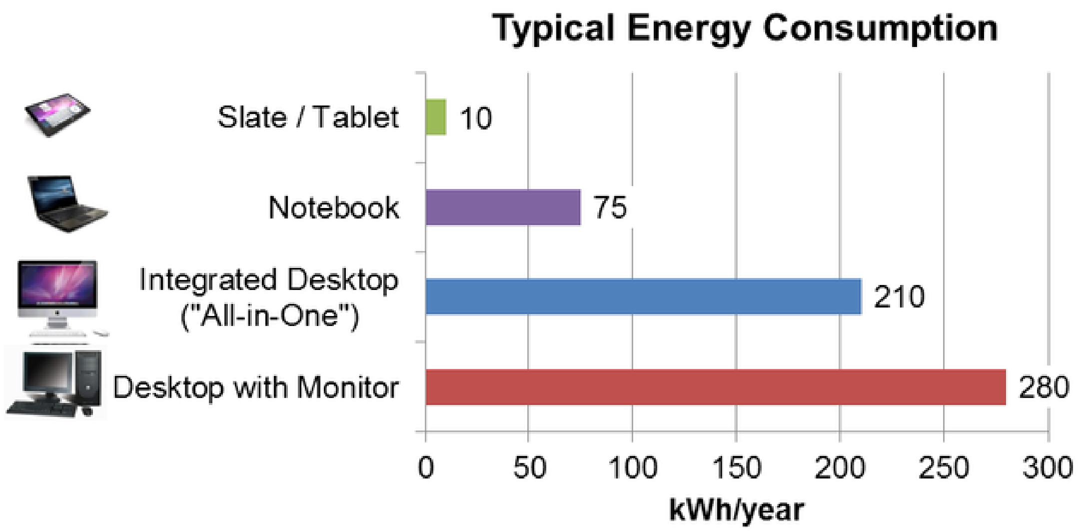
Sword has its premises in buildings that meet insulation standards and minimise the use of air conditioning. In addition, motion detection switches are widely used in these buildings to avoid unnecessary electricity consumption. Buildings are checked regularly to assess the quality and ongoing performance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



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

4.3 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

4.4 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.

4.5 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

5 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

5.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(in thousands of €)	**Notes**	**31 December 2020**	**31 December 2019 (restated)**
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	52,053	73,354
Other intangible assets	14	10,759	12,769
Property, plant and equipment	15	1,748	5,089
Right-of-use assets	16	6,154	14,424
Investments in associates		-	50
Financial assets at fair value through other comprehensive income	17	2,964	1,099
Deferred tax assets	26	362	1,579
Other assets	19	8,300	2,448
TOTAL NON-CURRENT ASSETS		82,340	110,812
CURRENT ASSETS			
Trade and other receivables	18	22,874	37,130
Work in progress	8	16,905	28,774
Current tax assets		515	946
Other assets	19	5,413	5,571
Cash and cash equivalents	20	105,842	71,657
Prepaid expenses		1,366	2,407
TOTAL CURRENT ASSETS		152,915	146,485
TOTAL ASSETS		**235,255**	**257,297**

The notes hereinafter form an integral part of the consolidated financial statements.

As at 31 December 2020

(in thousands of €)	**Notes**	**31 December 2020**	**31 December 2019 (restated)**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	34	9,545	9,545
Share premiums		70,676	70,676
Reserves		2,547	4,832
Retained earnings		51,382	61,904
TOTAL EQUITY – GROUP SHARE		134,150	146,957
Non-controlling interests (minority interests)	10	1,792	3,006
TOTAL EQUITY		**135,942**	**149,963**
NON-CURRENT LIABILITIES			
Lease obligations	16	5,324	13,006
Pension provisions	21	235	1,534
Other provisions	22	25	392
Deferred tax liabilities	26	1,414	1,530
Other liabilities	25	48,436	8,228
TOTAL NON-CURRENT LIABILITIES		55,434	24,690
CURRENT LIABILITIES			
Lease obligations	16	2,528	4,080
Other financial debts	23	35	878
Other provisions	22	125	1,247
Trade and other payables	24	19,454	18,401
Current tax liabilities		899	2,310
Other liabilities	25	10,949	29,254
Prepaid services	8	9,889	26,474
TOTAL CURRENT LIABILITIES		43,879	82,644
TOTAL LIABILITIES		**99,313**	**107,334**
TOTAL EQUITY AND LIABILITIES		**235,255**	**257,297**

The notes hereinafter form an integral part of the consolidated financial statements.

5.2 CONSOLIDATED STATEMENT OF NET INCOME

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

(in thousands of €)	Notes	31 December 2020	31 December 2019 (restated)
Revenue	7, 8	**212,534**	**213,182**
Purchases		(9,421)	(12,055)
Personnel expenses	27	(98,577)	(93,638)
Other external charges		(75,843)	(77,995)
Reversals of provisions/(allocations to provisions), net	28	227	(688)
Other current operating expenses		(1,102)	(1,256)
Other current operating income		1,658	1,074
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ITEMS (EBITDA)		**29,476**	**28,624**
EBITDA in %		**13.87%**	**13.43%**
Charges for depreciation of property, plant and equipment	15	(1,885)	(1,867)
Charges for depreciation of right-of-use assets	16.1	(3,687)	(4,430)
Charges for depreciation of intangible assets arising from business combinations		(1,297)	(323)
Charges for depreciation of other intangible assets		(1,900)	(1,595)
EARNINGS BEFORE INTEREST AND TAXES, EXCLUDING NON-RECURRING ITEMS (EBIT)		**20,707**	**20,409**
EBIT in %		**9.74%**	**9.57%**
Income from disposals of assets and subsidiaries	29	52,716	(360)
Impairment loss on assets	30	(578)	(212)
Other non-recurring items	31	(4,053)	(849)
OPERATING PROFIT (OP)		**68,792**	**18,988**
OP in %		**32.37%**	**8.91%**
Financial income		1,642	1,515
Financial expenses		(13,350)	(2,076)
Financial result	**32**	**(11,708)**	**(561)**
PROFIT BEFORE TAX		**57,084**	**18,427**
Income tax	26	(3,687)	(4,924)
PROFIT FOR THE YEAR		**53,397**	**13,503**
Of which:			
Group share		53,283	13,204
Non-controlling interests (minority interests)		114	299
Earnings per share for the profit for the year – Group share			
Basic earnings per share *(in €)*	33	5.59	1.38
Diluted earnings per share *(in €)*	33	5.59	1.38

The notes hereinafter form an integral part of the consolidated financial statements.

5.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(in thousands of €)	**Notes**	**31 December 2020**	**31 December 2019 (restated)**
PROFIT FOR THE YEAR		**53,397**	**13,503**
OTHER COMPREHENSIVE INCOME			
Recyclable items in profit or loss			
Translation differences			
- during the year		(2,045)	3,274
Total recyclable items in profit or loss		(2,045)	3,274
Non-recyclable items in profit or loss			
Defined benefit plans			
- Actuarial gains and losses on post-employment benefits	21	(10)	(205)
Financial assets at fair value through other comprehensive income			
- Gain related to remeasurement at fair value	17	(3)	(111)
Total non-recyclable items in profit or loss		(13)	(316)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**(2,058)**	**2,958**
COMPREHENSIVE INCOME FOR THE YEAR		**51,339**	**16,461**
Of which:			
Group share		51,298	16,037
Non-controlling interests (minority interests)		41	424

The notes hereinafter form an integral part of the consolidated financial statements.

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(in thousands of €)	Share capital	Share premium	Treasury shares	Reserve for remeasurement of financial assets	Defined benefit plans	Foreign-currency translation reserve	Retained earnings	Total	Non-controlling interests (minority interests)	Total equity
BALANCE AS AT 31 DECEMBER 2018 (RESTATED)	**9,545**	**70,676**	**1,609**	**640**	**-**	**(686)**	**63,138**	**144,922**	**2,446**	**147,368**
Adjustments related to the adoption of IFRS 16	-	-	-	-	-	-	(619)	(619)	(72)	**(691)**
BALANCE AS AT 1 JANUARY 2019	**9,545**	**70,676**	**1,609**	**640**	**-**	**(686)**	**62,519**	**144,303**	**2,374**	**146,677**
Profit for the year	-	-	-	-	-	-	13,204	13,204	299	13,503
Other comprehensive income	-	-	-	(111)	(205)	3,149	-	2,833	125	2,958
Comprehensive income for the year	-	-	-	(111)	(205)	3,149	13,204	16,037	424	16,461
Repurchase/resale of ordinary shares (2)	-	-	436	-	-	-	-	436	-	436
Payment of dividends (3)	-	-	-	-	-	-	(11,437)	(11,437)	(428)	(11,865)
Transactions between shareholders (1)	-	-	-	-	-	-	(2,382)	(2,382)	636	(1,746)
BALANCE AS AT 31 DECEMBER 2019 (RESTATED)	**9,545**	**70,676**	**2,045**	**529**	**(205)**	**2,463**	**61,904**	**146,957**	**3,006**	**149,963**
Profit for the year	-	-	-	-	-	-	53,283	53,283	114	53,397
Other comprehensive income	-	-	-	(3)	(10)	(1,972)	-	(1;985)	(73)	(2,058)
Comprehensive income for the year	-	-	-	(3)	(10)	(1,972)	53,283	51,298	41	51,339
Repurchase/resale of ordinary shares (2)	-	-	(300)	-	-	-	-	(300)	-	(300)
Payment of dividends (3)	-	-	-	-	-	-	(22,881)	(22,881)	(21)	(22,902)
Transactions between shareholders (1)	-	-	-	-	-	-	(40,924)	(40,924)	(1,234)	(42,158)
BALANCE AS AT 31 DECEMBER 2020	**9,545**	**70,676**	**1,745**	**526**	**(215)**	**491**	**51,382**	**134,150**	**1,792**	**135,942**

(1) See Note 10.2.
(2) See Note 35.
(3) See Note 36.

The notes hereinafter form an integral part of the consolidated financial statements.

5.5 CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(in thousands of €)	**31 December 2020**	**31 December 2019 (restated)**
Cash flows from operating activities		
Profit for the year	53,397	13,503
Adjustments:		
Depreciation charges	8,769	8,215
Impairment loss on property, plant and equipment and intangible assets	578	212
Impairment losses on trade receivables, net of reversal	75	512
Allocations to/(reversals of) other provisions	(646)	(1,422)
Provision charges for employee benefits	344	247
Net capital losses/gains on disposals of non-current assets, net of transaction costs	(52,716)	360
Changes in fair value of additional payments	10,045	-
Share of profit or loss of associates	-	-
Interest income	(303)	(200)
Interest expenses on lease obligations	139	399
Interest expenses on borrowings and other financial debt	395	319
Income tax	3,687	4,924
Change in working capital	14,947	(3,714)
Cash flow generated by operating activities	38,711	23,355
Tax paid	(5,871)	(1,587)
NET CASH FLOWS FROM OPERATING ACTIVITIES	32,840	21,768
Cash flows from investing activities		
Acquisitions/new consolidations:		
- Intangible assets generated internally	(2,348)	(3,581)
- Other intangible assets	(465)	(487)
- Property, plant and equipment	(1,394)	(3,751)
- Financial assets at fair value through other comprehensive income	(2,853)	(561)
Disposals/deconsolidations:		
- Intangible assets	-	3
- Property, plant and equipment	14	100
- Financial assets at fair value through other comprehensive income	103	-
Interest received	303	207
Control taken of subsidiaries and increase in ownership in existing subsidiaries, net of cash and cash equivalents acquired	(3,509)	(4,993)
Loss of control of subsidiaries, net of cash and cash equivalents disposed of	63,207	1,569
NET CASH FLOWS FROM/(ALLOCATED TO) INVESTMENT ACTIVITIES	53,058	(11,494)

The notes hereinafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

(in thousands of €)	**31 December 2020**	**31 December 2019 (restated)**
Cash flows from financing activities		
Payment related to the repurchase and resale of ordinary shares	(300)	436
Acquisitions of non-controlling interests (minority interests)	(26,231)	(9,972)
Consideration received from non-controlling interests (minority interests)	4,356	-
Increase in lease obligations	-	336
Repayment of lease obligations	(4,379)	(4,980)
New loans and use of lines of credit	93	179
Repayment of loans	(352)	(25,500)
Interest paid on loans and other financial debt	(403)	(504)
Interest paid on lease obligations	(132)	(360)
Dividends paid to shareholders in the parent company	(22,881)	(11,437)
Dividends paid to non-controlling interests	(21)	(428)
NET CASH FLOWS ALLOCATED TO FINANCING ACTIVITIES	(50,250)	(52,230)
Net change in cash and cash equivalents	**35,648**	**(41,956)**
Cash and cash equivalents as at opening	71,045	112,080
Change in foreign exchange rate effect	(886)	921
CASH AND CASH EQUIVALENTS AS AT YEAR END (NOTE 20)	**105,807**	**71,045**

The notes hereinafter form an integral part of the consolidated financial statements.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

1.1 COMPANY PRESENTATION

Sword Group SE ("the Company") is a European company (*Societas Europaea*, or SE) established under Luxembourg law, having its headquarters at 2 Rue d'Arlon, Windhof (Luxembourg). The Company is registered in the Register of Commerce and Companies of Luxembourg under number B 168.244.

Sword Group, comprising the Company and the companies it controls, specialises in the global delivery of software and IT services for regulated industries and international groups.

Sword Group's activities are organised and managed around two businesses:
- IT Services (also called "Solutions"); and
- Software (also called "Software" or "Products").

The Group offers a wide range of services, including strategic and operational consulting, solution engineering and application development, project ownership support and project management support, change management and third-party maintenance.

The Company is listed on Euronext Paris (*Compartiment B*).

The consolidated financial statements were approved by the Board of Directors on 3 March 2021. The consolidated financial statements will be finalised once approved by the General Meeting of Shareholders on 28 April 2021.

1.2 MAJOR EVENTS IN 2020

2020 was a year dominated by the COVID-19 pandemic. The impact of this health crisis was reflected in a slight drop in revenue 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, 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.

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.

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.

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. As at 31 December 2020, the additional payment was calculated to be €8,000,000. See Note 12.1.

On 3 August 2020, the Group established a special investment fund called the Sword Co-Investment Fund (hereinafter "the Fund") to bring together all the Group's employee stock ownership plans. The Fund is open only to managers in certain 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.

NOTE 2. BASIS FOR PREPARATION AND ACCOUNTING PRINCIPLES

2.1 BASIS FOR PREPARATION

The consolidated financial statements are presented in thousands of euros (the company's functional currency), rounded off to the nearest thousand, unless otherwise indicated. They are prepared on the basis of the historical cost, with the exception of derivatives and financial assets held for sale that were valued at their fair value.

As per EU Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements as at 31 December 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (hereinafter "IFRS" or "IFRS standards").

Assets and liabilities, expenses and income were not offset, unless permitted or required by IFRS standards.

2.2 CHANGE OF ACCOUNTING METHODS

2.2.1. New and revised IFRS standards impacting the amounts presented or the disclosures to be provided in the consolidated financial statements

During the year under review, the Group adopted no new or revised IFRS standards which had to be mandatorily applied for the year commencing on 1 January 2020 and which were likely to have a significant impact on the Group's consolidated financial statements.

2.2.2. New and revised IFRS standards, published but not yet applicable

None of the new IFRS standards or IFRIC interpretations or amendments thereto that had been issued by the IASB/IFRS Interpretations Committee (IFRS IC) by the date of approval of these consolidated financial statements but which were not yet applicable and for which the Group has not opted for early application, are likely to impact the Group.

2.3 USE OF ESTIMATES

Preparing consolidated financial statements in accordance with IFRS requires management to make estimates and select scenarios in the process of applying accounting principles. Those areas involving a higher level of judgement or complexity, or those for which the estimates and scenarios are significant with respect to the consolidated financial statements, are presented in Note 3.

2.4 RESTATEMENT OF COMPARATIVE INFORMATION

Following the finalisation of the allocation of the price paid for the acquisition of the subsidiaries Magique Galileo Ltd and DataCo, both acquired in 2019, the consolidated statement of financial position and the consolidated income statement were restated in accordance with IFRS 3 (see Note 11.2). The table below illustrates the impact of the above acquisitions on the financial position and on profit for the year:

(in thousands of €)	**Magique Galileo**	**DataCo**	**IMPACT TOTAL**
Impact on financial position			
Increase in intangible assets	186	891	1,077
Decrease in goodwill	(154)	(741)	(895)
Increase in deferred tax liabilities	(32)	(196)	(228)
Decrease in profit for the year	-	(46)	46
Impact on profit for the year			
Charges for depreciation of other intangible assets	-	(60)	(60)
Income tax credit	-	14	14

See Note 42 for more details.

2.5 'CURRENT' AND 'NON-CURRENT' PRESENTATION

The consolidated statement of financial position is presented according to the 'current' and 'non-current' distinction defined by IAS 1. Current assets and liabilities are those which the Group expects to realise, consume or settle during the normal operating cycle, which may extend beyond 12 months after the reporting date. All other assets and liabilities are non-current.

2.6 TRANSLATION METHODS

2.6.1. Translation of the financial statements of foreign subsidiaries

The functional currency of each of the Group's entities is the currency of the economy in which the entity is operating. The accumulated impact of the translation of financial statements of foreign operations is recognised in equity under 'Foreign-currency translation reserve'. The assets and liabilities of foreign operations are translated at the closing rate and their income and expenses at the average rate for the year.

Translation differences on monetary items which comprise a receivable or a payable from/to a foreign subsidiary, the settlement of which is not planned or is unlikely, and which constitute a share of the net investment in the foreign subsidiary, are initially recognised in other comprehensive income and recognised in profit or loss at the time of reimbursement of monetary items.

At the time of the disposal of a foreign subsidiary, all accumulated translation differences in equity are recognised in profit or loss.

2.6.2. Transactions in foreign currencies

Transactions denominated in foreign currencies are converted into the functional currency at the exchange rate prevailing at the time of the transaction. At the year end, any accounts receivable or accounts payable in foreign currency are converted at the closing exchange rate.

Translation differences arising when these transactions are settled and when monetary assets and liabilities denominated in foreign currencies are converted at the closing exchange rate are reported in the income statement. Exchange rate of the euro to the most significant foreign currencies as at 31 December 2020 and 31 December 2019:

	Closing rate		Average rate	
(Currency)	**2020**	**2019**	**2020**	**2019**
Pound sterling	0.8990	0.8508	0.8892	0.8781
Danish krone	7.4409	-	7.4547	-
US dollar	1.2271	1.1234	1.1413	1.1196
Australian dollar	1.5896	1.5995	1.6554	1.6106
Canadian dollar	1.5633	1.4598	1.5294	1.4810
Swiss franc	1.0802	1.0854	1.0703	1.1227
Colombian peso	4,484.30	3,690.04	4,237.29	3,690.04
South African rand	-	16.5577	-	16.13215
Indian rupee	89.6620	80.1860	84.5809	78.8519

2.7 CONSOLIDATION METHOD

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together constituting "the Group"), prepared as at 31 December 2020. A list of consolidated companies is provided in Note 10.1.

2.7.1. Subsidiaries

A subsidiary is a company over which the Group has direct or indirect control. Subsidiaries are consolidated using the full consolidation method as of the date on which the Group acquires control, and are deconsolidated as of the date on which such control ends.

Control is considered to exist if and only if:
- the Group exerts power over the subsidiary;
- it is exposed or entitled to variable returns due to its links with the subsidiary; and
- it is able to exert its power over the subsidiary in such a way as to influence the amount of returns it obtains.

Controlled entities are those where the Group has the power to direct their financial and operational policies.

The financial statements of subsidiaries are prepared for the same reference period as those of the Group, using uniform accounting principles.

All intra-group transactions and balances are eliminated in the consolidation process. The profits and losses realised due to the disposal of assets within the Group are fully eliminated.

Profit or loss and each item in other comprehensive income are allocated to shareholders in the parent company and to non-controlling interests (i.e. minority interests), even if this results in a deficit balance.

Changes in the Group's ownership interest in a consolidated subsidiary that do not result in a loss of control only affect equity.

As a result, when acquiring an additional interest in a consolidated subsidiary, the difference between the purchase price and the carrying amount of the minority interests acquired is recognised as a change in equity – Group share.

2.7.2. Loss of control in a subsidiary

When the Group loses control over a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the total fair value of the consideration received and the fair value of any interest retained, and (ii) the former carrying amount of the assets (including goodwill) and liabilities of the subsidiary, as well as any non-controlling interest. All amounts previously recognised in other comprehensive income pertaining to the subsidiary in question are recognised in profit or loss for the year or transferred to another category of equity, where appropriate, as if the Group had directly deconsolidated the subsidiary's assets and associated liabilities. The fair value of an interest retained in the former subsidiary on the date of loss of control must be considered as being the fair value at the time of initial recognition for the purposes of subsequent recognition under IFRS 9.

2.7.3. Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of these entities without however controlling them.

The Group is considered to have significant influence if it holds 20% or more of the voting rights (directly or indirectly), unless it can be clearly demonstrated that it does not have such influence. Conversely, if the Group holds under 20% of the voting rights in an entity (directly or indirectly) and it can be clearly demonstrated that the Group exercises significant influence, the interest is classified as an associate.

Investments in associates are initially recognised under the cost method, before being recognised under the equity accounting method. They include the goodwill observed at the time of acquisition and are presented net of accumulated impairment losses. Associates recognised under the equity accounting method are subject to an impairment test if there is an objective indication of impairment. If the recoverable amount of the investment is lower than its carrying amount, an impairment loss is then recognised in the profit or loss for the year.

From acquisition until the date on which significant influence is lost, the Group share in the profit or loss of associates is recognised in the profit for the year while the Group share in other comprehensive income is recognised in other comprehensive income. Accumulated movements since acquisition are recognised by adjusting the initial cost, on the assets side, in the consolidated statement of financial position.

2.8 BUSINESS COMBINATION

When the Group takes control of an entity, the identifiable assets and liabilities are recognised at their fair value on the date of acquisition.
The consideration transferred in a business combination corresponds to the fair value of assets transferred (including cash), liabilities assumed and equity instruments issued by the Group in exchange for control of the acquired entity. The costs directly related to the acquisition are recognised in profit or loss.

Goodwill is measured as the positive difference between the following two items:

- the sum of (i) the consideration transferred and, where appropriate, (ii) the amount of non-controlling interests (minority interests) in the acquired entity, and (iii) the fair value of interests already held by the Group prior to acquiring control; and
- the net amount on the acquisition date of the fair value of identifiable assets and liabilities acquired and assumed.

If, after confirmation of the values, this difference is negative, the amount is immediately recognised in the profit as a gain on a bargain purchase.

Goodwill is recognised on the assets side of the consolidated statement of financial position under 'Goodwill' and is subject to an annual impairment test (see section 2.9 below).

In addition, in the goodwill measurement explained below, the amount of non-controlling interests can be measured, on a case-by-case basis with the Group being able to choose, either at fair value ('full goodwill' option) or the share of the acquired entity's identifiable net assets ('partial goodwill' option).

Acquisition differences are recognised in the functional currency of the acquiree.

Any additional payments are included in the acquisition price at their fair value on the date on which control was acquired. This takes the form of a consideration in equity or debts depending on how the additional payments are settled. The subsequent recognition of changes in the fair value of any contingent consideration depends on its classification in the consolidated financial statements.

Any contingent consideration classified as an asset or liability is remeasured on the subsequent reporting dates in accordance with IFRS 9 or IAS 37, depending on the case, and the ensuing gain or loss is recognised in the profit for the year.

Acquiring control through consecutive purchases is analysed as a twofold operation: first, a disposal of the entire previously held interest; and second, an acquisition of all shares with recognition of an acquisition difference (goodwill) on the entire interest (old batch and new acquisition).

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which there is incomplete recognition.

During the measurement period, the provisional amounts are adjusted retrospectively to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised on that date. However, the measurement period shall not exceed one year from the acquisition date.

2.9 GOODWILL

Goodwill arising from the acquisition of a business is recognised at the cost established on the acquisition date (see Note 2.8), less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), namely those likely to benefit from the synergies expected of the business combination and representing, within the Group, the lowest level at which goodwill is monitored for internal management purposes. CGUs correspond to operating segments.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, determined using the cash-flow discounting method. When the recoverable amount is lower than the carrying amount, an impairment loss must be recognised.

The impairment loss is then allocated, firstly as a decrease in the carrying amount of any goodwill allocated to the CGU, and then, for the remainder, as a decrease in the carrying amount of the CGU's other assets pro rata on the basis of the carrying amount of each asset in the CGU.

Goodwill is not depreciated and is subject to impairment testing at least once a year by comparing the carrying amount with the recoverable amount as at the reporting date, determined on the basis of three-year cash-flow forecasts. Impairment testing may occur more frequently if events or circumstances indicate that the carrying amount is not recoverable.

2.10 INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets other than goodwill comprise mainly software, SaaS (software as a service) contracts, software maintenance contracts and production backlog, business combination activities, the amount paid to buy out a non-competition clause (see Note 14) and development costs for upgrading existing software solutions.

2.10.1. Intangible assets acquired separately

Intangible assets acquired separately mainly comprise the non-competition clause. It has an indefinite useful life and is consequently recognised at its acquisition cost less any accumulated impairment losses.

2.10.2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if they meet the definition of an intangible asset. The cost of intangible assets corresponds to their fair value on the date of acquisition.

After initial recognition, these intangible assets are depreciated using the straight-line method over an expected useful life of the following duration:

- Software (and associated contracts): 5-10 years
- Order books: 3 months to 5 years

2.10.3. Intangible assets generated internally

Research costs are recognised as an expense in the period in which they are incurred.
Development costs are capitalised when they meet the following criteria:

- the technical feasibility needed for completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the probability that the Group will accrue future economic benefits as a result of the intangible asset;
- the availability of adequate technical, financial and other resources to realise the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Development costs that meet the above criteria are treated as assets up to the level of the direct costs attributed to the project. They are depreciated over the expected useful life, as of the project marketing date.

Bearing in mind the specific characteristics of the Group's activities, the crucial criterion is technical feasibility, since that is generally the last criterion to be met. The risks and uncertainties involved in the development of new software are such that it is impossible to demonstrate a product's technical feasibility until shortly before it is launched. Consequently, costs incurred in this phase of development, which are likely to be capitalised, are not significant and are therefore recognised in profit or loss as they are incurred.

Internal and external direct expenses incurred for major updates to marketed software and upgrades delivering additional functionalities are capitalised.

2.10.4. Derecognition of intangible assets

An intangible asset is derecognised when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss.

2.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at their acquisition cost, including directly attributable costs less accumulated depreciation and any impairment losses.

Subsequent expenditure is capitalised if it is likely that the future economic benefits associated with the item will be enjoyed by the Group and if its cost can be estimated reliably. All other expenditure is recognised immediately as expenses as it is incurred.

Items are depreciated using the straight-line method in accordance with the expected useful life of the item in question. An impairment loss is recognised, where appropriate, when the carrying amount exceeds the recoverable amount (see Note 2.12).

The estimated useful lives are as follows:

- Facilities and fixtures: 10 years
- Transport equipment: 5 years
- Office equipment: 3-5 years
- Computer hardware: 3 years
- Office furniture: 10 years

The depreciation arrangements for property, plant and equipment are reviewed annually and can be altered prospectively depending on the circumstances.

A property, plant and equipment item is derecognised when it is disposed of or when no future economic benefits are expected from the continuing use of the asset. The gain or loss arising from the disposal or decommissioning of a property, plant and equipment item is the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

2.12 IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

As at each reporting date, the Group reviews the carrying amounts of its intangible assets and property, plant and equipment in order to determine if there is any indication of an impairment loss. If there is, then the recoverable amount is estimated with a view to determining the amount of the impairment loss.

If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When measuring value in use, estimated future cash flows are discounted by applying a pre-tax rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the future cash-flow estimates have not been adjusted.

If the recoverable amount of an asset (or CGU) is less than its carrying amount, the carrying amount of the asset (or CGU) shall be reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

If an impairment loss is reversed subsequently, the carrying amount of the asset or CGU is increased in line with the revised estimated recoverable amount provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. The reversal of an impairment loss is recognised immediately in profit or loss. However, no reversal is possible for impairments of goodwill.

2.13 FAIR VALUE

The Group measures financial instruments, such as derivative instruments and financial assets held for sale, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair-value measurement entails the transaction to sell the asset or transfer the liability taking place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal (or most advantageous) market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of an asset takes into account a market participant's ability to generate an economic benefit by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use. Highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets or liabilities for which a fair value is measured or presented in the consolidated financial statements are classified in the fair-value hierarchy (see Note 5).

2.14 FINANCIAL INSTRUMENTS

2.14.1. Classification

Financial assets are divided into the following categories:
- Financial assets at depreciated cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

Financial assets are measured at depreciated cost if the following two conditions are met:
- holding them forms part of a business model where the aim is to hold assets to collect the contractual cash flows arising from them;
- their contractual terms give rise, on specified dates, to cash flows that correspond solely to repayments of the principal and interest payments on the outstanding principal.

Financial assets at depreciated cost comprise trade and other receivables, deposits and guarantees, and cash and cash equivalents.

On initial recognition, equity instruments are classified by default as financial assets at fair value through profit or loss unless the Group makes an irrevocable decision to present those not held for trading as financial assets at fair value through other comprehensive income. This decision is made on an investment-by-investment basis. This is the case for non-consolidated interests in listed and unlisted companies.

Financial liabilities are classified either as financial liabilities at depreciated cost or as financial liabilities at fair value through profit or loss.

Financial liabilities at depreciated cost comprise bank borrowings, and trade and other payables.

Derivatives with a negative value are included in financial liabilities at fair value through profit or loss.

2.14.2. Initial measurement

Financial assets/liabilities are recognised initially at fair value, plus/less directly attributable transaction costs in the case of financial instruments which are not at fair value through profit or loss.

2.14.3. Subsequent measurement

After initial recognition, financial assets at depreciated cost are measured at depreciated cost using the effective interest method, less impairment provisions.

Discounting is omitted for short-term loans and receivables, in view of the negligible impact thereof.

The effective interest method is a method for calculating the amortised cost of a financial instrument and allocating interest income during the period in question. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, over a shorter period, to the net carrying amount.

Financial assets at fair value through other comprehensive income are measured subsequently at fair value with recognition of latent gains or losses in other comprehensive income and accumulated in an item called 'Remeasurement reserve'.

Financial assets at fair value through profit or loss are measured subsequently at fair value, with gains and losses being recognised in profit or loss.

All financial liabilities are subsequently measured at depreciated cost using the effective interest method or fair value through profit or loss.

2.14.4. Impairment of financial assets

IFRS 9 replaces the 'incurred losses' model of IAS 39 with the 'expected credit losses' model. The new impairment model mainly relates to financial assets measured at depreciated cost and contract assets.

The Group measures loss allowances at the value of the expected credit losses over the life of the assets and instruments affected, except for the following items, which are measured at the value of the expected credit losses for the next 12 months:

- debt instruments that are established to have a low credit risk as at the reporting date; and
- other debt instruments and bank accounts whose credit risk (i.e. the risk of default over the expected life of the financial instrument) has not increased significantly since their initial recognition.

The Group has decided to measure loss allowances as trade receivables and contract assets at the value of the expected credit losses over the life of these assets.

The Group assumes that the credit risk associated with a financial asset has increased significantly if payments have been in arrears for more than 30 days.

The Group considers a financial asset to be in default when:

- it is unlikely that the borrower will settle all its credit obligations to the Group without the Group resorting to actions such as realising the collateral (if any); or
- the financial asset has matured more than 90 days previously.

The Group considers that a debt instrument has a low credit risk if its credit rating is equivalent to that resulting from an 'investment grade' classification, i.e. if its credit rating is higher than or equal to BAA3 (Moody's) or BBB- (S&P).

Measurement of expected credit losses

Expected credit losses are an estimate of credit losses using a model predicting the probability of a default. Credit losses are measured based on the present value of all estimated cash flow deficits (i.e. the difference between the cash flows that are due to the Group under the terms of the contract and the expected cash flow).

Expected credit losses are discounted at the effective interest rate of the financial asset, unless the impact of discounting is considered immaterial.

With regard to trade receivables and contract assets, the Group measures expected credit losses over the life of the assets affected.

Expected credit losses for these financial assets are estimated based on the Group's credit loss history, following any adjustment for changes in macroeconomic indicators such as inflation, interest rates, unemployment rates or GDP.

Credit-impaired financial assets

At each reporting date, the Group measures whether financial assets recognised at depreciated cost are likely to be credit-impaired.

Therefore, financial assets are impaired if one or more events occur that have an adverse effect on the estimated future cash flows of these assets, such as a default on payment by a debtor.

Any receivable that has been outstanding for more than 90 days is fully provisioned unless the Group has information indicating that full or partial recovery is likely.

Presentation of impairment losses

In the balance sheet, loss allowances related to financial assets measured at depreciated cost are deducted from the assets' gross carrying amount.

Impairment losses on trade receivables and other receivables, including contract assets, are presented separately in the income statement.

2.14.5. Derecognition

A financial asset is derecognised if and only if the contractual rights to cash flows related to the financial asset mature or if the Group substantially transfers all of the risks and benefits involved in ownership of the asset.

Upon the derecognition of a financial asset measured at depreciated cost, the difference between the carrying amount of the asset and the sum of the consideration received or due to be received is recognised in profit or loss.
However, at the time of the derecognition of an investment in an equity instrument which the Group has elected to measure at fair value through other comprehensive income on initial recognition, the profit or loss accumulated previously in 'Remeasurement reserve' is not reclassified to profit or loss but transferred to retained earnings.

A financial asset is derecognised if and only if the obligation stated in the contract is settled or cancelled or if it matures. The difference between the carrying amount of the derecognised financial liability and the consideration paid and due is recognised in profit or loss.

If the Group exchanges a debt instrument with an existing lender for another debt instrument with substantially different terms, this exchange is recognised as eliminating the original financial liability, with this being replaced with the recognition of a new financial liability. Similarly, the Group recognises a material change in the terms of an existing financial liability or part of the existing financial liability as eliminating the original financial liability, with this being replaced with the recognition of a new financial liability.

2.14.6. Offsetting

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and it is intended either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.15 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to changes in interest rates and exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is concluded, and subsequently measured at fair value at the end of each period. The ensuing gain or loss is recognised immediately in profit or loss.

A derivative with a positive fair value is recognised as a financial asset, while a derivative with a negative fair value is recognised as a financial liability.

Derivatives are not offset in the financial statements unless the Group intends and has a legally enforceable right to offset them.

2.16 TRADE RECEIVABLES

Trade receivables are amounts receivable from clients for goods sold or services rendered in the normal course of business. They are part of current assets provided they are realised during the normal operating cycle. Otherwise, they are part of non-current assets.

2.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank, short-term deposits originally maturing in less than three months and any monetary investment subject to a negligible risk of change in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above, net of current bank overdrafts. Current bank overdrafts are presented on the liabilities side of the balance sheet under 'Financial debt' in current liabilities.

2.18 TRADE PAYABLES

Trade payables are obligations to pay for goods and services acquired in the normal course of business. They are part of current liabilities provided they are settled during the normal operating cycle. Otherwise, they are part of non-current liabilities.

2.19 COMMITMENTS TO REPURCHASE NON-CONTROLLING INTERESTS

When the Group grants minority shareholders/co-investors of certain fully consolidated subsidiaries commitments to repurchase their investments, a financial debt is recognised in accordance with IAS 32.

The debt is initially recognised at its fair value corresponding to the current value of the estimated repurchase price at maturity, with a corresponding cancellation of the related non-controlling interests. When the value of the debt exceeds the carrying amount of the non-controlling interests, the balance is recognised in equity in terms of the Group share.

Financial debt is remeasured at fair value as at each reporting date in accordance with the relevant contractual clauses and in the absence of any clarification provided by IFRS, with a corresponding adjustment to the financial result.

The Group has adopted a similar accounting policy when minority shareholders/Co-investors have an option to sell all or some of their shares to the Group.

2.20 PROVISIONS

2.20.1. General remarks

A provision must be recognised if:

- the Group has a current legal or implicit obligation as a result of past events;
- resources will probably have to be used to meet the obligation;
- the amount of the obligation can be estimated reliably.

The provisions are recognised at the current value of the expected expenditure of resources. The provisions are discounted if there is a significant time impact. The impact of the discount realised as at each reporting date is recognised in financial expenses.

2.20.2. Onerous contracts

The current obligations arising from onerous contracts are recognised and measured as provisions. A contract is considered onerous when the Group has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

2.21 TAXES

Tax expense includes current and deferred tax.

2.21.1. Current tax

Current tax comprises the estimated amount of tax payable (or receivable) on the taxable profit (or loss) for a year for the Company and its subsidiaries, and any adjustments to the current tax for previous years. It is calculated on the basis of the tax rates that have been enacted or substantively enacted by the reporting date.

Management will rely on their own judgement and estimates in situations where the tax regulations are open to interpretation. These positions are reviewed regularly.

2.21.2. Deferred tax

Deferred tax is recognised using the liability method for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax is recognised if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the time of the transaction affects neither accounting profit(/loss) nor taxable profit (/tax loss). In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred taxes are determined using tax rates and tax regulations which have been enacted or substantively enacted by the reporting date and which are intended to apply when the deferred tax asset in question is realised or when the deferred tax liability is settled.

Deferred tax assets are recognised only in so far as an actual future taxable profit, which will allow the charging of temporary differences, is likely.
To assess the Group's ability to recover these assets, the following are taken into account: forecasts of future tax results, the share of non-recurring charges that will not recur in the future included in past losses, the history of taxable profits for prior periods, and, if applicable, the tax strategy such as the proposed disposal of undervalued assets.

Deferred tax assets are recognised for temporary differences linked to investments in subsidiaries, save when the timetable for reversal of these temporary differences is controlled by the Group and when it is likely that such reversal will not take place in the near future.

Deferred tax assets and liabilities are offset per tax entity when the tax entity is entitled to offset its current tax assets and liabilities, and when the deferred tax assets and liabilities in question are levied by the same tax authority.

2.22 LEASES – THE GROUP AS A LESSEE

As at the effective date of a contract, the Group assesses whether it is, or contains, a lease. The Group recognises a right-of-use asset and a corresponding lease obligation for all leases in which it is a lessee, except short-term leases (with a term of up to 12 months) and leases where the underlying asset is of low value. For these leases, the Group recognises lease payments as operating expenses using the straight-line method over the term of the lease.

2.22.1. Lease obligations

A lease obligation is initially measured at the present value of the lease payments not paid at the start of the lease, discounted at a specific debt rate for leases under car-rental contracts, measured based on ranges of values obtained from leasing companies for similar transactions and at the marginal debt rate of the subsidiaries, acting as a lessee, for real-estate leases, calculated based on an implicit rating they have been given, plus a country risk premium based on the real estate's location.

Lease payments contributing to the measurement of a lease obligation include:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount the Group expects to pay to the lessor under residual value guarantees;
- the exercise price of purchase options the Group will certainly exercise; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease obligation is subsequently measured at amortised cost using the effective interest method. The Group remeasures the lease obligation (along with an adjustment corresponding to the asset associated to the related right of use) if future lease payments are modified in the event of new negotiations or changes to an index or rate, or in the event of the remeasurement of options.

The Group made no such adjustments during the period presented here.

2.22.2. Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease obligation, lease payments made at or before the commencement date and any initial direct costs.
The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The depreciation starts on the commencement date of the lease. Right-of-use assets are subject to impairment testing if there is an indicator for impairment, in accordance with IAS 36. See Note 2.12.

Right-of-use assets are presented under a separate item in the consolidated statement of financial position.

2.23 PRINCIPLES OF REVENUE RECOGNITION

The Group's revenue comes mainly from the following activities:

- consulting and engineering services;
- infrastructure management, application management and resource outsourcing services;
- sales of licences (software) via a single licence, maintenance services related to the sales of licences mentioned above, comprising updates and technical support, SaaS contracts (see the definition below) and the development of additional functionality for standard products commissioned by clients.

SaaS (Software as a Service) sales are based on the principle of providing access to an application over the Internet. Users pay for the service via a service subscription, unlike the traditional model of providing software under a single licence and installing it on the client's own servers.

Revenue is recognised when the Group transfers control of the goods or services sold to the client, either on a given date or gradually.

2.23.1. Consulting and engineering services

Consulting and engineering contracts are based on deliverables and are remunerated at a fixed price. The resulting services include systems integration and the design and development of customised computer systems and associated processes. The contract term is generally between six and 15 months. The contract prices may be subject to bonuses or penalties based on the achievement of specified performance goals or benefit levels provided to the client.

Revenue is generally recognised on a percentage-of-completion basis, as at least one of the following conditions is met: (i) the Group's service enhances an asset that the client obtains control of as and when the service is provided; (ii) the Group constructs an asset that has no other use (e.g. it is client-specific) and has an enforceable right to payment for the service performed to date in case of termination by the client.

The Group applies the costs incurred method to measure progress. The percentage of completion is based on the costs incurred on the date considered compared with the total estimate of costs on termination of the contract. The estimate of the total costs of the contract is reviewed if new information has come to light. Changes in the estimate of the corresponding percentage of completion are recognised in the income statement as adjustments to revenue in the period in which the items giving rise to the revised estimate became known.

Contract costs based on deliverables are recognised as expenses when they are incurred.
The Group contractually acquires the right to issue a bill on achievement of specified milestones or on the client's acceptance of the work performed.

The difference between accumulated billing and recognised accumulated revenue is reflected in the consolidated statement of financial position under contract assets (if the revenue exceeds the amount billed) or contract liabilities (if the amount billed exceeds the revenue).

2.23.2. Infrastructure management, application management and resource outsourcing services

Infrastructure management, application management and resource outsourcing contracts are remunerated on the basis of a fixed price per work unit, or based on monthly fixed prices that can be adjusted in line with changes in volumes or scope. Services are billable on a monthly basis. In certain cases, the contract may include penalties related to the level of service provided.

The contract term is generally between three and 12 months.

In general, revenue from service-based contracts is recognised as and when the Group acquires the right to invoice, except for special cases where the billing procedure does not reflect the value for the client of the services provided to date in relation to the value of the remaining services to be provided. Bonuses or penalties related to the level of service are, where appropriate, fully recognised in the period in which the performance targets are met or missed, as the case may be.

The amounts initially received from clients are, where appropriate, deferred and staggered over the period of the services, even if they are non-refundable. Initial amounts payable to clients, if they exceed the fair value of the assets transferred by the client, are capitalised (presented as contract assets) and depreciated over the contract period as a deduction from revenue.

2.23.3. Sales of licences, maintenance contracts, provision of SaaS applications and other software sales

If supplying a licence is identified as a distinct performance obligation, control can be transferred to the client at a specific point in time (right of use) or gradually (right of access).

The sale of software in SaaS mode gives rise to a right of access. In this situation, revenue is recognised as and when the client receives and uses the benefits of the service.

Conversely, in case of a right of use being granted, the revenue of the licence will be recognised on delivery if it complies with all the obligations stipulated in the contract.

Maintenance contracts (including updates and technical support) are concluded when the client acquires the licence for the underlying software. Such contracts can be renewed by the client at the end of each fixed term. Maintenance revenue is recognised on a straight-line basis over the term of the contract, with the Group having a constant duty to provide its services.

Services to develop additional functionality commissioned by the client for standard products are recognised on a percentage-of-completion basis, taking account of the contractual limitations preventing the Group from aiming the product at another client and of the enforceable right to payment for the work performed.
Revenue from other software sales mainly relates to the development of additional features requested by clients for standard products, and is recognised once this is completed. Recurring revenue from subscriptions and support is recognised in 'software sales'.

Revenue from agreements with multiple performance obligations, which generally include licences, support and/or services, is allocated to each distinct performance obligation based on their specific sale price.

2.23.4. Resale activities

If analysis of a contract makes it possible to identify the purchase of goods or services for resale as a distinct performance obligation, it should be determined whether the Group is acting as an agent or as a principal. It is an agent if it is not liable to the client for the performance of the service and its acceptance by this client, if it has no transformative impact on the goods or services and if it does not bear any inventory risk. In this situation, it recognises the revenue for a net amount corresponding to its margin or commission. Otherwise, if it takes control of the goods or services before they are resold to the end client, it is acting as a principal. Revenue is recognised on a gross basis and external purchases are fully recognised as operating expenses.

2.23.5. Multi-component contracts

A performance obligation must be distinguished from other obligations if the following two conditions are met simultaneously:

- First and foremost, the underlying goods or services must be distinct in absolute terms. They can be sold on their own or the client can benefit from them through resources readily available on the market.
- The goods or services must be distinct in the context of the contract, which requires the transformative relationship between the various goods and services in the contract to be analysed. This relationship does not exist if the goods or services in question are not used to produce the other goods or services that are the subject of the contract, if they do not substantially alter or adjust other goods or services promised in the contract or if they are not closely related or are heavily dependent on other goods or services promised in the contract.

If several separate performance obligations are identified within a single contract, the specific sale prices of those obligations are deemed to be the contractual sale prices.

2.23.6. Variable considerations

Variable considerations relate in particular to the provision of SaaS software and services provided on a cost-plus basis. Part of the variable remuneration corresponds to the price per work unit multiplied by the number of work units (number of incident tickets, number of users, number of servers, volumes of processed data, etc.) used by the client during each reference period.

2.23.7. Costs of obtaining contracts

The costs of obtaining a contract are recognised in assets if two conditions are met: they would not have been incurred if the contract had not been obtained, and they are recoverable.

They may relate to sales commissions if they are specifically and solely related to obtaining a contract, i.e. they have not been paid on a discretionary basis. Commissions are not capitalised if the depreciation period is one year or less.

2.23.8. Costs of executing contracts

Costs incurred prior to the signing of an enforceable contract are capitalised only if they are directly attributable to the design or implementation phase of a specifically identified contract, if the contract is likely to be signed and the costs can be recovered under the contract.
Costs incurred for the performance of a contract are recognised as expenses when they are incurred, except for certain up-front implementation costs, such as transition and processing costs, where the latter do not represent a separate performance obligation, which are capitalised if they create a resource that the Group will use to provide the promised services. An 'onerous contracts' provision is recognised if the unavoidable costs of performing the contract outweigh the relevant benefits.

2.23.9. Presentation in the consolidated statement of financial position

The Group provides counter-performance in exchange for products or services transferred to a client in the form of either trade receivables or contract assets. A receivable is an unconditional counter-performance, unlike a contract asset, which is a counter-performance conditioned by factors other than the passage of time.

The majority of the Company's contract assets arise from amounts not invoiced on fixed-price service contracts, when the recognised revenue exceeds the amount billed to the client, and when counter-performance is subordinated to achievement of a milestone or subjected to the client's acceptance.

The billing amount exceeding the recognised revenue is presented in contract liabilities.

2.23.10. Financing components

A financing component included in the transaction price is identified if it is significant and if the period between the completion of the service and payment for this service is greater than 12 months or if the time curve for the completion of services diverges significantly from that laid down by the rules and regulations. The Group has not identified any contracts with a significant financial component.
The Group applies the simplification measure provided for by the standard, meaning that the price does not have to be adjusted when the time lag does not exceed 12 months.

2.24 DISTRIBUTION OF DIVIDENDS

The dividends to be distributed to the shareholders of the parent company are recognised as a liability in the Group's financial statements in the period in which the dividend distribution was approved by the General Meeting of Shareholders, until the payment thereof.

2.25 EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the weighted average number of ordinary shares in circulation during the year. Treasury shares are ignored in the calculation of earnings per share or diluted earnings per share.

The diluted earnings per share are calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the average weighted number of ordinary shares in circulation, plus all dilutive potential ordinary shares (subscription options, warrants, etc.), less treasury shares.
A share subscription plan is considered dilutive when it results in the issue of ordinary shares at a price lower than the average market price during the year.

2.26 SHARE CAPITAL

2.26.1. Ordinary shares

Ordinary shares are classified as equity instruments. Ancillary costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of taxes.

2.26.2. Treasury shares

All of the treasury shares held by the Group are recognised at their acquisition cost taken from equity. The income (or expense) from any disposal of treasury shares is charged directly to the increase (or decrease) of equity (net of taxes), so that any gains or losses do not affect the profit or loss for the year.

2.27 EMPLOYEE BENEFITS

2.27.1. Short-term benefits

Expenses relating to short-term benefits comprise gross pay, social security contributions, paid leave and other short-term benefits. They are recognised as an expense in the period in which the services are rendered by the staff. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

2.27.2. Defined-contribution pension plans

Expenses relating to defined-contribution pension plans are recognised in profit or loss on the basis of contributions paid or payable for the year in which the associated services were rendered by the beneficiaries. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

2.27.3. Defined-benefit pension plans

Defined-benefit pension plans are post-employment benefit plans other than defined contribution plans, including mainly retirement obligations defined by French collective agreements or company-level agreements. The Group's commitments relating to defined-benefit plans are measured using a single actuarial technique, called the 'projected unit credit method'. This method is based mainly on a projection of future pension levels payable to employees, anticipating the impact of their future salary increases, and on specific assumptions, detailed in Note 21, which are updated periodically by the Group. The Group does not outsource the management or financing of retirement benefits to an outside fund.

2.27.4. Compensation for termination of employment contract

Termination benefits are recognised as an expense when the Group is demonstrably engaged, without any real possibility of withdrawing, in a formal, detailed plan either for dismissal prior to the normal retirement date or offers encouraging voluntary retirement with a view to reducing staff numbers.

NOTE 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements, management issues judgements, performs estimates and formulates assumptions likely to have an impact on the amount of assets, liabilities, income and expenses recognised in the consolidated financial statements, as well as on the information in the notes on contingent assets and liabilities as at the reporting date.

3.1 CRITICAL JUDGEMENTS MADE IN CONNECTION WITH APPLYING ACCOUNTING POLICIES

The following analysis presents the critical judgements made in connection with applying the Group's accounting principles, excluding those which involve estimates, having the most significant impact on the amounts recognised in the consolidated financial statements.

3.1.1. Revenue recognition

The Group's management makes judgements in applying IFRS 15, in particular in assessing the distinctness or otherwise of the undertakings contained in a contract and the classification as an agent or a principal.

Distinctness or otherwise of goods or services

A judgement must be made when assessing the distinctness or otherwise of the undertakings contained in a contract.

If an activity classified as a pre-production activity (such as configuration, testing or design) generates income, the Group's management assesses whether this activity is distinct in the context of the contract.

If there are strong interdependencies between the execution of the pre-production and production phases, the Group considers that the two phases are not distinct in the context of the contract and therefore constitute a single performance obligation.

The entity will then have to determine a single method for measuring percentage of completion for the purposes of the performance obligation, covering all pre-production and production phases.
On the other hand, if the pre-production phase can be considered to be distinct in the context of the contract, it will be treated as a separate performance obligation.

In the case of SaaS contracts, the contract allows the client to have Internet access to computer processing functions hosted by the Group. The contract generally provides for an implementation phase and an operation phase.

In this case, the licence is not distinct from the hosting service since the client cannot derive any benefit from the licence without the service providing continuous access to the entity's Internet platform. A judgement must be made when assessing whether the initial implementation service is distinct from the continuous access service. The Group considers that activities which are not separable from the initiation of the continuous access service, which are essential for enabling the client to access the continuous service and which can only be performed by the entity do not represent a distinct service provided to the client.

Classification as an agent or a principal

For the classification as an agent or a principal, the Group uses indicators such as the Group's responsibility to meet its undertakings to the end client, any transformative action performed by the Group with regard to sold goods or services and the inventory risk and, where appropriate, in the case of goods and services sold separately, the freedom to set prices. In any case, it is necessary to make a judgement and to take into consideration all the facts and circumstances specific to each transaction, bearing in mind that only the intermediation margin is recorded in revenue if the Group acts as an agent.

3.1.2. Determining cash-generating units (CGUs) for goodwill impairment testing

As recommended in IAS 36, the goodwill arising from a business combination is allocated to a CGU likely to benefit from business combination synergies. Given the impact of synergies based on organisational and commercial criteria and the level at which the goodwill is managed and its performance assessed by the Group, the CGUs selected by the Group for the needs of impairment testing correspond to the Group's business segments, i.e. IT services and software.

3.1.3. Term of leases

The lease liability is recognised as an amount equal to the present value of the leases over the term of the contract.

The term of the contract mainly takes into account the period thereof that cannot be terminated. The Group adjusts this, as appropriate, by adding the period associated with a renewal or extension option that could be exercised or, conversely, by deducting the period which has become surplus to requirements after an early termination option has been exercised in the event that the associated penalties (contractual penalties and economic costs of abandonment) would be more than negligible. For real estate leases with such a clause, management considered that the associated penalties were negligible and that the term to be taken into account by the Group should be limited to the fixed term of the lease.

Real-estate leases are generally concluded for a term of nine to 15 years. Meanwhile, the average contractual term of a car-rental lease is three years.

3.1.4. Financial transactions involving managers in certain subsidiaries

The Group's management assessed the nature and scope of share subscription and redemption transactions in an internal fund established by the Group involving managers in certain subsidiaries (hereinafter "Co-investors") within the framework of an employee stock ownership plan (see Note 10.2.4) and concluded that the transactions in question are financial transactions and that therefore eligible persons are not remunerated for services provided in their capacity as employees. Therefore, IFRS 2 does not apply.

This conclusion is based on compliance with the following criteria:

- the Co-investors acquired shares at a price reflecting market conditions;
- the shares issued will be redeemed at a price reflecting market conditions, exposing them to the risk of a loss of capital during the holding period;
- no conditions or incentives (i.e. service conditions, performance conditions or early departure provisions) are attached to the shares; in this regard, the Co-investors are entitled to the shares until the redemption date, whether they are still in place or leave in the meantime;
- the Co-investors are required to make up any shortfall up to the maximum unfunded commitment to allow the internal fund to repay Sword Group SE for any loans.

In some cases, put options have been granted to Co-investors, allowing them to reduce their participation at market conditions in advance. According to management, the granting of such options does not result in the re-characterisation of financial transactions, as the Co-investors involved remain exposed to a risk of loss for the shares they hold.

3.2 MAIN SOURCES OF UNCERTAINTY ABOUT ESTIMATES

The estimates and assumptions which could have an impact on the amounts of assets and liabilities as at the reporting date as well as on the consolidated financial statements are liable to change over time. This applies in particular to the ongoing uncertainty surrounding the economic and health situation associated with the global COVID-19 pandemic.

3.2.1. Goodwill impairment testing

Goodwill is subject to impairment testing at least annually, in accordance with the accounting principles set out in Note 2.12. The CGUs' recoverable amounts are determined on the basis of the calculation of their value in use and, where appropriate, their fair value less costs to sell.

The CGUs' value in use is determined using the discounted future net cash flows method, which is influenced by parameters such as estimated medium- and long-term revenue growth, expected rate of profitability and discount rate applied. The main assumptions selected by the Group for performing tests are presented in Note 13. Any change to these assumptions could have a significant impact on the recoverable amount.

3.2.2. Measurement of intangible assets arising from business combinations

The Group uses valuation techniques and assumptions to determine the fair value of intangible assets arising from a business combination. The valuation techniques and assumptions used are described in Note 5. The adoption of a different valuation model and any change to underlying variables could have a significant impact on the value attributed to these assets.

3.2.3. Useful life of intangible assets acquired in business combinations

Depreciable intangible assets acquired in business combinations are valued and depreciated taking into account their useful life forecast by the Group.

Uncertainties regarding these estimates are related mainly to the technical obsolescence that could affect software intended for sale or leased under SaaS arrangements and to the erosion rate of clients or contract renewals that could impact assets such as contracts to deliver Software as a Service (SaaS), support contracts and, where appropriate, client relations.

3.2.4. Intangible assets with indefinite lives

The Group is of the opinion that the fee paid by the Group to the former majority shareholder in Tipik to cancel a restraint of trade agreement (see Note 14) is comparable to an open-ended operating licence granted to the Group, an authorisation without which the Group would be unable to generate any cash flow within the scope of business activities subject to the restraint of trade agreement. Consequently, the fee paid was classified as an asset with an indefinite useful life that is subject to impairment testing at least once a year.

3.2.5. Recognition of deferred tax assets

Deferred tax assets can be recognised only in so far as the tax losses recorded can be used to reduce the tax burden on taxable profits. The Group's management use budgets and medium-term growth and profitability assumptions to recognise deferred tax assets. A downward revision of the projections established by management can significantly influence the recoverable nature of deferred tax assets.

3.2.6. Revenue recognition

Group management makes estimates for the application of IFRS 15, in particular for the measurement of the percentage of completion of ongoing performance obligations satisfied over time.

For each ongoing performance obligation satisfied over time, in particular consulting and engineering contracts based on deliverables and remunerated on a fixed-price basis, revenue is recognised as and when services are provided, using methods based on progress evaluation inputs. According to these methods, income is recognised on the basis of the efforts already made or the inputs already used by the entity, such as hours of work or expenses incurred, compared with the estimated total for the inputs required to meet the performance obligation.

3.2.7. Measurement of expected credit losses on trade receivables and work in progress

The Group measures the relative importance of expected credit losses on the basis of historical net losses recognised in profit or loss over a three-year period. If the historical net losses are deemed significant, the Group determines a loss rate by comparing the gross amount of receivables that have been outstanding for more than 90 days with the amounts invoiced over a 90-day period before the reporting date and applies the rate calculated in this way to the outstanding receivables on that date. As the estimates are based on historical data, it is possible that these will differ significantly from the actual losses recorded in 2021.

Average net historical losses over a three-year period came to €362,000 (compared with €489,000 in 2019), accounting for 0.2% (as opposed to 0.3% in 2019) of the average revenue calculated for the period under consideration.

3.2.8. Measurement of commitments to repurchase non-controlling interests

The fair value of the commitments to repurchase shares subscribed by minority shareholders/Co-investors following the adoption of employee stock ownership plans (see Note 10.2) is based on a multiple of the EBIT/EBITDA (or a formula combining the multiple of the EBIT/EBITDA) and a multiple of the revenue, applied to a share of the securities issued by the subsidiaries in question, whereby this share is characterised as an underlying investment and serving as a measurement basis for these plans, adjusted to take account of the discount effect. The estimate of the fair value of the price to be paid calculated on the basis of revenue forecasts and profit margin is likely to deviate from the price that will actually be paid at maturity for the repurchase of the shares.

NOTE 4. FINANCIAL RISK MANAGEMENT POLICY

The Group is exposed to credit risk, liquidity risk and market risk (including interest-rate risk and foreign-currency risk) with respect to the use of financial instruments. Financial risk management is handled by the Finance Department and consists of minimising the potentially unfavourable impact of these risks on the Group's performance. This note gives information on the Group's exposure to various risks as well as on how the Group addresses and manages these risks.

4.1 CREDIT RISK

The credit risk is the Group's risk of financial loss if a client or any other counterparty of a financial instrument is inadequate in the performance of its obligations. The main credit risk identified by the Group pertains to trade receivables, accrued income for work in progress and cash in financial institutions.

The Group's maximum exposure to credit risk by category of financial asset can be analysed as follows:

(in thousands of €)	**31 December 2020**	**31 December 2019**
Trade receivables	22,874	37,130
Work in progress	16,905	28,774
Other assets	13,173	3,547
Cash and cash equivalents	105,842	71,657
TOTAL	**158,794**	**141,108**

In addition to the credit risk exposure involved in holding financial assets, i.e. trade receivables and cash, there is the risk of default represented by accrued income for work in progress, the balance of which stood at €16,905,000 as at 31 December 2020 (compared with €28,774,000 as at 31 December 2019).

The Group rigorously selects its counterparties on the basis of their credit standing, measured on the basis of multiple criteria including ratings from agencies and financial ratios.

In addition to the clients' acceptance conditions, the Group's Finance Department determines the maximum payment deadlines and sets client credit limits applied by the business units.

Client credit risk is managed by the Finance Department of each Group entity. Trade receivables due are reviewed regularly at each reporting date by the business units. Each significant delayed payment is monitored and, if necessary, made the subject of an action plan.

As a simplification measure, under Group policy, receivables that have been outstanding for more than 90 days must be fully provisioned unless the Group has reliable information (time limits imposed when awarding a public procurement contract, for example) indicating that full or partial recovery is possible, in which case the provisioned amount is adjusted.

In addition to losses recognised on the basis of objective loss indicators, the Group estimates the risk of expected credit losses that should be provisioned on the basis of historical default data (see Note 3.2.7).

As at 31 December 2020 (in line with the position as at 31 December 2019), no provision was recognised for expected losses, given the non-significant nature of the historical losses expressed as a function of revenue.

The Group's Finance Department regularly reviews trade receivables on the basis of aged balances.

The Group's trade receivables classified by client category are as follows:

(in thousands of €)	**31 December 2020**	**31 December 2019**
State-owned companies	15,306	36,867
Large companies and multinationals	16,244	23,605
SMEs	9,953	8,169
TOTAL	**41,503**	**68,641**

There is no significant concentration of credit risk at Group level on the basis of trade receivables as at 31 December 2020 (also reflecting the position as at 31 December 2019).

No client accounts for more than 10% of the Group's revenue. The top 10 clients together account for 31% of the Group's revenue (compared with 26% in 2019).

See Note 18 for more information about credit risk exposure such as the breakdown of 'Trade and other receivables', aged balances and details of the change in allowance for doubtful accounts.

Cash, cash equivalents and short-term investments are invested with seven financial institutions having an S&P rating of AA- or higher. With respect to managing its cash surpluses, the Group adopts a cautious short-term investment policy. Given the default-risk exposure that is considered insignificant, these assets have not been subject to allowances for expected credit losses within 12 months.

4.2 LIQUIDITY RISK

The liquidity risk is the risk that the Group will not be able to meet its financial obligations.

The Board of Directors of the Parent Company is ultimately responsible for managing liquidity risk. It has established a framework for managing this risk based on proposals set out by the Group's Finance Department.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, closely monitoring projected and actual cash flows and adjusting, if necessary, the maturities of financial assets and liabilities. The details of the lines of credit available to the Group to further reduce its liquidity risk are described in Note 23.3.
The Group's Finance Department has established tools for monitoring projected cash flows for each of the Group's business units, enabling it to manage the liquidity risk with full knowledge of the situation.

The tables below provide an analysis by class of maturity, according to the amount of time until the contractual maturity date, of the Group's non-derivative financial liabilities.

The tables were prepared on the basis of undiscounted cash flows according to the earliest date by which the Group could be required to make a payment. These flows can differ from the carrying amounts of the assets and liabilities in question as at the reporting date.

The tables include cash flows related to interest and the principal. In so far as interest flows are floating rate, the undiscounted amount is obtained on the basis of market conditions prevailing as at the reporting date.

As at 31 December 2020 (in line with the position as at 31 December 2019), the contractual maturities for the Group's financial liabilities (including interest payments) were as follows:

As at 31 December 2020

(in thousands of €)	**<1 year**	**>1 year, <2 years**	**>2 years, <3 years**	**>3 years, <5 years**	**>5 years**	**TOTAL**
Bank overdrafts	(35)	-	-	-	-	(35)
Lease obligations	(2,528)	(1,916)	(1,110)	(1,694)	(604)	(7,852)
Trade and other payables	(19,454)	-	-	-	-	(19,454)
Other liabilities	(271)	(112)	-	-	-	(383)
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	(1,072)	(42,467)	(4,505)	-	-	(48,044)
Contingent considerations	(665)	(1,352)	-	-	-	(2,017)
TOTAL	**(24,025)**	**(45,847)**	**(5,615)**	**(1,694)**	**(604)**	**(77,785)**

(*) Net of receivables worth a total amount of €22,287,000, which is the subject of netting arrangements (see Note 10.3). In the event that the Co-investors can request the full repurchase of their share in Sword Co-Investment Fund S.C.Sp. from the first half of 2022 onwards, the debt, net of receivables, has been classified as ">1 year, <2 years".

As at 31 December 2019

(in thousands of €)	**<1 year**	**>1 year, <2 years**	**>2 years, <3 years**	**>3 years, <5 years**	**>5 years**	**TOTAL**
Other borrowings	(266)	-	-	-	-	(266)
Bank overdrafts	(612)	-	-	-	-	(612)
Lease obligations	(4,080)	(3,411)	(2,352)	(3,495)	(3,748)	(17,086)
Trade and other payables	(18,401)	-	-	-	-	(18,401)
Other liabilities	(699)	(435)	-	-	-	(1,134)
Commitments to repurchase securities held by minority shareholders/Co-investors	(665)	(1,004)	(1,737)	-	-	(3,406)
Contingent considerations	(6,847)	(5,052)	-	-	-	(11,899)
TOTAL	**(31,570)**	**(9,902)**	**(4,089)**	**(3,495)**	**(3,748)**	**(52,804)**

4.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to developments in market prices. The market risk arises from open positions in foreign currencies and interest-bearing assets and liabilities.

4.3.1. Foreign-currency risk

Exposure to foreign-currency risk arises from sales and purchases made by the Group abroad, mainly denominated in US dollars, pounds sterling and Swiss francs, and the resulting open balances.

With a view to managing its exposure to foreign-currency risk, the Company's Board of Directors adopted limits for each currency and each maturity, pursuant to a proposal by the Finance Department.

With a view to mitigating the Group's exposure to such risk, the Group's net foreign-currency positions classified by maturity, both real and estimated on the basis of budgets and financial forecasts, are monitored and foreign-exchange spot or forward contracts are concluded to comply with the limits set.
The table below shows the carrying amounts of monetary assets and liabilities denominated in foreign currencies as well as the overall net position for each currency as at the reporting date. Non-significant currencies as at the reporting date have been grouped together.

	Assets		Liabilities		Net position	
(in thousands of €)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Pound sterling	44,609	41,148	(34,610)	(30,566)	9,999	10,582
US dollar	8,521	8,242	(3,664)	(3,740)	4,857	4,502
Swiss franc	26,656	19,987	(14,202)	(7,979)	12,454	12,008
Other	6,417	5,335	(2,192)	(1,210)	4,225	4,125

The table below illustrates the sensitivity of profit or loss and equity to fluctuations against the euro of exchange rates applied to the Group's financial assets and liabilities denominated in foreign currencies and held by the Group as at the reporting date, i.e. the Group's net position in the currency, with all other variables remaining constant.

It assumes a fluctuation in the exchange rate in line with the historical volatility of exchange rates on the market, calculated on the basis of the previous 12 months.

(In thousands of €)	**31 December 2020**			**31 December 2019**		
Currency	**Exchange-rate changes**	**Impact on earnings**	**Impact on equity**	**Exchange-rate changes**	**Impact on earnings**	**Impact on equity**
Pound sterling	6%	770	2,406	6%	354	2,334
US dollar	7%	106	230	3%	25	85
Swiss franc	1%	(3)	250	3%	94	880

The above exchange-rate changes represent management's best estimate, bearing in mind historical volatility within one year.

4.3.2. Interest-rate risk

The Group's exposure to the risk of interest-rate changes is linked to the Group's financial-debt level, or even its cash position. When it does resort to borrowing, the Group manages this risk by maintaining an appropriate mix of fixed-rate and floating-rate borrowings and by using, where appropriate, interest-rate swaps.

The risk-management policy takes account of management's anticipated rate fluctuations, historical volatility and the impact of fluctuations on the Group's profit or loss.

To avoid negative interest rates being applied to its cash at bank, the Group has negotiated thresholds with its bank counterparties below which the invested amounts are not subject to negative interest rates and takes care to diversify its investments to ensure it is not penalised.

As at 31 December 2020 (and 31 December 2019), the Group had not contracted any bank loans.

4.4 CAPITAL MANAGEMENT

The Group manages its capital in such a way that it can ensure ongoing operations while maximising return for stakeholders by optimising the gearing ratio (net debt to equity).

The Group is not subject to any external capital requirements, apart from complying with the financial ratios imposed by the banks (see Note 23.3).

As at 31 December 2020 and 31 December 2019, the financial structure ratio was as follows:

(in thousands of €)	**31 December 2020**	**31 December 2019 (restated)**
Lease obligations	7,852	17,086
Other financial debts	-	266
Debts related to commitments to repurchase securities held by minority shareholders/Co-investors	48,044	3,406
Cash and cash equivalents	(105,807)	(71,045)
Net cash	**(49,911)**	**(50,287)**
Equity	135,942	149,963
NET DEBT RATIO	**(36.71%)**	**(33.53%)**

Net debt, as presented above, consists of lease obligations and debt related to the repurchase of securities held by minority shareholders/Co-investors, less cash and cash equivalents.

NOTE 5. FAIR-VALUE MEASUREMENT

5.1 FAIR-VALUE HIERARCHY

To reflect the importance of the data used in fair-value measurements, the Group classifies these measurements on the basis of a two-tier hierarchy:

- Level 1: (unadjusted) prices quoted on asset markets for identical assets or liabilities;
- Level 2: data other than the quoted prices targeted at Level 1 that are observable for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices); and
- Level 3: data relating to the asset or liability which are not based on observable market data (unobservable data).

The tables below provide an analysis of assets and liabilities recognised at fair value in the balance sheet by hierarchical level.

In thousands of €	Level 1	Level 2	Level 3	Total as at 31 December 2020
Assets at fair value				
Financial assets at fair value through other comprehensive income				
Shares in SBT	111	-	-	**111**
Shares in AW FG Carré	-	-	2,853	**2,853**
Financial assets at fair value through profit or loss				
Contingent consideration on sale (Note 12.1)	-	-	8,000	**8,000**
TOTAL ASSETS AT FAIR VALUE	**111**	**-**	**10,853**	**10,964**

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2020
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Contingent considerations on acquisitions	-	-	1,707	**1,707**
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	-	-	48,044	**48,044**
TOTAL LIABILITIES AT FAIR VALUE	**-**	**-**	**49,751**	**49,781**

(*) *After deduction of loans worth €22,287,000 granted directly to minority shareholders/Co-investors*

In thousands of €	Level 1	Level 2	Level 3	Total as at 31 December 2019
Assets at fair value				
Financial assets at fair value through other comprehensive income				
Shares in SBT	219	-	-	**219**
Shares in various unlisted companies	-	-	880	**880**
TOTAL ASSETS AT FAIR VALUE	**219**	**-**	**880**	**1,099**

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2019
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Contingent considerations on acquisitions	-	-	11,899	**11,899**
Commitments to purchase securities held by minority shareholders/Co-investors	-	-	3,406	**3,406**
TOTAL LIABILITIES AT FAIR VALUE	**-**	**-**	**15,305**	**15,305**

Should a fair-value level transfer be necessary, the Group would change the classification (bearing in mind the consequences in terms of measurement) on the date of the triggering event or on the date of the change of circumstances leading to the transfer.

There was no transfer between Levels 1 and 2 during the year.

5.2 MEASUREMENT TECHNIQUES

5.2.1. For business combinations, transactions with minority interests and sales of subsidiaries

Intangible assets
The fair value of software for third parties, SaaS contracts, software maintenance contracts, order books and client relations acquired in a business combination is calculated using the most appropriate method under the circumstances, including the multi-period excess earnings method, which consists of measuring the asset in question after deducting a reasonable return for the other assets generating cash flows. The valuation is a function of variables such as the rate of technological obsolescence, the client erosion rate (or even the contract renewal rate) and the discount rate.

Contingent considerations (liabilities) in connection with business combinations
The table below provides details of the techniques for measuring the fair value of contingent considerations (liabilities) and the main non-observable data used. Contingent considerations are classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the companies/interests acquired.

Measurement technique	Main non-observable data	Range of values (estimate)
Multiple of EBITDA, calculated as at 31 December 2020 and as at 31 December 2021	- Annual revenue growth rate - EBITDA margin	53% 27%

The estimated fair value is expected to evolve in line with the revenue growth rate, given a probability considered to be high that the EBITDA margin (expressed as a percentage of revenue) remains stable.

A change of +10% in EBITDA would result in a €317,000 increase in the contingent consideration relating to Codify Holding Ltd as at 31 December 2020. A change of -10% in EBITDA would result in a €317,000 decrease in the contingent consideration relating to Codify Holding Ltd as at 31 December 2020.

Contingent considerations (assets) in connection with sales
The table below lists the techniques for measuring the fair value of contingent considerations (assets) and the main non-observable data used. Contingent considerations are classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the companies/interests sold.

Measurement technique	Main non-observable data	Range of values (estimate)
Multiple of EBITDA, calculated as at 31 December 2020 and as at 31 December 2021	- Annual revenue growth rate - EBITDA margin	12.0% 12.8%

The estimated fair value is expected to increase if the annual revenue growth rate were higher, assuming that the EBITDA margin (expressed as a percentage of revenue) is stable.

A change of +10% in EBITDA would result in a €4,182,000 increase in the contingent consideration resulting from the sale of Sword Sol as at 31 December 2020. A change of -10% in EBITDA would result in a €3,749,000 decrease in the contingent consideration relating to Sword Sol as at 31 December 2020.

Commitments to repurchase securities held by minority shareholders/Co-investors
The repurchase commitments are included at their fair value in the consolidated statement of financial position. The table below lists the techniques used for measuring both the fair value of debt related to commitments to repurchase securities held by minority shareholders/Co-investors and the main non-observable data used by the Group. Debts are classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the subsidiaries involved.

Company	Measurement technique	Key non-observable data	Range of values (estimate)
Sword Co-Investment Fund	Multiple of EBITDA or average of a multiple of EBITDA and a multiple of revenue	- Annual revenue growth rate - Annual EBITDA margin	9-18% 6-14%
Sword GRC Group Ltd	EBIT multiple	- Annual revenue growth rate - Annual EBIT margin	19% 15.2%

The estimated fair value is expected to increase if the annual revenue growth rate goes above current estimates and the EBITDA margin (expressed as a percentage of revenue) is stable.

A change of +10% in EBIT relating to Sword GRC Group Ltd would result in a €207,000 increase in debt related to repurchases of securities held by minority shareholders as at 31 December 2020 (compared with a €307,000 increase as at 31 December 2019). A change of -10% in EBIT would result in a €204,000 decrease in debt related to repurchases of securities held by minority shareholders, as at 31 December 2020 (compared with a €298,000 decrease as at 31 December 2019).

A change of +10% in EBITDA of investments held by Sword Co-Investment Fund S.C.Sp. would result in a €12,504,000 increase in debt related to repurchases of securities held by Co-investors as at 31 December 2020. A change of -10% in EBITDA would lead to an €11,323,000 decrease in debt related to repurchases of securities held by Co-investors as at 31 December 2020. A 100% deconsolidation of Co-investors in year 1 (2021) would result in an €18,000,000 decrease in debt. A 100% deconsolidation of Co-investors in year 4 (2024) would lead to a €39,977,000 increase.
The fair value of the debt on the Sword Co-Investment Fund as at 31 December 2020 does not differ significantly from the price at which the shares were subscribed.

5.2.2. In the ordinary course of business

Financial assets at fair value through other comprehensive income
Equity instruments at Level 1 are measured at the stock-exchange rate as at the reporting date. Other equity instruments belong to Level 3 and are measured on the basis of their net asset, as communicated by the management of the company in question. The Group makes adjustments if it notes, on the basis of the available information, that the net asset differs significantly from the fair value.

5.3 RECONCILIATION OF LEVEL 3 FAIR-VALUE MEASUREMENTS

Financial assets at fair value through other comprehensive income

(in thousands of €)	31 December 2020	31 December 2019
Balance as at opening	**880**	**319**
Acquisitions	2,853	561
Disposals/deconsolidations	(880)	-
Total gains and losses	-	-
BALANCE AS AT YEAR END	**2,853**	**880**
Total gains and losses relating to assets held as at year end	-	-

Total gains and losses relating to assets held as at year end are included in other comprehensive income under 'Financial assets at fair value through other comprehensive income - Gain related to remeasurement at fair value'. The cumulative impact is recorded in 'Reserve for remeasurement of financial assets'.

Contingent considerations (assets)

(in thousands of €)	31 December 2020	31 December 2019
Balance as at opening	**-**	**-**
Acquisitions	8,000	-
Total gains and losses	-	-
BALANCE AS AT YEAR END	**8,000**	**-**
Total gains and losses relating to contingent considerations	-	-

Contingent considerations (liabilities)/debt related to commitments to repurchase securities held by minority shareholders/Co-investors

(in thousands of €)	31 December 2020	31 December 2019
Balance as at opening	**15,305**	**19,256**
Acquisitions (*)	47,239	2,474
Disposals/payments	(2,748)	(6,622)
Total gains and losses	(10,045)	197
BALANCE AS AT YEAR END	**49,751**	**15,305**
Total gains and losses relating to contingent considerations/debts related to commitments to repurchase securities held by minority shareholders/Co-investors	(55)	197

(*) *After deduction of loans worth €22,287,000 granted directly to minority shareholders/Co-investors*

NOTE 6. FINANCIAL ASSETS AND LIABILITIES BY ACCOUNTING CATEGORY

As at 31 December 2020

(in thousands of €)	Financial instruments at depreciated cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	TOTAL
ASSETS				
Financial instruments at fair value through other comprehensive income	-	-	2,964	2,964
Other assets	889	7,411	-	8,300
Long-term investments	**889**	**7,411**	**2,964**	**11,264**
Trade and other receivables	22,874	-	-	22,874
Other assets	2,615	589	-	3,204
Cash and cash equivalents	105,842	-	-	105,842
Current financial assets	**131,331**	**589**	**-**	**131,920**
TOTAL FINANCIAL ASSETS	**132,220**	**8,000**	**2,964**	**143,184**
LIABILITIES				
Lease obligations	5,324	-	-	5,324
Other liabilities	233	48,203	-	48,436
Non-current financial liabilities	**5,557**	**48,203**	**-**	**53,760**
Lease obligations	2,528	-	-	2,528
Other financial debts	35	-	-	35
Trade and other payables	19,454	-	-	19,454
Other liabilities	460	1,548	-	2,008
Current financial liabilities	**22,477**	**1,548**	**-**	**24,025**
TOTAL FINANCIAL LIABILITIES	**28,034**	**49,751**	**-**	**77,785**

As at 31 December 2019

(in thousands of €)	Financial instruments at depreciated cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	TOTAL
ASSETS				
Financial instruments at fair value through other comprehensive income	-	-	1,099	1,099
Other assets	2,451	-	-	2,451
Long-term investments	**2,451**	**-**	**1,099**	**3,550**
Trade and other receivables	37,130	-	-	37,130
Other assets	1,099	-	-	1,099
Cash and cash equivalents	71,657	-	-	71,657
Current financial assets	**109,886**	**-**	**-**	**109,886**
TOTAL FINANCIAL ASSETS	**112,337**	**-**	**1,099**	**113,436**
LIABILITIES				
Lease obligations	13,006	-	-	13,006
Other liabilities	435	9,341	-	9,776
Non-current financial liabilities	**13,441**	**9,341**	**-**	**22,782**
Lease obligations	4,080	-	-	4,080
Other financial debts	878	-	-	878
Trade and other payables	18,401	-	-	18,401
Other liabilities	699	7,502	-	8,201
Current financial liabilities	**24,058**	**7,502**	**-**	**31,560**
TOTAL FINANCIAL LIABILITIES	**37,499**	**16,843**	**-**	**54,342**

NOTE 7. BREAKDOWN OF REVENUE

Software segment

Breakdown by product type	31 December 2020	31 December 2019
Governance, Risk & Compliance (GRC)	16,448	17,489
Intellectual Property (IP)	4,263	5,891
Other	524	795
TOTAL	**21,235**	**24,175**

IT Services segment

Breakdown by market type	31 December 2020	31 December 2019
Health, telecommunications and others	40,217	47,252
Insurance and finance	18,469	32,131
Industry	68,448	51,032
Governments/European institutions	64,165	58,592
TOTAL	**191,299**	**189,007**

See Note 9 for a breakdown of revenue by geographical area.

NOTE 8. ASSETS AND LIABILITIES RELATING TO REVENUE RECOGNITION

The table below provides information on trade receivables, work in progress and prepaid services.

(in thousands of €)	31 December 2020	31 December 2019
Trade and other receivables (assets)	22,874	37,130
Work in progress (assets)	16,905	28,774
Costs of executing contracts activated following a deferral of revenue (assets) [(1)] (Note 8.4)	199	737
Prepaid services (liabilities)	9,889	26,474

[(1)] Included in prepaid expenses

IFRS 15 uses the terms 'contract assets' and 'contract liabilities' to refer to the items commonly known as 'Work in progress' and 'Deferred income'. However, this standard does not prevent an entity using other terms in its statement of financial position. The Group has used the terms 'Work in progress' and 'Deferred income' to label these items in assets and liabilities.

The Group records in deferred charges under 'Assets relating to the costs of executing contracts' costs related to installation and configuration services for certain software packages, whose revenues and associated costs are only recognised when the software is commissioned, regardless of whether this is marketed as licences or in SaaS mode. These assets are included in 'Prepaid expenses'.

In accordance with IFRS 15, revenue recognised before the date when it is billed to clients is recognised as 'Work in progress'. Interim payments exceeding the revenue recognised as at the reporting date are recorded as 'Prepaid services'.

8.1 ANALYSIS OF SIGNIFICANT CHANGES IN ASSETS AND LIABILITIES RELATING TO REVENUE RECOGNITION

The change in work in progress, costs of executing the activated contracts and prepaid services is proportional to revenue recognition.

8.2 REVENUES RELATING TO PREPAID SERVICES

(in thousands of €)	31 December 2020	31 December 2019
Revenues recognised during the year and included in the opening balance of prepaid services	17,533	24,942
Revenues recognised during the year and relating to the performance obligations met in previous years [(1)]	-	-

[(1)] This may include in particular the impact of changes in estimates on the measurement of the variable considerations and of such changes on the progress of the performance obligations recognised over time.

8.3 OUTSTANDING PERFORMANCE OBLIGATIONS

Schedule of outstanding performance obligations on long-term and fixed-price contracts

(in millions of €)	31 December 2020	31 December 2019
Less than 1 years	149	158
Between 1 and 2 years	99	130
Between 2 and 3 years	169	190
Share of revenue allocated to outstanding performance obligations as at reporting date	**417**	**478**

The above schedule corresponds to the order-book schedule (also known as the 'production backlog').

8.4 ASSETS RELATING TO COSTS OF EXECUTING CONTRACTS

(in thousands of €)	31 December 2020	31 December 2019
Assets relating to costs of executing contracts (gross balance)	199	737
Depreciation and impairment losses	-	-
Net balance of assets relating to costs of executing contracts	**199**	**737**

NOTE 9. SEGMENT INFORMATION

In accordance with IFRS 8, the segment information presents operating segments roughly corresponding to industries identified on the basis of the Group's business components. This segment information is based on the organisation of the Group's internal management, which leads to the preparation – in each business component – of management tools used by the Group's management.

Taking a business approach, the Group defined two operating segments, i.e. 'IT Services' and 'Software', both of which influence the Group's performance measurement and strategic approach.

Around the operating segments gravitate support functions, such as sales, finance, human resources and logistics.

The industries are defined as follows:

- **IT Services (Solutions):**
  This is a division specialising in information and content engineering systems integration and targeting regulated markets and compliance management. It bases its strategy on technical software components such as document management tools.

- **Software (or Products):**
  This division covers software for Governance, Risk & Compliance (GRC), document management and major project management.

9.1 INFORMATION BY GEOGRAPHICAL AREA

The table below shows the breakdown of revenue by geographical market, excluding intra-segment revenue and information on non-current assets by geographical area:

	Revenue from external clients		*Non-current assets [*]*	
(in thousands of €)	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019 (restated)**
Benelux and Greece	50,305	35,175	13,189	17,958
France	35,091	46,048	21	20,576
Switzerland	29,850	27,927	28,703	28,191
United Kingdom	64,760	61,822	37,716	39,586
United States	12,975	12,577	569	329
Other	19,553	29,633	1,780	2,593
TOTAL	**212,534**	**213,182**	**81,978**	**109,233**

[*] *Non-current assets exclude deferred tax assets.*

9.2 INFORMATION BY SEGMENT

9.2.1. Analysis of the income statement as at 31 December 2020

(in thousands of €)	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- Outside the Group *(external clients)*	191,299	21,235	-	212,534
Total revenue	**191,299**	**21,235**	**-**	**212,534**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items (EBITDA)	**24,294**	**5,182**	**-**	**29,476**
Depreciation charges	(6,603)	(1,892)	(274)	(8,769)
Earnings before interest and taxes, excluding non-recurring items (EBIT)	**17,691**	**3,290**	**(274)**	**20,707**
Income from disposals of assets	52,701	15	-	52,716
Impairment losses on assets	(578)	-	-	(578)
Other non-recurring items	(3,980)	(73)	-	(4,053)
Operating profit (OP)	**65,834**	**3,232**	**(274)**	**68,792**
Financial result				(11,708)
Income tax				(3,687)
Profit for the year				**53,397**
Non-controlling interests				114
Group share				**53,283**

9.2.2. Analysis of the income statement as at 31 December 2019 (restated)

(in thousands of €)	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- Outside the Group *(external clients)*	189,007	24,175	-	213,182
Total revenue	**189,007**	**24,175**	**-**	**213,182**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items (EBITDA)	**22,400**	**6,224**	**-**	**28,624**
Depreciation charges	(6,447)	(1,720)	(48)	(8,215)
Earnings before interest and taxes, excluding non-recurring items (EBIT)	**15,953**	**4,504**	**(48)**	**20,409**
Income from disposals of assets	122	22	(504)	(360)
Impairment losses on assets	(212)	-	-	(212)
Other non-recurring items	(213)	(59)	(577)	(849)
Operating profit (OP)	**15,650**	**4,467**	**(1,129)**	**18,988**
Financial result				(561)
Income tax				(4,924)
Profit for the year				**13,503**
Non-controlling interests				299
Group share				**13,204**

9.2.3. Analysis of assets and liabilities as at 31 December 2020

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Adjustments and eliminations**	**Consolidated total**
Segment assets	129,874	32,116	-	-	161,990
Non-allocated assets	-	-	73,265	-	73,265
TOTAL ASSETS	**129,874**	**32,116**	**73,265**	**-**	**235,255**
Segment liabilities	40,387	11,822	-	120,364	172,573
Non-allocated liabilities	-	-	47,104	(120,364)	(73,260)
TOTAL LIABILITIES	**40,387**	**11,822**	**47,104**	**-**	**99,313**
Investments in intangible assets and in property, plant and equipment during the year	*8,073*	*3,422*	*-*	*-*	*11,495*

9.2.4. Analysis of assets and liabilities as at 31 December 2019 (restated)

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Adjustments and eliminations**	**Consolidated total**
Segment assets	179,910	37,059	-	-	216,969
Non-allocated assets	-	-	40,328	-	40,328
TOTAL ASSETS	**179,910**	**37,059**	**40,328**	**-**	**257,297**
Segment liabilities	90,100	17,322	-	136,381	243,803
Non-allocated liabilities	-	-	(88)	(136,381)	(136,469)
TOTAL LIABILITIES	**90,100**	**17,322**	**(88)**	**-**	**107,334**
Investments in intangible assets and in property, plant and equipment during the year	*5,234*	*3,002*	*52*	*-*	*8,288*

See Note 13.2 for allocation of goodwill to cash-generating units.

All of the assets are allocated to the segments, except assets which cannot be allocated to a CGU, which comprise mainly cash and cash equivalents held by the Company.

All of the liabilities are allocated to the segments, except liabilities which cannot be allocated to a CGU.

NOTE 10. GROUP INFORMATION

10.1 SCOPE OF CONSOLIDATION

Company	Main business/ operating segment	Method	% controlled 31 December 2020	% controlled 31 December 2019	% interest 31 December 2020	% interest 31 December 2019
Luxembourg						
Sword Group SE	Parent company					
Sword Co-Investment Fund S.C.Sp. (1)	-	FC	100%	-	100%	-
Sword Technologies S.A.	IT Services	FC	100%	100%	100%	100%
Sword Sol S.à r.l. (2)	Holding company	FC	-	100%	-	100%
Australia						
DataCo Australia Pty Ltd	IT Services	FC	100%	100%	100%	100%
Sword GRC Pty Ltd	Software	FC	100%	100%	94%	92%
Belgium						
Sword Integra S.A.	IT Services	FC	100%	100%	100%	100%
Tipik Communication Agency S.A. (3)	IT Services	FC	100%	98%	100%	98%
Vadear S.A.	IT Services	FC	100%	100%	100%	98%
Canada						
Sword Corporation Inc.	IT Services	FC	100%	100%	45%	45%
Cyprus						
Apak Beam Ltd	Software	FC	100%	100%	100%	100%
Colombia						
Sword Colombia S.A.S. (2)	IT Services	FC	-	100%	-	100%
Denmark						
DataCo Denmark Aps	IT Services	FC	100%	100%	100%	100%
Dubai						
Sword Middle East FZ LLC	IT Services	FC	100%	100%	100%	100%
United States						
DataCo Services USA LLC	IT Services	FC	100%	100%	100%	100%
Sword GRC Inc.	Software	FC	100%	100%	94%	92%
Sword Solutions Inc.	IT Services	FC	100%	100%	100%	100%
Magique Galileo Software LLC (4)	Software	FC	-	100%	-	100%
Spain						
Lemonade Software Development S.L. (5)	IT Services	FC	50%	-	50%	-
France						
Le Connecteur S.à r.l. (6)	-	FC	100%	-	100%	-
Sword Connect S.A.S. (2)	IT Services	FC	-	95%	-	95%
Sword Insight S.A.S. (2)	IT Services	FC	-	70%	-	70%
Sword Kami S.A.S. (2)	Software	FC	-	92%	-	92%
Sword Orizon S.A.S. (2)	Software	FC	-	82%	-	82%
Sword S.A.S. (2)	IT Services	FC	-	99%	-	99%
Sword Software France S.à r.l. (7)	-	FC	100%	-	100%	-
Greece						
Plefsys IT PC (8)	IT Services	FC	-	64%	-	64%
Space4Business S.A. Greece (9)	-	FC	-	100%	-	100%
Sword Services Greece S.A.	IT Services	FC	99%	99%	99%	99%
India						
Sword Global India Pvt Ltd	IT Services	FC	100%	100%	100%	100%

Company	Main business/ operating segment	Method	% controlled 31 December 2020	% controlled 31 December 2019	% interest 31 December 2020	% interest 31 December 2019
Lebanon						
Sword Lebanon S.A.L.	IT Services	FC	97%	97%	97%	97%
Sword Middle East LLC	IT Services	FC	98%	98%	98%	98%
Netherlands						
DataCo Netherlands B.V.	IT Services	FC	100%	100%	100%	100%
New Zealand						
DataCo New Zealand Ltd	IT Services	FC	100%	100%	100%	100%
United Kingdom						
AAA Group Ltd	Holding company	FC	100%	100%	100%	100%
AAA Ltd	IT Services	FC	100%	100%	100%	100%
Codify Holding Ltd (10)	IT Services	FC	100%	-	100%	-
Codify Ltd (10)	IT Services	FC	100%	-	100%	-
Geores Ltd *(previously DataCo Global Ltd)*	IT Services	FC	100%	100%	100%	100%
DataCo Ltd	IT Services	FC	100%	100%	100%	100%
Infinity Ltd	IT Services	FC	100%	100%	100%	100%
Magique Galileo Software Ltd	Software	FC	100%	100%	94%	100%
Minttulip Ltd	IT Services	FC	100%	100%	100%	100%
Mobile Productivity Ltd (11)	Software	FC	-	100%	-	100%
Sword Achiever Ltd	Software	FC	100%	100%	94%	92%
Sword Charteris Ltd	Holding company	FC	100%	100%	100%	100%
Sword IT Solutions Ltd	IT Services	FC	100%	100%	100%	100%
Sword GRC Group Ltd (12)	Holding company	FC	94%	92%	94%	92%
Sword GRC Ltd	Software	FC	100%	100%	94%	92%
Sword Soft Ltd	Holding company	FC	100%	100%	100%	100%
Sword Technologies Solutions Ltd	IT Services	FC	100%	100%	100%	100%
Venture Information Management Ltd	IT Services	FC	100%	100%	100%	100%
Switzerland						
CBA Sourcing S.A.	IT Services	FC	51%	51%	51%	51%
Eurogenia S.A.	Holding company	FC	100%	100%	100%	100%
Sword Engineering S.A. *(previously Sword s.à r.l.)*	IT Services	FC	100%	100%	100%	100%
Sword Technologies S.A. (13)	IT Services	FC	45%	45%	45%	45%
Swissgenia S.A.	IT Services	FC	80%	80%	80%	80%
Sword Services S.A. (14)	IT Services	FC	100%	97%	100%	97%
Sword Sports & Events S.A.	IT Services	FC	85%	85%	85%	85%
Sword Suisse Holding S.A.	Holding company	FC	100%	100%	100%	100%
Sword Venue s.à r.l. (15) (previously Vsummit s.à r.l.)	IT Services	FC	100%	-	85%	-

(1) Established on 3 August 2020 as part of a stock ownership plan. See Note 10.2.4.

(2) On 29 September 2020, the Group sold its stake in Sword Sol for a total price of €73 million, excluding additional payments. This sale covered the subsidiaries Sword Colombia S.A.S., Sword Orizon S.A.S., Sword Insight S.A.S., Sword S.A.S., Sword Kami S.A.S. and Sword Connect S.A.S. See Note 12.1.

(3) On 6 March 2020, the Group increased its control by repurchasing the remaining 2% of shares for €75,000.

(4) Liquidated on 10 November 2020.

(5) On 31 August 2020, the Group acquired 50% of the shares plus one share in the capital of Lemonade Software Development S.L. for €755,000. See Note 11.1.

(6) On 21 September 2020, the Group acquired an additional stake in Le Connecteur s.à r.l. for €50,000, thereby increasing its overall stake from 15% to 100% of the share capital. Following this transaction, the Group will now fully consolidate Le Connecteur s.à r.l., which had previously been recognised in the Group's accounts as a financial asset at fair value through other comprehensive income.

(7) Incorporated on 5 August 2020.

[8] Liquidated on 22 December 2020.
[9] On 31 March 2020, Sword Services Greece S.A. took over Plefsys IT PC.
[10] On 6 March 2020, the Group acquired 100% of the shares in Codify Holding Ltd and Codify Ltd for €2,040,000, excluding additional payments. See Note 11.1.
[11] Liquidated on 21 January 2020.
[12] During 2020, the Group repurchased 2% of the shares held by minority shareholders in accordance with the employee stock ownership plan for managers at Sword GRC Group Ltd. See Note 10.
[13] The Group signed a shareholders' agreement taking effect on 1 January 2014 that gave it control over Sword Technologies S.A. (Switzerland). Consequently, the company is fully consolidated.
[14] During 2020, the Group paid CHF 658,000 to increase its stake in Sword Services S.A. from 97% to 100%.
[15] On 15 January 2020, the Group paid CHF 150,000 to increase its stake in Sword Venue s.à r.l. (previously Vsummit s.à r.l.) from 10% to 100%. Following this transaction, the Group will now fully consolidate Sword Venue s.à r.l., which had previously been recognised in the Group's accounts as a financial asset at fair value through other comprehensive income.

10.2 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (MINORITY INTERESTS)

10.2.1. Impact of transactions with minority interests on equity – Group share for the years ended 31 December 2020 and 31 December 2019

(in thousands of €)	**31 December 2020**	**31 December 2019**
Changes in reserves, in terms of the Group share, due to:		
- Acquisitions/repurchases of securities in:		
Tipik	-	(2,261)
Other	(133)	(412)
- Disposals without loss of control of securities in:		
Sword Greece	(805)	-
- Acquisitions of stakes by Co-investors in:		
Sword Co-Investment Fund (Note 10.2.4)	28,620	
- Commitments to repurchase securities held by Co-investors in:		
Sword Co-Investment Fund (Note 10.2.4)	(67,968)	-
- Changes in put options over minority interests relating to Sword GRC Group Ltd (Notes 10.2.3 and 10.3)	689	291
- Deconsolidations		
Sword Sol (Note 12.1)	(1,327)	-
NET IMPACT ON EQUITY – GROUP SHARE	**(40,924)**	**(2,382)**

10.2.2. Sword Charteris Ltd

On 2 August 2018, the Group had increased its stake in Sword Charteris Ltd from 49% to 100%, paying a basic price of €3,766,000, calculated based on a multiple applied to EBITDA. The purchase agreement envisaged an additional payment, calculated and payable at annual intervals between 31 December 2019 and 31 December 2021.

The additional payment to be paid on 31 December 2019, which had been determined on the basis of a forecast for 2020 and 2021, was calculated to be €9,126,000.

On 3 November 2020, the additional payment, calculated to be €19,252,000, was made early, as agreed with minority shareholders, and they were offered another stock ownership plan. See Note 10.2.4. Prior to this early payment, there was a €10,100,000 increase in the additional payment. This increase was due to the revenue growth rate rising from 10% to 17%, combined with the EBITDA margin going up from 8% to 12% in the year 2020. At the previous reporting date, Sword management did not consider it worth readjusting, even in part, the additional payment, given the substantial uncertainty caused by the health crisis.

10.2.3. Sword GRC Group Ltd

An employee stock ownership plan for managers at Sword GRC Group Ltd had been implemented by Sword Soft Ltd, a Group subsidiary. Under the plan, minority shareholders can obtain financing from Sword Soft Ltd, allowing them to pay up the subscribed capital and reimburse Sword Soft Ltd within five years. This financing gave rise to receivables from the minority shareholders amounting to €788,000 as at 31 December 2020 (compared with €1,219,000 as at 31 December 2019).

These receivables have an interest rate of 3%. The price of subscribed shares is calculated based on a multiple applied to EBIT. In addition, Sword Soft Ltd undertook to buy back the shares acquired by minority shareholders if they request this.

The repurchase price is calculated on a similar basis to that used for the subscription price. The estimated repurchase price corresponds to the fair value of the commitments listed in Note 10.3.

10.2.4. Sword Co-Investment Fund

The Group has established a special investment fund called the Sword Co-Investment Fund (hereinafter "the Fund") to bring together all the Group's employee stock ownership plans.

The Fund is open only to managers in certain subsidiaries (the "Co-investors").

The goal of the Fund is to harmonise the rules that apply to plans spread across several jurisdictions and to use a centralised platform to increase the efficiency of the subscription process.

The Fund is managed by Sword Group SE in its capacity of general partner.

By subscribing for Fund shares, Co-investors are exposed to the financial performance of their subsidiaries. Therefore, whenever a plan is put in place for Co-investors from a subsidiary, a share of the subsidiary's securities, which are classified as underlying securities, are transferred to the Fund in exchange for the subscribed shares, at their fair value calculated on the basis of an EBIT multiple applied to the securities of the subsidiary involved.

The Group co-finances the investment up to a level of 85%, in the form of a loan either to the Fund or to the Co-investors. This loan is subject to an interest rate of 2%.

Under these plans, at the end of a period generally ranging from three to five years, the shares held by the Co-investors will be repurchased by the Fund at their fair value at the time of the repurchase, calculated on the basis of an EBIT multiple applied to the securities of the subsidiary involved. In some cases, put options are granted to Co-investors, allowing them to request the early repurchase of their securities.

The repurchase price of the shares will be paid to the Co-investors after deduction of the loan amounts, if applicable.

As at 31 December 2020, €31,129,000 has been invested in plans via the Fund, and €28,620,000 of this total has been paid up.
In the event of a negative performance of the underlying subsidiary, the plan states that the Co-investors cover the deficit up to the amount either of the sums the Group has lent to them, or of the sums they have subscribed but not paid up.

The repurchase commitment gives rise to the recognition of a financial debt, with a corresponding cancellation of the related non-controlling interests. Financial debt is remeasured at its fair value as at each reporting date, with a corresponding charge to the financial result.

10.3 COMMITMENTS TO REPURCHASE NON-CONTROLLING INTERESTS/CO-INVESTORS' INTERESTS

Commitments to repurchase equity securities granted to non-controlling interests/Co-investors were as follows as at 31 December 2020:

(in thousands of €)	**Share (%) held by minority shareholders/ Co-investors**	**Minority interests/ Co-investors' interests included in the repurchase plan**	**Measurement method**	**Fair value of commitments (current debts)**	**Fair value of commitments (non-current debts)**
Sword GRC Group Ltd	6%	6%	EBIT multiple	1,072	1,291
Sword Co-Investment Fund	-	-	EBITDA/revenue multiple	-	67,968 (*)

(*) *Excluding the impact of offsetting with the receivable worth €22,287,000*

Commitments to purchase equity securities granted to non-controlling interests were as follows as at 31 December 2019:

(in thousands of €)	**Share (%) held by minority interests**	**Minority interests included in the repurchase plan**	**Measurement method**	**Fair value of commitments (current debts)**	**Fair value of commitments (non-current debts)**
Sword GRC Group Ltd	8%	8%	EBIT multiple	665	2,741

For the method used to measure the fair value of commitments, see Note 5.2.

NOTE 11. BUSINESS COMBINATIONS AND ACQUISITIONS

11.1 ACQUISITIONS IN 2020

11.1.1. Description

Codify

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. Codify is a group specialising in the development of software applications for the oil and gas industry. This complements other Sword Group SE subsidiaries' activities, allowing the Group to strengthen its sectoral presence, broaden its range of services and gain access to new expertise.

Lemonade Software Development S.L.

On 31 August 2020, Sword Technologies S.A. acquired 50% of the capital plus one share in Lemonade Software Development S.L., a company incorporated in Spain that provides software engineering services mainly for the public sector, for €755,000. The idea behind this tie-up was to allow the Group to acquire IT and business expertise deemed critical to be able to access European contracts.

Other business combinations

During 2020, the Group acquired 90% of the shares in Sword Venue s.à r.l. (previously Vsummit s.à r.l.) and 85% of the shares in Le Connecteur for CHF 150,000 and €50,000, respectively. Following this transaction, the Group will now fully consolidate these two companies, which had previously been recognised in the Group's accounts as financial assets at fair value through other comprehensive income.

The amounts associated with those acquisitions were not significant at Group level, the information to be provided under IFRS 3 has not been presented.

Other acquisitions not constituting a business combination

On 6 April 2020, the Group acquired 100% of the shares in Arolla SCI, SCI Decan and Ormelune SCI, property companies incorporated in France, at a total cost of €1,610,000.

11.1.2. Consideration transferred

(in thousands of €)	**Lemonade**	**Codify**	**Property companies**	**TOTAL**
Consideration settled in cash	566	2,322	1,610	**4,498**
Less:				
Balance of cash and cash equivalents acquired	106	839	196	**1,141**
NET CASH OUTFLOW	**460**	**1,483**	**1,414**	**3,357**

The Codify purchase agreement envisages an additional payment corresponding to a multiple of EBITDA, obtained for 2020 and 2021, respectively. The fair value of this liability was €1,658,000 as at 31 December 2020. See also Note 5.2.

11.1.3. Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Non-current assets				
Intangible assets	376	323	-	699
Property, plant and equipment	30	52	8,034	8,116
Financial assets	13	-	-	13
Deferred tax assets	-	-	105	105
Current assets				
Trade and other receivables	144	440	28	612
Other assets	-	112	77	189
Cash and cash equivalents	106	839	196	1,141
Non-current liabilities				
Financial debt	-	-	(5,791)	(5,791)
Deferred tax liability	(94)	(55)	-	(149)
Other liabilities	-	-	(154)	(154)
Current liabilities				
Financial debt	-	-	(495)	(495)
Trade and other payables	(11)	(293)	(23)	(327)
Current tax	-	(63)	-	(63)
Other liabilities	(58)	(88)	(367)	(513)
Prepaid services	-	(90)	-	(90)
IDENTIFIABLE NET ASSETS ACQUIRED	**506**	**1,177**	**1,610**	**3,293**

The above intangible assets consist of order books and client relations acquired and measured at their fair value at the time of a business combination. These assets are depreciated over one to three years depending on their expected useful life.

11.1.4. Goodwill arising from the acquisition

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Consideration transferred	**566**	**2,322**	**1,610**	**4,498**
Less: Fair value of identifiable net assets acquired	506	1,177	1,610	3,293
Plus: Deferred payment	189	-	-	189
Plus: Contingent consideration	-	1,658	-	1,658
Plus: Non-controlling interests	253	-	-	253
GOODWILL ARISING FROM THE ACQUISITION	**502**	**2,803**	**-**	**3,305**

The goodwill on the acquisition of these companies is related mainly to growth forecasts, to expected future profitability, to cost reductions implemented as a result of the acquisitions and to medium-term synergies arising from the support provided to these companies by the Group via support functions. Goodwill should not be deductible for tax purposes.

11.1.5. Impact of acquisitions on the Group's profit or loss

If the above business combinations had been in place as at 1 January 2020, the revenue and profit or loss for the period of the acquired entities would have been presented as follows:

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Revenue	1,939	1,721	661	4,321
Profit or loss	183	221	146	550

For the period from their acquisition date until 31 December 2020, the companies acquired through business combinations contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Revenue	517	1,233	133	1,883
Profit or loss	91	(86)	50	55

11.2 ACQUISITIONS IN 2019

11.2.1. Description

Magique Galileo Software Ltd

Effective from 3 January 2019, the Group acquired 100% of Magique Galileo Software Ltd, a company incorporated in the UK – an acquisition involving an outlay of GBP 2,222,000 (equivalent to €2,518,000), excluding additional payments. Magique Galileo Software is a company specialising in GRC solutions for the banking and insurance sector, so this transaction allowed the Group to expand its product range and increase its presence in the sector.

Plefsys IT PC

The Group had invested €445,000 on 1 May 2017 in the acquisition of an 18% stake in Plefsys IT PC ("Plefsys"), a company incorporated in Greece. Under the deal, it pledged to pay up to €1,200,000, excluding additional payments and including the amount of the original investment, to increase the Group's stake to 64% of this company capital over a three-year period. The idea behind this acquisition by the Group is to put together a specialist team and improve its know-how regarding calls for tenders and management of projects commissioned by the European institutions.

Effective from 30 April 2018, the Group had increased its stake in Plefsys from 18% to 38%, at a cost of €415,000.

Following the 26% increase in the shareholding in Plefsys on 1 May 2019 for a price of €445,000, thereby giving the Group control of that company, the Group will now fully consolidate Plefsys, which had previously been recognised according to the equity accounting method.

The Group had pledged to increase its stake by 6% in May 2020 and by 15% in March 2022, provided that Plefsys met certain performance targets.

The price for the additional 6% is variable, being based on the achievement of performance targets and capped at €300,000. The parties agreed to negotiate the sale price for the remaining 15% of shares in good faith.

DataCo

On 31 October 2019, the Group acquired 100% of the capital of DataCo Global Ltd, a company incorporated in the UK, and DataCo Australia Pty Ltd, a company incorporated in Australia, at a total cost of GBP 6,399,000 (equivalent to around €7,429,000). DataCo is a service company specialising in data management for the oil and gas industry.

The idea behind this combination was to allow the Group to strengthen its Data activities in the UK and to generate synergies, given the similarity of the sectors in which Sword Services UK and DataCo operate.

11.2.2. Consideration transferred

(in thousands of €)	Magique Galileo	Plefsys IT PC	DataCo	TOTAL
Consideration settled in cash	2,518	445	7,189	**10,152**
Less:				
Balance of cash and cash equivalents acquired	499	9	4,823	**5,331**
NET CASH OUTFLOW	**2,019**	**436**	**2,366**	**4,821**

The Magique Galileo Software Ltd purchase agreement envisages an additional payment corresponding to several times the adjusted EBITDA, obtained for 2019, from which GBP 2,000,000 is deducted. Calculated in this way, the additional payment is limited to GBP 3,000,000 and amounts to GBP 2,105,000 (equivalent to €2,474,000).

11.2.3. Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	Magique Galileo	Plefsys IT PC	DataCo	TOTAL
Non-current assets				
Intangible assets	1,456	1,090	939	3,485
Property, plant and equipment	23	1	17	41
Current assets				
Trade and other receivables	221	9	1,519	1,749
Other assets	93	-	1,809	1,902
Cash and cash equivalents	499	9	4,823	5,331
Non-current liabilities				
Deferred tax liability	(248)	-	(207)	(455)
Current liabilities				
Trade and other payables	(90)	(2)	(1,191)	(1,283)
Current tax	-	-	(2)	(2)
Other liabilities	(542)	(9)	(1,665)	(2,216)
IDENTIFIABLE NET ASSETS ACQUIRED	**1,412**	**1,098**	**6,042**	**8,552**

The above intangible assets were acquired and measured at their fair value at the time of business combinations.

For Magique Galileo, they consist of software and software maintenance contracts depreciated on a straight-line basis over a five-year period based on their estimated useful life.

For DataCo, they consist of order books and client relations depreciated over a one- to three-year period depending on their estimated useful life. At the time it acquired Plefsys IT PC, the Group recognised an amount of €1,090,000 for a sales collaboration agreement for a period ending in April 2023.

11.2.4. Goodwill arising from the acquisition

(in thousands of €)	Magique Galileo	Plefsys IT PC	DataCo	TOTAL
Consideration transferred	**2,518**	**1,095**	**7,189**	**10,802**
Plus: Deferred payment	-	-	240	**240**
Plus: Additional payment (estimated on acquisition)	2,675	-	-	**2,675**
Less: Fair value of identifiable net assets acquired	1,412	1,098	6,042	**8,552**
Plus: Non-controlling interests	-	3	-	**3**
GOODWILL ARISING FROM THE ACQUISITION	**3,781**	**-**	**1,387**	**5,168**

The initial recognition of the acquisition of DataCo had been provisionally calculated at the end of the year ended 31 December 2019. At the time of the completion of the 2019 consolidated financial statements, it was impossible to accurately determine the value of certain intangible assets. As a result, these intangible assets could not be recognised separately from goodwill, entailing an increase in the value allocated to goodwill. In 2020, these assets were recognised retrospectively, with a corresponding adjustment of goodwill. The comparative data have been restated accordingly (see Note 2.4).

The goodwill on the acquisition of Magique Galileo is related mainly to growth forecasts, expected future profitability and cost reductions implemented upon the acquisition, and to medium-term synergies arising from the support provided to this company by the Group.

Goodwill should not be deductible for tax purposes.

11.2.5. Impact of acquisitions on the Group's profit or loss

If this business combination had been in place as at 1 January 2019, the revenue and profit or loss for the period of the acquired entity would have been presented as follows:

(in thousands of €)	Magique Galileo	DataCo	TOTAL
Revenue	2,350	6,583	**8,933**
Profit or loss	293	597	**890**

For the period from their acquisition date until 31 December 2019, the acquired companies contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	Magique Galileo	DataCo	TOTAL
Revenue	2,350	1,244	**3,594**
Profit or loss	293	171	**464**

The amounts associated with the acquisition of Plefsys IT PC are not significant and had no impact on the Group's profit or loss.

NOTE 12. DISPOSALS

12.1 DISPOSALS IN 2020

Sword Sol

On 29 September 2020, the Group sold its stake in Sword Sol to AW FG Carré for €73,000,000, excluding the relevant additional payment.

The transaction includes the services activities of French subsidiaries, international software activities at national trademark and patent offices, and software for the French market in the fields of health, intelligence and client relations. This sale covered the subsidiaries Sword Colombia S.A.S., Sword Orizon S.A.S., Sword Insight S.A.S., Sword S.A.S., Sword Kami S.A.S. and Sword Connect S.A.S.

Concurrent with the transfer of the Sword Sol shares sold, the Group subscribed, by way of set-off against a due and payable claim on the purchaser, to ordinary shares and preference shares representing 5% of the share capital of the purchaser worth a total of €2,853,000 (see Note 17).

Property companies

Following the sale of the French activities, the Group sold, effective from 8 December 2020, 100% of its shares in the property companies Arolla SCI, SCI Decan and Ormelune SCI for €1,610,000.

12.1.1. Consideration received

(in thousands of €)	**Sword Sol and its subsidiaries**	**Property companies**	**TOTAL**
Consideration received in cash and cash equivalents	73,000	1,610	74,610
Contingent consideration receivable	8,000	-	8,000
TOTAL CONSIDERATION	**81,000**	**1,610**	**82,610**

The agreement on the sale of Sword Sol securities envisages an additional payment corresponding to a multiple of EBITDA, obtained for 2020 and 2021, respectively. The fair value of this asset was €8,000,000 as at 31 December 2020. See also Note 5.2.

12.1.2. Net cash outflow on disposal

(in thousands of €)	**Sword Sol and its subsidiaries**	**Property companies**	**TOTAL**
Consideration received in cash and cash equivalents	73,000	1,610	74,610
Less:			
Balance of cash and cash equivalents disposed of	8,127	201	8,328
NET CASH OUTFLOW	**64,873**	**1,409**	**66,282**

12.1.3. Analysis of assets and liabilities over which control was lost

(in thousands of €)	**Sword Sol and its subsidiaries**	**Property companies**	**TOTAL**
Non-current assets			
Goodwill	23,530	-	23,530
Other intangible assets	1,201	-	1,201
Property, plant and equipment	2,981	7,789	10,770
Right-of-use assets	4,124	-	4,124
Financial assets	913	-	913
Deferred tax assets	1,014	86	1,100
Other assets	363	-	363
Current assets			
Trade and other receivables	9,534	28	9,562
Work in progress	10,112	28	10,140
Current tax assets	1,186	-	1,186
Other assets	663	77	740
Cash and cash equivalents	8,127	201	8,328
Prepaid expenses	1,401	7	1,408
Non-current liabilities			
Lease obligations	(2,805)	-	(2,805)
Other financial debts	(354)	(5,438)	(5,792)
Provisions for employee benefits	(1,640)	-	(1,640)
Other provisions	(835)	-	(835)
Deferred tax liability	(45)	-	(45)
Other liabilities	(21)	(156)	(177)
Current liabilities			
Lease obligations	(1,476)	-	(1,476)
Other financial debts	-	(494)	(494)
Trade and other payables	(3,326)	(50)	(3,376)
Current tax liability	(31)	(13)	(44)
Other liabilities	(14,359)	(363)	(14,722)
Prepaid services	(15,183)	(42)	(15,225)
NET ASSETS DISPOSED OF	**25,074**	**1,660**	**26,734**

12.1.4. Profit/(loss) generated on disposal

(in thousands of €)	**Sword Sol and its subsidiaries**	**Property companies**	**TOTAL**
Total consideration	**81,000**	**1,610**	**82,610**
Less: Net assets disposed of	25,074	1,660	26,734
PROFIT/(LOSS) GENERATED ON DISPOSAL	**55,926**	**(50)**	**55,876**

12.2 DISPOSALS IN 2019

None

NOTE 13. GOODWILL

13.1 CHANGES IN GOODWILL

(in thousands of €)	31 December 2020	31 December 2019 (restated)
GROSS AMOUNT		
Balance as at opening	**98,354**	**91,200**
Additional amounts recognised following business combinations arising during the year	3,725	4,949
Disposals/deconsolidations	(23,607)	-
Translation difference	(1,419)	2,205
Balance as at year end	**77,053**	**98,354**
ACCUMULATED IMPAIRMENT LOSSES		
Balance as at opening	(25,000)	(25,000)
Balance as at year end	**(25,000)**	**(25,000)**
GOODWILL, NET CARRYING AMOUNT	**52,053**	**73,354**

13.2 ALLOCATION OF GOODWILL BY CASH-GENERATING UNITS (CGUS)

(in thousands of €)	31 December 2020	31 December 2019 (restated)
CGU 1 – Software	12,440	13,151
CGU 3 – IT Services (Solutions)	39,613	60,203
TOTAL	**52,053**	**73,354**

13.3 GOODWILL IMPAIRMENT TESTING

In 2020, without modifying the valuation methods used in the previous year, the Group re-examined the value of the goodwill associated with its cash-generating units (CGUs) by comparing the recoverable amount of the CGUs with their net carrying amount, including goodwill. In accordance with IAS 36, only the value in use in respect of the recoverable amount was included.

13.3.1. Key assumptions

The forecast cash flows used by the Group to estimate value in use came from the 2021 budget and from an extrapolation for 2022 and subsequent years, excluding the implementation of a new R&D programme in 2021. Based on the 2021 budget, the Group's revenue rose by approximately 10.41% on a like-for-like basis (i.e. restated to take into account the sale of the French activities).

The key assumptions adopted in the valuation model used by the Group are (i) medium-term growth in revenue, (ii) an operating margin corresponding to the EBIT/revenue ratio, (iii) the infinite growth rate used to calculate the final value, and (iv) the discount rate.

	CGU 1 – Software		CGU 3 – Solutions	
	2020	**2019**	**2020**	**2019**
Medium-term revenue growth	10%	10%	10%	10%
Operating margin	19%	19%	9%	9%
Infinite growth rate	2%	2%	2%	2%
Discount rate after tax (*)	5.74%	6.14%	6.87%	5.65%

(*) The pre-tax discount rates for 2020 were 7.18% (compared with 8.31% in 2019) and 9.28% (compared with 7.24% in 2019) for CGU 1 and CGU 3, respectively.

Given the health crisis, the values attributed to medium-term revenue growth and to the operating margin were determined with due diligence and are consistent with the Group's historical and budgetary data.

The Group opted for a single scenario rather than multiple scenarios, in view of the Group's resilience to pandemic-related events.

This single scenario is based on revenue growth rates in 2021 and in the medium term of 10.41% and 10%, respectively.

Although the health crisis has not yet been brought under control, the 2021 budget serving as a basis for impairment testing is deemed relevant by Sword management given the revenue recorded in the fourth quarter of 2020 and during the first two months of 2021, the order book, the sales outlook and the catch-up effect in the Software division following postponements of orders.

The medium-term forecasts and the profit outlook were prepared taking into account in particular the order book, the growing demand for GRC products, the market shares and references acquired in the aerospace and defence sectors, in particular on the US market which is considered dynamic, strong demand for long-term software engineering projects in Belux, Switzerland and the UK, and the establishment of key partnerships, particularly in the field of IT infrastructure management.

The discount rates used for annual impairment tests were the weighted average cost of capital (WACC) rates specific to each CGU.

13.3.2. Sensitivity of recoverable amounts

The Group's management is of the opinion that no reasonably possible change in key assumptions on which the recoverable amount of each CGU is based would cause the carrying amount allocated to them to exceed their recoverable amount.

If the discount rate were to increase by 1%, the recoverable amount of CGU 1 and CGU 3 would remain well above the carrying amount attributed to each CGU.

NOTE 14. OTHER INTANGIBLE ASSETS

(in thousands of €)	Software	Client contracts	Non-competition clause	Other intangible assets	TOTAL
GROSS AMOUNT					
As at 31 December 2018	**12,832**	**4,893**	**1,113**	**10,890**	**29,728**
Inflows of assets generated internally	4,325	-	-	-	4,325
Acquisitions	-	-	-	169	169
Acquisitions via business combinations	1,543	908	-	1,090	3,541
Disposals	(3,774)	-	-	(237)	(4,011)
Deconsolidations	-	-	-	(34)	(34)
Translation difference	489	286	-	34	809
Other movements	616		-	(153)	463
As at 31 December 2019 (restated)	**16,031**	**6,087**	**1,113**	**11,759**	**34,990**
Inflows of assets generated internally	2,706	-	-	-	2,706
Acquisitions	-	-	-	465	465
Acquisitions via business combinations	154	699	-	-	853
Disposals	(1,273)	-	-	-	(1,273)
Deconsolidations	(2,865)	-	-	(3,225)	(6,090)
Translation difference	(630)	(308)	-	39	(899)
Other movements	(388)	-	-	(88)	(476)
AS AT 31 DECEMBER 2020	**13,735**	**6,478**	**1,113**	**8,950**	**30,276**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
As at 31 December 2018	**(7,608)**	**(4,893)**	**-**	**(10,416)**	**(22,917)**
Depreciation charges	(1,824)	(50)	-	-	(1,815)
Scope changes	-	-	-	239	239
Recognised impairment losses	(1)	-	-	-	(1)
Reversals of impairment losses	3,399	-	-	-	3,399
Translation difference	(208)	(252)	-	-	(460)
Other movements	(535)	-	-	(72)	(607)
As at 31 December 2019 (restated)	**(6,777)**	**(5,195)**	-	**(10,249)**	**(22,221)**
Depreciation charges	(2,130)	(696)	-	(372)	(3,197)
Scope changes	2,162	-	-	2,566	4,728
Recognised impairment losses	(495)	-	-	-	(495)
Reversals of impairment losses	748	-	-	-	748
Translation difference	230	246	-	(44)	433
Other movements	488	-	-	-	488
AS AT 31 DECEMBER 2020	**(5,774)**	**(5,645)**	**-**	**(8,098)**	**(19,517)**
NET AMOUNT					
As at 31 December 2019 (restated)	**9,254**	**892**	**1,113**	**1,510**	**12,769**
AS AT 31 DECEMBER 2020	**7,961**	**833**	**1,113**	**852**	**10,759**

'Client contracts' comprise SaaS contracts and software maintenance contracts.

Until September 2014 the Group had undertaken, during the sale of a business unit, to refrain from providing digital communication services to the European institutions. Subsequently, given the growth prospects in the public sector and following a change in strategy, the Group secured the cancellation of the relevant non-competition clause. This cancellation was valued at €1,113,000.

The other intangible assets comprise mainly services to be provided under contracts in the 'IT Services' segment, also known as the 'order book' or the 'production backlog'.

Impairment testing for the non-competition clause

As at the reporting date, the Group compared the net carrying amount of CGU 3 – IT Services, to which the amount for buying out the non-competition clause worth €1,113,000 was allocated, including the carrying amount of that agreement, and its recoverable amount, which was determined on the basis of its value in use.

Since the recoverable amount of CGU 3 exceeded its net carrying amount, no impairment loss was recognised. See Note 13 for key assumptions used to calculate value in use.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

(in thousands of €)	Land and buildings	Facilities, developments and fixtures	Transport equipment	Office and IT equipment	Office furniture	TOTAL
GROSS AMOUNT						
As at 31 December 2018	**400**	**3,164**	**229**	**8,526**	**1,822**	**14,141**
Acquisitions	-	2,182	118	940	214	3,454
Acquisitions via business combinations	-	-	-	126	57	183
Disposals	-	(167)	(135)	(420)	-	(722)
Translation difference	21	70	7	93	22	213
Other movements	-	-	-	78	(15)	63
As at 31 December 2019	**421**	**5,249**	**219**	**9,343**	**2,100**	**17,332**
Acquisitions	-	523	-	814	58	1,395
Acquisitions via business combinations	8,160	646	-	232	15	9,053
Disposals	-	(575)	-	(171)	-	(746)
Deconsolidations	(8,153)	(3,233)	-	(4,750)	(935)	(17,071)
Translation difference	(23)	(77)	1	(129)	(39)	(267)
Other movements	-	3	-	-	(3)	-
AS AT 31 DECEMBER 2020	**405**	**2,536**	**220**	**5,339**	**1,196**	**9,696**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
As at 31 December 2018	**(389)**	**(2,074)**	**(54)**	**(6,553)**	**(1,351)**	**(10,421)**
Depreciation charges	(11)	(866)	(19)	(863)	(108)	(1,867)
Scope changes	-	-	-	(114)	(51)	(165)
Recognised impairment losses	-	(179)	(33)	-	-	(212)
Reversals of impairment losses	-	160	30	420	-	610
Translation difference	(20)	(36)	(2)	(75)	(15)	(148)
Other movements	-	-	-	(5)	(5)	(40)
As at 31 December 2019	**(420)**	**(2,995)**	**(78)**	**(7,220)**	**(1,530)**	**(12,243)**
Depreciation charges	(202)	(718)	(14)	(851)	(100)	(1,885)
Scope changes	195	1,156	-	3,404	585	5,340
Recognised impairment losses	-		(31)	(52)	-	(83)
Reversals of impairment losses	-	566	-	166	1	733
Translation difference	23	31	-	105	31	190
Other movements	-	(3)	-	-	3	-
AS AT 31 DECEMBER 2020	**(404)**	**(1,963)**	**(123)**	**(4,448)**	**(1,010)**	**(7,948)**
NET AMOUNT						
As at 31 December 2019	**1**	**2,254**	**141**	**2,123**	**570**	**5,089**
AS AT 31 DECEMBER 2020	**1**	**573**	**97**	**891**	**186**	**1,748**

As at 31 December 2020, no guarantees had been issued regarding property, plant and equipment (the same had been the case in 2019).

NOTE 16. LEASES

16.1 RIGHT-OF-USE ASSETS BY CATEGORY

(in thousands of €)	Land and buildings	Transport equipment	TOTAL
GROSS AMOUNT			
As at 31 December 2018	**-**	**-**	**-**
Adjustments related to the adoption of IFRS 16	35,682	2,112	**37,794**
As at 1 January 2019	**35,682**	**2,112**	**37,794**
New contracts	1,149	770	1,919
Acquisitions via business combinations	41	-	41
Disposals/exits from contracts	(4,153)	(598)	(4,751)
Translation difference	678	1	679
As at 31 December 2019	**33,397**	**2,285**	**35,682**
New contracts	6,568	362	6,930
Acquisitions via business combinations	-	-	-
Disposals/exits from contracts	(10,099)	(688)	(10,787)
Deconsolidations	(11,371)	(764)	(12,135)
Translation difference	(714)	-	(714)
AS AT 31 DECEMBER 2020	**17,781**	**1,195**	**18,976**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
As at 31 December 2018	**-**	**-**	**-**
Adjustment related to the adoption of IFRS 16 (1)	(18,567)	(1,053)	(19,620)
As at 1 January 2019	**(18,567)**	**(1,053)**	**(19,620)**
Depreciation charges	(3,714)	(716)	(4,430)
Disposals/exits from contracts	2,673	567	3,240
Translation difference	(448)	-	(448)
As at 31 December 2019	**(20,056)**	**(1,202)**	**(21,258)**
Depreciation charges	(3,085)	(602)	(3,687)
Disposals/exits from contracts	10,511	1,174	11,685
Deconsolidations	-	-	-
Translation difference	438	-	438
AS AT 31 DECEMBER 2020	**(12,192)**	**(630)**	**(12,822)**
NET AMOUNT			
As at 31 December 2019	**13,341**	**1,083**	**14,424**
AS AT 31 DECEMBER 2020	**5,589**	**565**	**6,154**

(1) *The adjustment related to the adoption of IFRS 16 includes provisions for empty premises.*

16.2 LEASE OBLIGATIONS

(in thousands of €)	31 December 2020	31 December 2019
Non-current	5,324	13,006
Current	2,528	4,080
TOTAL	**7,852**	**17,086**

Maturities

(in thousands of €)	31 December 2020	31 December 2019
Less than one year	2,528	4,080
Between one and two years	1,916	3,411
Between two and three years	1,110	2,352
Between three and five years	1,694	3,495
More than five years	604	3,748
TOTAL	**7,852**	**17,086**

16.3 ITEMS RECOGNISED IN PROFIT OR LOSS

(in thousands of €)	31 December 2020	31 December 2019
Charges for depreciation for right-of-use assets	(3,687)	(4,430)
Interest expenses on lease obligations	(139)	(399)
Lease expenses for short-term leases	(38)	-
Lease expenses for leases for low-value underlying assets	(89)	(61)
Expenses for variable lease payments not included in the measurement of the lease obligation	-	-
TOTAL	**(3,953)**	**(4,890)**

The Group's leases do not include variable payments.

Total cash outflows relating to leases were €4,511,000 in 2020 (compared with €4,974,000 in 2019).

NOTE 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

17.1 BALANCE AS AT THE REPORTING DATE

(in thousands of €)	31 December 2020	31 December 2019
Interest in SBT	111	220
Interest in AW FG Carré	2,853	-
Interests in various unlisted companies	-	879
TOTAL	**2,964**	**1,099**

17.2 CHANGES DURING THE YEAR

(in thousands of €)	31 December 2020	31 December 2019
Balance as at opening	**1,099**	**649**
Acquisitions	2,853	561
Disposals	(103)	-
Scope changes	(880)	-
Changes in fair value	(3)	(111)
Translation difference	(2)	-
BALANCE AS AT YEAR END	**2,964**	**1,099**

NOTE 18. TRADE AND OTHER RECEIVABLES

(in thousands of €)	31 December 2020	31 December 2019
Trade receivables	24,598	39,867
Allowance for doubtful accounts	(1,724)	(2,737)
TRADE RECEIVABLES, NET	**22,874**	**37,130**

Due to their short-term maturity, the carrying amount of trade and other receivables is close to the fair value.

Aged balance of trade receivables

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2020	18,912	18	394	204	19,528
As at 31 December 2019	25,254	591	285	596	26,726

The trade receivables presented above comprise amounts due as at the reporting date and for which the Group has not created an allowance for doubtful accounts, since it has no information on the solvency status of the relevant receivables and since these amounts are still considered recoverable.

Change in allowance for doubtful accounts

(in thousands of €)	31 December 2020	31 December 2019
Balance as at opening	**(2,737)**	**(2,093)**
Impairment losses recognised during the year	(2,243)	(1,114)
Impairment losses subject to a reversal	2,168	602
Scope change	1,061	(97)
Translation difference	27	(35)
BALANCE AS AT YEAR END	**(1,724)**	**(2,737)**

Aged balance of impaired receivables

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2020	901	435	136	252	1,724
As at 31 December 2019	384	822	577	954	2,737

NOTE 19. OTHER ASSETS

(in thousands of €)	31 December 2020	31 December 2019
Deposits and guarantees	479	1,031
Consideration receivable on the capital increase in Sword GRC (see Note 10)	394	813
Contingent consideration receivable on the disposal of Sword Sol (see Note 12.1)	7,411	-
Other non-current receivables	16	607
Total other non-current assets, gross amount	**8,300**	**2,451**
Provisions for other non-current assets	-	(3)
TOTAL OTHER NON-CURRENT ASSETS, NET AMOUNT	**8,300**	**2,448**
Tax and social security receivables	2,209	4,472
Consideration receivable on the capital increase in Sword GRC (see Note 10)	394	406
Consideration receivable on the capital increase in the Sword Co-Investment Fund	1,976	-
Contingent consideration receivable on the disposal of Sword Sol (see Note 12.1)	589	-
Other current receivables	245	693
Total other current assets, gross amount	**5,413**	**5,571**
Provisions for other current assets	-	-
TOTAL OTHER CURRENT ASSETS, NET AMOUNT	**5,413**	**5,571**

The fair value of 'other non-current assets' was determined on the basis of cash flows discounted at the Group's borrowing cost. The fair value of all financial assets making up this section was €8,184,000 (compared with €2,113,000 as at 31 December 2019) and was classified as Level 2 in the fair-value hierarchy. The net carrying amount of the financial assets included in 'other current assets' is a reasonable approximation of their fair value due to their short-term maturity.

NOTE 20. CASH AND CASH EQUIVALENTS

(in thousands of €)	31 December 2020	31 December 2019
Cash and cash equivalents	105,842	71,657
TOTAL	**105,842**	**71,657**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

(in thousands of €)	31 December 2020	31 December 2019
Cash and cash equivalents	105,842	71,657
Bank overdrafts (*)	(35)	(612)
TOTAL	**105,807**	**71,045**

(*) *Included in other current financial debt*

NOTE 21. PENSION PLANS

At the year end, the provisions for employee benefits consisted solely of provisions for post-employment benefits totalling €235,000 (compared with €1,534,000 in 2019). Post-employment benefits fall under defined-contribution pension plans and defined-benefit pension plans.

21.1 DEFINED-BENEFIT PENSION PLANS

This type of plan aims to award certain Group employees, under certain conditions, pension benefits when they decide to retire. There were 142 such employees as at 31 December 2020 (compared with 434 as at 31 December 2019).

In France, the amount of and conditions for granting such benefits are governed by a national collective agreement in the industry in which the Group is operating (SYNTEC agreement).

The pension obligations were not subject to external coverage.

Pension obligations and similar benefits are valued internally under the supervision of the Group's Finance Department.

Items relating to post-employment benefits in comprehensive income can be analysed as follows:

(in thousands of €)	31 December 2020	31 December 2019
Cost of services rendered during the year	(287)	(435)
Financial cost	(72)	(23)
Items recognised in profit or loss for the year	**(359)**	**(458)**
TOTAL	**(359)**	**(458)**

The cost of services rendered during the year are recognised in staff expenses in the income statement. The financial costs are recognised in the financial result.

21.2 ACTUARIAL ASSUMPTIONS

The obligations were measured internally on the basis of assumptions updated regularly and reviewed annually. The following assumptions were adopted:

	31 December 2020	31 December 2019
Discount rate (*)	0.45%	0.77%
Adjustment rate for annual salaries	1.50%	1.50%
Social security contribution rate	45%	45%
Retirement age	60-67 years old	65-67 years old
Staff rotation	(**)	(**)
Mortality table	INSEE 2019	INSEE 2018

(*) *The discount rate is based on iBox AA 10+.*
(**) *Variable depending on geographical area*

The average duration of the obligation in respect of services as at 31 December 2020 is less than one year (the same as in 2019).

21.3 CHANGE IN THE PRESENT VALUE OF OBLIGATIONS

(in thousands of €)	31 December 2020	31 December 2019
Balance as at opening	**1,534**	**1,079**
Cost of services rendered during the year	287	367
Financial cost	72	91
Scope changes	(1,653)	-
Other changes	(5)	(3)
BALANCE AS AT YEAR END	**235**	**1,534**

Since the amounts provided are not significant at Group level, other disclosures under IAS 19 were omitted, specifically a sensitivity analysis showing the impact of changes made to certain actuarial assumptions on the value of pension-benefit commitments.

NOTE 22. OTHER PROVISIONS

(in thousands of €)	Litigation risks	Other	TOTAL
Balance as at 31 December 2019	**100**	**1,539**	**1,639**
Charges for provisions	-	145	145
Write-backs on used provisions	(75)	(717)	(792)
Deconsolidations	-	(842)	(842)
BALANCE AS AT 31 DECEMBER 2020	**25**	**125**	**150**
Current	-	125	125
Non-current	25	-	25

Provision charges/write-backs on provisions for litigation risks are included in 'Other non-recurring items' in the consolidated income statement.

NOTE 23. OTHER FINANCIAL DEBTS

23.1 BREAKDOWN OF OTHER FINANCIAL DEBTS BY TYPE

(in thousands of €)	31 December 2020	31 December 2019
Other borrowings and advances	-	266
Bank overdrafts	35	612
Other current financial debts	**35**	**878**
TOTAL OTHER FINANCIAL DEBTS	**35**	**878**

23.2 MATURITIES

(in thousands of €)	31 December 2020	31 December 2019
Less than one year	35	878
Between one and five years	-	-
More than five years	-	-
TOTAL	**35**	**878**

23.3 AVAILABLE LINES OF CREDIT

(in thousands of €)	31 December 2020	31 December 2019
Authorised amount	**130,000**	**130,000**
Less than one year	20,000	-
Between one and five years	110,000	130,000
More than five years	-	-
Amount drawn down	**-**	**-**
Less than one year	-	-
Between one and five years	-	-
More than five years	-	-
Available amount	**130,000**	**130,000**
Less than one year	20,000	-
Between one and five years	110,000	130,000
More than five years	-	-

A sum of €20,000,000 matured on 4 January 2021.

If borrowings are needed, the Group's banking arrangements require compliance with financial ratios: a 'net consolidated financial debt/consolidated EBITDA' ratio of less than 3 or 3.5 depending on the contracts, and a 'net consolidated financial debt/consolidated equity' ratio of less than 1. These financial ratios do not take into account changes brought about by the adoption of IFRS 16.

23.4 CHANGE IN FINANCIAL DEBT

The change in financial debts (including lease obligations) during the years 2020 and 2019 is included in cash flows from financing activities (see the consolidated statement of cash flows).

NOTE 24. TRADE AND OTHER PAYABLES

(in thousands of €)	31 December 2020	31 December 2019
Suppliers	6,343	5,370
Accrued invoices	12,579	12,806
Other	532	225
TOTAL	**19,454**	**18,401**

NOTE 25. OTHER LIABILITIES

(in thousands of €)	31 December 2020	31 December 2019 (restated)
Deposits and guarantees	9	21
Commitments to repurchase securities held by minority shareholders/ Co-investors (see Note 10) (*)	46,972	2,741
Deferred consideration on the acquisition of DataCo (see Note 11.2)	121	-
Contingent consideration on the acquisition of:		
- Minority interests in Sword Charteris Ltd (see Note 10.2)	-	4,960
- Codify (see Note 11.1)	1,231	-
- ID&O s.à r.l., renamed Sword Engineering S.A.	-	92
Other	103	414
TOTAL OTHER NON-CURRENT LIABILITIES	**48,436**	**8,228**
Value-added tax and other taxes	5,360	10,958
Social security and other social bodies	3,581	10,085
Commitments to repurchase securities held by minority shareholders/ Co-investors (see Note 10)	1,072	665
Deferred consideration on the acquisition of DataCo	-	240
Deferred consideration on the acquisition of Lemonade (see Note 11.1)	189	-
Contingent consideration on the acquisition of:		
- Minority interests in Sword Charteris Ltd	-	4,192
- Codify (see Note 11.1)	382	-
- ID&O s.à r.l., renamed Sword Engineering S.A.	94	181
- Magique Galileo Software Ltd	-	2,474
Other	271	459
TOTAL OTHER CURRENT LIABILITIES	**10,949**	**29,254**

(*) Under netting arrangements, the amounts to be reimbursed to Sword Group SE come to €22,287,000 and have been presented as a deduction from financial debts related to commitments to repurchase securities valued at €69,259,000.

NOTE 26. TAXES

26.1 BREAKDOWN OF TAX EXPENSE

(in thousands of €)	31 December 2020	31 December 2019 (restated)
Tax on profit recognised in the profit for the year		
Current tax	3,682	5,016
Deferred tax	5	(92)
TOTAL	**3,687**	**4,924**

26.2 RECONCILIATION BETWEEN THEORETICAL AND ACTUAL TAX

(in thousands of €)	31 December 2020	31 December 2019 (restated)
Profit before tax	57,084	18,427
Average tax rate in force in Luxembourg	28.00%	31.47%
Effective tax burden	**15,984**	**5,799**
Impact:		
- Expenses not deductible in determining taxable profit	4,523	1,855
- Revenue exempt from taxation	(112)	(454)
- Differences in tax rate on profit of foreign subsidiaries	(749)	(1,863)
- Gain on disposal at reduced rate	(16,770)	-
- Use of previously non-capitalised tax losses	(13)	(1,408)
- Non-capitalised tax on losses	457	184
- Tax credit	(232)	18
- Miscellaneous	599	793
Effective tax burden	**3,687**	**4,924**
EFFECTIVE TAX RATE	**6.46%**	**26.72%**

26.3 BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES BY TYPE

(in thousands of €)	Balance as at 31 December 2019 (restated)	Recognised in profit or loss	Recognised in other comprehensive income	Scope change	Balance as at 31 December 2020
Deferred tax assets/(liabilities)					
Intangible assets	(1,505)	203	24	(37)	(1,315)
Deferred income	684	(286)	(1)	(496)	(99)
Provisions	462	75	-	(479)	58
	(359)	**(8)**	**23**	**(1,012)**	**(1,356)**
Tax losses	408	3	(12)	(95)	**304**
DEFERRED TAX ASSETS/(LIABILITIES)	**49**	**(5)**	**11**	**(1,107)**	**(1,052)**

26.4 BALANCE OF DEFERRED TAX ASSETS AND LIABILITIES

(in thousands of €)	31 December 2020	31 December 2019 (restated)
Deferred tax assets	362	1,579
Deferred tax liabilities	(1,414)	(1,530)
NET DEFERRED TAXES	**(1,052)**	**49**

The deferred tax assets recognised as at 31 December 2019 were mainly made up of deferred income and of pension and employee shareholding provisions, accounting for a total of €1,268,000, and these were reversed in 2020 following the disposal of Sword Sol. As at 31 December 2020, recognised deferred tax assets mainly included tax losses carried forward related to the acquisition of AAA Group Ltd (a company incorporated in the UK) in 2015, amounting to €238,000 (compared with €225,000 in 2019). The recognition of this deferred tax asset is justified by the synergy operations implemented following this acquisition, which were aimed at improving the profit of the companies affected.

26.5 UNRECOGNISED TAX DEFICITS

As at the reporting date, the Group had, in various tax jurisdictions, tax losses of around €30,634,000 (compared with €29,487,000 in 2019) that are available to offset the future taxable profits of companies in which the tax losses arose, and for which no deferred tax asset was recognised due to the uncertainty of it being recovered. These unrecognised tax losses expire as follows:

(in thousands of €)	31 December 2020	31 December 2019
No expiry	20,968	20,634
Less than one year	144	-
Between one and two years	82	144
Between two and three years	35	82
Between three and five years	998	315
More than five years	8,407	8,312
TOTAL	**30,634**	**29,487**

NOTE 27. PERSONNEL EXPENSES

(in thousands of €)	31 December 2020	31 December 2019
Gross compensation	80,331	75,478
Social security contributions	17,013	16,337
Other	1,233	1,823
TOTAL	**98,577**	**93,638**

The Group's average head count is:

Average head count	31 December 2020	31 December 2019
Billable workforce	1,156	1,277
Non-billable workforce	190	214
TOTAL	**1,346**	**1,491**

Employee benefits for which provisions have been made as at the reporting date are presented in Note 21.

As at 31 December 2020 and 31 December 2019, the Group had no stock-option plans in place.

NOTE 28. PROVISION CHARGES AND REVERSALS

(in thousands of €)	31 December 2020	31 December 2019
Provision charges for retirement benefits	(349)	(252)
Write-backs on pension provisions	5	3
Charges for other provisions	(145)	(267)
Reversals on other provisions	791	340
Allowances for doubtful accounts	(2,243)	(1,114)
Reversals on allowances for doubtful accounts	2,168	602
TOTAL	**227**	**(688)**

NOTE 29. INCOME FROM DISPOSALS OF ASSETS AND SUBSIDIARIES

(in thousands of €)	31 December 2020	31 December 2019
Disposal costs	(3,019)	(406)
Income from the disposal of non-consolidated securities	12 [(2)]	-
Income from the disposal of consolidated securities	55,890 [(1)]	-
Income from the disposal of equity-accounted shares for Plefsys IT PC (see Note 11.2)	-	(165)
Income from the disposal of property, plant and equipment	-	273
Income from the disposal of intangible assets	(167)	(62)
TOTAL	**52,716**	**(360)**

[(1)] *Including €14,000 for the liquidation of Magique Galileo Software LLC on 10 November 2020.*
[(2)] *Including €14,000 for Sword Venue s.à r.l. (previously Vsummit s.à r.l.) and (€7,000) for Le Connecteur s.à r.l. (see Note 11.1).*

NOTE 30. IMPAIRMENT LOSS ON ASSETS

(in thousands of €)	31 December 2020	31 December 2019
Impairment loss on intangible assets [(*)]	(578)	(212)
TOTAL	**(578)**	**(212)**

[(*)] *Related to research and development of products that have become obsolete*

NOTE 31. OTHER NON-RECURRING ITEMS

(in thousands of €)	31 December 2020	31 December 2019
Litigation costs [(1)]	(1,911)	(290)
Restructuring costs	(3)	(363)
Acquisition costs	(1,019)	(593)
Other expenses	(1,120)	(849)
Other income	-	1,246
TOTAL	**(4,053)**	**(849)**

[(1)] *The litigation is mainly commercial and social.*

NOTE 32. FINANCIAL RESULT

(in thousands of €)	31 December 2020	31 December 2019
Gains on disposals of marketable securities and income from marketable securities	26	19
Interest on term deposits	277	181
Income from cash and cash equivalents	**303**	**200**
Interest expense on borrowings and financial debt	(395)	(319)
Interest expenses on lease obligations	(139)	(399)
NET FINANCIAL DEBT COST	**(231)**	**(518)**
Foreign-exchange gain	1,339	1,315
Foreign-exchange loss	(2,654)	(1,243)
Changes in fair value of contingent considerations [1]	(10,100)	-
Changes in fair value for commitments to purchase securities held by minority shareholders	59	-
Financial charges on non-consolidated securities and receivables	-	17
Other financial expenses	(117)	(132)
NET FINANCIAL RESULT	**(11,708)**	**(561)**

[1] Amount mainly made up of an adjustment to the additional payment made to minority shareholders for repurchasing their shares in Sword Charteris Ltd. See Note 10.2.2.

NOTE 33. EARNINGS PER SHARE

(in thousands of € and units of account)	31 December 2020	31 December 2019 (restated)
Profit for the year attributable to the Company's owners	**53,283**	**13,204**
Weighted average number of ordinary shares in circulation	9,534,987	9,533,860
Impact of dilutive instruments	-	-
Diluted weighted average number of shares	9,534,987	9,533,860
Earnings per share		
Base net earnings per share	5.59	1.38
Diluted net earnings per share	5.59	1.38

NOTE 34. SHARE CAPITAL

As at 31 December 2020, share capital stood at €9,545,000 (unchanged from 31 December 2019), represented by 9,544,965 shares (also unchanged from 31 December 2019) with a par value of €1 each, fully paid up.

NOTE 35. TREASURY SHARES

During 2020, 100,703 treasury shares were acquired (compared with 75,629 treasury shares in 2019), costing in total €3,075,000 (compared with €2,366,000 in 2019), and 92,142 treasury shares were sold (compared with 88,891 treasury shares in 2019), bringing in a total of €2,774,000 (compared with €2,802,000 in 2019).

As at 31 December 2020, there were 12,061 treasury shares (compared with 4,040 treasury shares as at 31 December 2019).

NOTE 36. DIVIDENDS

2020

The Board of Directors' meeting held on 28 August 2020 decided to allocate to the shareholders a special dividend of €2.40 per share, giving rise to a total payout of €22,902,000 following the sale of Sword Sol.

2019
The Ordinary General Meeting held on 29 April 2019 approved a dividend of €1.20 per share in 2019 for the allocation of the 2018 results, giving rise to a total payout of €11,437,000 during the year ended 31 December 2019.

NOTE 37. RELATED PARTY TRANSACTIONS

37.1 COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT

(in thousands of €)	31 December 2020	31 December 2019
Short-term benefits:		
- Gross (excluding benefits in kind)	1,190	1,057
- Employer contributions	274	248
- Benefits in kind	103	117
Directors' fees	123	131
TOTAL	**1,690**	**1,553**

Such remuneration pertained to 13 members of the Board of Directors and management (compared with 14 in 2019).

37.2 OTHER

Financière Sémaphore, which holds a 17.9% interest in the Group, provides the following services:

(in thousands of €)	31 December 2020	31 December 2019
Management fees	350	352
Fees related to acquisitions and disposals	600	320
TOTAL	**950**	**672**

During the year ended 31 December 2020, a company controlled by a Company director supplied Group companies with accounting and administrative services totalling €460,000 (up from €270,000 as at 31 December 2019).

Loans of €13,808,000 (compared with €1,197,000 as at 31 December 2019) were granted to members of the Group's management to finance the acquisition of minority interests in certain Group subsidiaries. They are reimbursed at a rate of between 2% and 3% per annum and will mature between 2021 and 2025.

With effect from 10 April 2020, the Group acquired 100% of the shares in Arolla SCI, SCI Decan and Ormelune SCI, property companies controlled by Financière Sémaphore, at a total cost of €1,610,000 under market conditions. Each of these companies provided the Group with offices in Saint-Didier-au-Mont-d'Or in France. Following the sale of the French activities, the Group sold these property companies effective from 8 December 2020. See Notes 11.1 and 12.1.

Ruitor s.à r.l., a company controlled by Financière Sémaphore, provided the Group with offices in Luxembourg at a cost of €163,000 (compared with €162,000 in 2019).

On 21 December 2018, the Group signed a one-year renewable services contract with a company controlled by Financière Sémaphore and called Le Connecteur, with a view to helping the Group search for investment targets. The value of services rendered until the actual acquisition of control on 21 September 2020 came to €90,000 (compared with €130,000 in 2019).

NOTE 38. OFF-BALANCE-SHEET COMMITMENTS

(in thousands of €)	31 December 2020	31 December 2019
Sureties for third parties	**-**	**36**
Less than one year	-	-
Between one and five years	-	36
More than five years	-	-
Other guarantees issued [(1)]	**233**	**707**
Less than one year	11	16
Between one and five years	222	691
More than five years	-	-
TOTAL	**233**	**743**

[(1)] *Including performance guarantees.*

NOTE 39. CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, there was no significant risk of contingent liabilities.

NOTE 40. AUDITORS' FEES

The table below details the amount of auditors' fees for 2020 and 2019:

(in thousands of €)	31 December 2020	31 December 2019
Auditors & certification (separate & consolidated)	680	650
Legal, tax and management consulting	39	8
Other	5	-
TOTAL	**724**	**658**

NOTE 41. SUBSEQUENT EVENTS

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

NOTE 42. RESTATED SUMMARY TABLES

Restatement of the consolidated statement of financial position

(in thousands of €)	**31 December 2019 Published**	**Finalisation of the allocation of the purchase price**	**31 December 2019 (restated)**
ASSETS			
NON-CURRENT ASSETS			
Goodwill	74,249	(895)	73,354
Other intangible assets	11,692	1,077	12,769
Property, plant and equipment	5,089	-	5,089
Right-of-use assets	14,424	-	14,424
Investments in associates	50	-	50
Financial assets at fair value through other comprehensive income	1,099	-	1,099
Deferred tax assets	1,579	-	1,579
Other assets	2,448	-	2,448
TOTAL NON-CURRENT ASSETS	110,630	182	110,812
CURRENT ASSETS			
Trade and other receivables	37,130	-	37,130
Work in progress	28,774	-	28,774
Current tax assets	946	-	946
Other assets	5,571	-	5,571
Cash and cash equivalents	71,657	-	71,657
Prepaid expenses	2,407	-	2,407
TOTAL CURRENT ASSETS	146,485	-	146,485
TOTAL ASSETS	**257,115**	**182**	**257,297**

See Note 2.4 for more details.

(in thousands of €)	**31 December 2019 Published**	**Finalisation of the allocation of the purchase price**	**31 December 2019 (restated)**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9,545	-	9,545
Share premium	70,676	-	70,676
Reserves	4,832	-	4,832
Retained earnings	61,950	(46)	61,904
TOTAL EQUITY – GROUP SHARE	147,003	(46)	146,957
Non-controlling interests (minority interests)	3,006	-	3,006
TOTAL EQUITY	**150,009**	**(46)**	**149,963**
NON-CURRENT LIABILITIES			
Lease obligations	13,006	-	13,006
Other financial debts	-	-	-
Pension provisions	1,534	-	1,534
Other provisions	392	-	392
Deferred tax liabilities	1,302	228	1,530
Other liabilities	8,228	-	8,228
TOTAL NON-CURRENT LIABILITIES	24,462	228	24,690
CURRENT LIABILITIES			
Lease obligations	4,080	-	4,080
Other financial debts	878	-	878
Other provisions	1,247	-	1,247
Trade and other payables	18,401	-	18,401
Current tax liabilities	2,310	-	2,310
Other liabilities	29,254	-	29,254
Prepaid services	26,474	-	26,474
TOTAL CURRENT LIABILITIES	82,644	-	82,644
TOTAL LIABILITIES	**107,106**	**228**	**107,334**
TOTAL EQUITY AND LIABILITIES	**257,115**	**182**	**257,297**

See Note 2.4 for more details.

Restatement of the consolidated income statement

(in thousands of €)	31 December 2019 Published	Finalisation of the allocation of the purchase price	31 December 2019 (restated)
Revenue	**213,182**	**-**	**213,182**
Purchases	(12,055)	-	(12,055)
Personnel expenses	(93,638)	-	(93,638)
Other external charges	(77,995)	-	(77,995)
Provision (charges)/write-backs on provisions	(688)	-	(688)
Other current operating expenses	(1,256)	-	(1,256)
Other current operating income	1,074	-	1,074
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ITEMS (EBITDA)	**28,624**	**-**	**28,624**
EBITDA in %	**13.43%**		**13.43%**
Charges for depreciation of property, plant and equipment	(1,867)	-	(1,867)
Charges for depreciation of right-of-use assets	(4,430)	-	(4,430)
Charges for depreciation of intangible assets arising from business combinations	(263)	(60)	(323)
Charges for depreciation of other intangible assets	(1,595)	-	(1,595)
EARNINGS BEFORE INTEREST AND TAXES, EXCLUDING NON-RECURRING ITEMS (EBIT)	**20,469**	**(60)**	**20,409**
EBIT in %	**9.60%**		**9.57%**
Income from disposals of assets and subsidiaries	(360)	-	(360)
Impairment loss on assets	(212)	-	(212)
Other non-recurring items	(849)	-	(849)
OPERATING PROFIT (OP)	**19,048**	**(60)**	**18,988**
OP in %	**8.94%**		**8.91%**
Financial income	1,515	-	1,515
Financial expenses	(2,076)	-	(2,076)
FINANCIAL RESULT	**(561)**	**-**	**(561)**
Share of profit or loss of associates	-	-	
PROFIT BEFORE TAX	**18,487**	**(60)**	**18,427**
Income tax	(4,938)	14	(4,924)
PROFIT FOR THE YEAR	**13,549**	**(46)**	**13,503**
Of which:			
Group share	13,250	(46)	13,204
Non-controlling interests (minority interests)	299	-	299

See Note 2.4 for more details.

5.7 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of **Sword Group S.E.** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the EU regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "*réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Company Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Goodwill impairment	
As at 31 December 2020, goodwill stands at a net value of KEUR 52,053. Under the IFRS standards as adopted by the EU, the Company must perform a goodwill impairment test at least once a year. Impairment tests are significant for our audit in light of the complexity of the valuation process and the judgement and the assumptions adopted which are subject to economic developments and future business conditions.	We checked the cash-flow forecasts included in the annual goodwill impairment tests by considering the exact nature of previous forecasts. For our audit, we also critically examined and tested the key assumptions, methodologies, weighted average cost of capital and other data used and issued by management, for example comparing them with external and historical data, such as external market growth forecasts. We performed a sensitivity analysis within the framework of the valuation model used by the Group. Our department specialised in assessing valuations was integrated into the audit team to assist us with these activities.

	We focused on the sensitivity of the available margin in cash-generating units, evaluating whether any reasonable change in the assumptions could cause the net carrying amount to exceed the estimated value. We assessed the accuracy of previous estimates made by the Board of Directors. We also verified the appropriacy of the information in Note 13.3 to the consolidated financial statements.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Revenue recognition	
As detailed in Note 7 to the financial statements, the Group sells its services to various customers and operates in a range of geographical and business sectors. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements.	Our activities include assessing the revenue recognition method for complex contracts. Drawing on the work already carried out by the subsidiaries' auditors, we tested the design and effectiveness of the controls implemented by management relating to analysing revenue recognition and identifying unusual contractual clauses
Some of the Group's revenue is generated by large-scale, complex contracts. As a result, it is necessary to assess the conditions under which risks and benefits are transferred to the buyer, in order to evaluate whether the income and expenses should be recognised in the current period.	Our activities included random testing of documentation indicating the delivery of licences or services, including contracts and correspondence with third parties, with a view to ensuring the accuracy and completeness of revenue recognition. We assessed the appropriacy of previous estimates made by management regarding the work in progress.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Commitments to repurchase securities held by Co-investors	
As detailed in note 25 of the appendices to the consolidated financial statements, the commitments to repurchase securities held by co-investors amounted to a net value of KEUR 48,044 as at 31 December 2020, detailed in note 25 to the consolidated financial statements. We considered that the valuation of the financial liability is significant for our audit, given the very significant impact of this financial liability on the group's total liabilities and on the degree of judgment involved in the valuation of this base, including the estimates on the basis of the achievement of future objectives	Our procedures include, among others, the valuation of the method of the various commitments in place to repurchase securities held by co-investors. We have carried out procedures including the reconciliation of historical data, the evolution of data in the medium term, the reasonableness of the assumptions made by the Board of Directors. We have carried out procedures relating to the existence of liabilities via direct confirmation with certain participations or reconciliation to contracts with certain participants. We have assessed the appropriateness of the estimates made by management
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "*réviseur d'entreprises agréé*" by the General Meeting of the Shareholders on April 28, 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website **http://www.sword-group.com**, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Luxembourg, 25 March 2021

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, RUE GUILLAUME J. KROLL
L – 1882 LUXEMBOURG

Olivier BIREN
Réviseur d'entreprises agréé

6 FINANCIAL STATEMENTS OF THE PARENT COMPANY AS AT 31 DECEMBER 2020

6.1 BALANCE SHEET AS AT 31 DECEMBER 2020

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101	0,00	102	0,00
I. Subscribed capital not called	1103		103	0,00	104	0,00
II. Subscribed capital called but unpaid	1105		105	0,00	106	0,00
B. Formation expenses	1107		107	0,00	108	0,00
C. Fixed assets	1109		109	183 258 771,94	110	196 325 901,24
I. Intangible assets	1111		111	10 143,46	112	27 852,60
1. Costs of development	1113		113	0,00	114	0,00
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		115	10 143,46	116	27 852,60
a) acquired for valuable consideration and need not be shown under C.I.3	1117	4.1	117	10 143,46	118	27 852,60
b) created by the undertaking itself	1119		119	0,00	120	0,00
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		121	0,00	122	0,00
4. Payments on account and intangible assets under development	1123		123	0,00	124	0,00
II. Tangible assets	1125	4.2	125	0,00	126	0,00
1. Land and buildings	1127		127	0,00	128	0,00
2. Plant and machinery	1129		129	0,00	130	0,00
3. Other fixtures and fittings, tools and equipment	1131		131	0,00	132	0,00
4. Payments on account and tangible assets in the course of construction	1133		133	0,00	134	0,00
III. Financial assets	1135	5	135	183 248 628,48	136	196 298 048,64
1. Shares in affiliated undertakings	1137	5.1	137	180 284 715,68	138	196 078 483,99
2. Loans to affiliated undertakings	1139		139	0,00	140	0,00
3. Participating interests	1141		141	0,00	142	0,00
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143	0,00	144	0,00
5. Investments held as fixed assets	1145	5.2	145	2 963 912,80	146	219 564,65
6. Other loans	1147		147	0,00	148	0,00

The notes hereinafter form an integral part of the financial statements.

ASSETS (CONTINUED)

		References (s)		Current year		Previous year
D. Current assets	1151		151	122 849 114,44	152	52 709 098,67
I. Stocks	1153		153	0,00	154	0,00
1. Raw materials and consumables	1155		155	0,00	156	0,00
2. Work in progress	1157		157	0,00	158	0,00
3. Finished goods and goods for resale	1159		159	0,00	160	0,00
4. Payments on account	1161		161	0,00	162	0,00
II. Debtors	1163		163	59 458 417,41	164	26 785 647,27
1. Trade debtors	1165		165	0,00	166	44 495,83
a) becoming due and payable within one year	1167		167	0,00	168	44 495,83
b) becoming due and payable after more than one year	1169		169	0,00	170	0,00
2. Amounts owed by affiliated undertakings	1171		171	29 171 169,00	172	25 587 400,52
a) becoming due and payable within one year	1173	9.1	173	29 171 169,00	174	25 587 400,52
b) becoming due and payable after more than one year	1175		175	0,00	176	0,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177	0,00	178	0,00
a) becoming due and payable within one year	1179		179	0,00	180	0,00
b) becoming due and payable after more than one year	1181		181	0,00	182	0,00
4. Other debtors	1183	6	183	30 287 248,41	184	1 153 750,92
a) becoming due and payable within one year	1185		185	589 024,15	186	1 153 750,92
b) becoming due and payable after more than one year	1187		187	29 698 224,26	188	0,00
III. Investments	1189		189	395 041,35	190	132 629,88
1. Shares in affiliated undertakings	1191		191	0,00	192	0,00
2. Own shares	1209	7.4	209	395 041,35	210	132 629,88
3. Other investments	1195		195	0,00	196	0,00
IV. Cash at bank and in hand	1197		197	62 995 655,68	198	25 790 821,52
E. Prepayments	1199		199	156 298,53	200	402 342,65
TOTAL (ASSETS)			201	306 264 184,91	202	249 437 342,56

The notes hereinafter form an integral part of the financial statements.

EQUITY AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7, 7.3	301	299 084 538,96	302	244 266 049,89
I. Subscribed capital	1303	7.1, 7.3	303	9 544 965,00	304	9 544 965,00
II. Share premium account	1305	7.1, 7.3	305	70 676 064,46	306	70 676 064,46
III. Revaluation reserve	1307		307	0,00	308	0,00
IV. Reserves	1309		309	1 349 537,85	310	1 087 126,38
1. Legal reserve	1311	7.2, 7.3	311	954 496,50	312	954 496,50
2. Reserve for own shares	1313	7.4, 7.3	313	395 041,35	314	132 629,88
3. Reserves provided for by the articles of association	1315		315	0,00	316	0,00
4. Other reserves, including the fair value reserve	1429		429	0,00	430	0,00
a) other available reserves	1431		431	0,00	432	0,00
b) other non available reserves	1433		433	0,00	434	0,00
V. Profit or loss brought forward	1319	7.3	319	162 695 482,58	320	131 059 339,50
VI. Profit or loss for the financial year	1321	7.3	321	77 699 601,87	322	31 898 554,55
VII. Interim dividends	1323	7.3	323	-22 881 112,80	324	0,00
VIII. Capital investment subsidies	1325		325	0,00	326	0,00
B. Provisions	1331		331	0,00	332	0,00
1. Provisions for pensions and similar obligations	1333		333	0,00	334	0,00
2. Provisions for taxation	1335		335	0,00	336	0,00
3. Other provisions	1337		337	0,00	338	0,00
C. Creditors	1435		435	7 179 645,95	436	5 171 292,67
1. Debenture loans	1437		437	0,00	438	0,00
a) Convertible loans	1439		439	0,00	440	0,00
i) becoming due and payable within one year	1441		441	0,00	442	0,00
ii) becoming due and payable after more than one year	1443		443	0,00	444	0,00
b) Non convertible loans	1445		445	0,00	446	0,00
i) becoming due and payable within one year	1447		447	0,00	448	0,00
ii) becoming due and payable after more than one year	1449		449	0,00	450	0,00
2. Amounts owed to credit institutions	1355	8.1	355	35 195,89	356	25 017,35
a) becoming due and payable within one year	1357		357	35 195,89	358	25 017,35
b) becoming due and payable after more than one year	1359		359	0,00	360	0,00

The notes hereinafter form an integral part of the financial statements.

EQUITY AND LIABILITIES (CONTINUED)

		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361		361	0,00	362	0,00
a) becoming due and payable within one year	1363		363	0,00	364	0,00
b) becoming due and payable after more than one year	1365		365	0,00	366	0,00
4. Trade creditors	1367		367	2 428 404,35	368	1 065 532,73
a) becoming due and payable within one year	1369	8.2	369	2 428 404,35	370	1 065 532,73
b) becoming due and payable after more than one year	1371		371	0,00	372	0,00
5. Bills of exchange payable	1373		373	0,00	374	0,00
a) becoming due and payable within one year	1375		375	0,00	376	0,00
b) becoming due and payable after more than one year	1377		377	0,00	378	0,00
6. Amounts owed to affiliated undertakings	1379	9.1	379	4 334 101,49	380	3 038 375,21
a) becoming due and payable within one year	1381		381	4 334 101,49	382	3 038 375,21
b) becoming due and payable after more than one year	1383		383	0,00	384	0,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385	0,00	386	0,00
a) becoming due and payable within one year	1387		387	0,00	388	0,00
b) becoming due and payable after more than one year	1389		389	0,00	390	0,00
8. Other creditors	1451		451	381 944,22	452	1 042 367,38
a) Tax authorities	1393		393	379 375,88	394	687 198,01
b) Social security authorities	1395		395	2 568,34	396	5 169,37
c) Other creditors	1397		397	0,00	398	350 000,00
i) becoming due and payable within one year	1399		399	0,00	400	350 000,00
ii) becoming due and payable after more than one year	1401		401	0,00	402	0,00
D. Deferred income	1403		403	0,00	404	0,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	306 264 184,91	406	249 437 342,56

The notes hereinafter form an integral part of the financial statements.

6.2 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. Net turnover	1701	9.1, 10	701	5 000 039,00	702	4 005 380,33
2. Variation in stocks of finished goods and in work in progress	1703		703	0,00	704	0,00
3. Work performed by the undertaking for its own purposes and capitalised	1705		705	0,00	706	0,00
4. Other operating income	1713	11	713	9 538,44	714	452 035,81
5. Raw materials and consumables and other external expenses	1671		671	-6 752 818,43	672	-3 783 489,10
a) Raw materials and consumables	1601		601	0,00	602	-8 618,90
b) Other external expenses	1603	11	603	-6 752 818,43	604	-3 774 870,20
6. Staff costs	1605	12	605	-176 852,00	606	-168 282,48
a) Wages and salaries	1607		607	-160 266,56	608	-152 117,64
b) Social security costs	1609		609	-16 585,44	610	-16 164,84
i) relating to pensions	1653		653	-10 281,60	654	-9 986,04
ii) other social security costs	1655		655	-6 303,84	656	-6 178,80
c) Other staff costs	1613		613	0,00	614	0,00
7. Value adjustments	1657		657	-1 477 709,14	658	-3 236 911,34
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	4	659	-17 709,14	660	-36 911,34
b) in respect of current assets	1661	9.1, 13.1	661	-1 460 000,00	662	-3 200 000,00
8. Other operating expenses	1621	17	621	-157 707,16	622	-95 045,00

The notes hereinafter form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNT (CONTINUED)

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	76 241 890,36	716	60 675 528,79
a) derived from affiliated undertakings	1717	14	717	76 241 890,36	718	60 675 528,79
b) other income from participating interests	1719		719	0,00	720	0,00
10. Income from other investments and loans forming part of the fixed assets	1721		721	0,00	722	22 937,03
a) derived from affiliated undertakings	1723		723	0,00	724	0,00
b) other income not included under a)	1725		725	0,00	726	22 937,03
11. Other interest receivable and similar income	1727		727	1 068 864,79	728	954 981,21
a) derived from affiliated undertakings	1729	9.1	729	876 584,07	730	736 353,03
b) other interest and similar income	1731		731	192 280,72	732	218 628,18
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663	0,00	664	0,00
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	13.2	665	4 871 482,15	666	-26 446 528,95
14. Interest payable and similar expenses	1627		627	-686 191,14	628	-422 820,13
a) concerning affiliated undertakings	1629	9.1	629	-6 165,69	630	-4 472,47
b) other interest and similar expenses	1631		631	-680 025,45	632	-418 347,66
15. Tax on profit or loss	1635	15	635	0,00	636	0,00
16. Profit or loss after taxation	1667		667	77 940 536,87	668	31 957 786,17
17. Other taxes not shown under items 1 to 16	1637	15	637	-240 935,00	638	-59 231,62
18. Profit or loss for the financial year	1669		669	77 699 601,87	670	31 898 554,55

The notes hereinafter form an integral part of the financial statements.

6.3 NOTES FOR THE YEAR ENDED 31 DECEMBER 2020

Note 1: General information

Sword Group SE, hereinafter referred to as "the Company", is a European company (*Societas Europaea*, or SE) whose registered office was transferred on 26 March 2012 from France to Luxembourg.
The Company's purpose is:

- to acquire by way of participation, contribution, subscription, underwriting, purchase option or negotiation or in any other manner any securities, titles, rights, patents and licences and other rights in rem, personal rights and interests, such as the Company deems necessary;
- generally to hold, manage, develop and sell them in full or in part, for the price that the Company deems fit and in particular in return for shares or securities of any company purchasing them;
- to conclude, assist with or take part in financial, business or other transactions;
- to grant to any holding company, subsidiary or any other company associated in one way or another with the Company or any company belonging to the same group of companies (the "Associate") any assistance, loans, advances, guarantees or sureties (in the last two cases, including to third parties lending to the Associate);
- to borrow or raise funds in any manner whatsoever and to guarantee the repayment of any borrowed funds;
- to provide administrative consultancy services or carry out any other research, development and supervisory activities; any consultancy and production activities in the field of information systems;
- generally to conduct any type of activity that might seem incidental or facilitate the attainment of all or any one of the above purposes;
- to conduct any commercial, technical and financial tasks, directly or indirectly connected to the areas described above, to facilitate the accomplishment of its purpose;
- to act directly or indirectly and carry out all these operations on its own behalf or on behalf of third parties, either alone or with any other person or company, either by itself or in association with company groupings or associations, doing so in any form. It may also acquire interests and shareholdings in any companies or business deals of any nature whatsoever.

The Company, having its registered office in Windhof, was established for an indefinite period on 22 June 2001.
The Company prepares consolidated financial statements in accordance with the Law of 19 December 2002 on the accounting and annual accounts of companies in Luxembourg, as amended (hereinafter referred to as "the Law of 19 December 2002, as amended"). The Company is listed on NYSE Euronext in Paris under ISIN number FR0004180578.
The consolidated financial statements are available at the following address on the Company's website: https://www.sword-group.com/en/investors/#financial-documents.

Note 2: Significant accounting policies

The Company keeps its books in euros. The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical-cost convention. The financial year coincides with the calendar year.
Accounting policies and valuation rules are – besides the ones laid down by the Law of 10 August 1915, as amended – defined by the Board of Directors. The preparation of the financial statements requires the use of certain critical accounting estimates by the Board of Directors which exercises its judgement in the process of applying the accounting policies. Any change in accounting estimates can give rise to a significant impact on the financial statements. The Board of Directors believes that the assumptions associated with these estimates are appropriate and that the financial statements present the Company's financial position and results fairly.
The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2020 was a year dominated by the COVID-19 pandemic. The impact of this health crisis was reflected in a slight drop in the revenue of our subsidiaries due to postponements of orders or a production slowdown for engineering contracts and therefore in a decrease in earnings before interest, taxes and depreciation, excluding non-recurring items (EBITDA). 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 €110 million, Sword Group's management believes that the Group has a competitive advantage and that its going concern basis still very much holds.

Note 3: Measurement rules

3.1 Intangible assets

Intangible assets are recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated lives of property and allowances. Allowances are not continued if the reasons behind them no longer apply. This item, depreciated at a straight-line rate of 33%, is represented by a software licence and a website.

3.2 Property, plant and equipment

Property, plant and equipment is recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated lives of property and allowances. Allowances are not continued if the reasons behind them no longer apply. This item is depreciated at a straight-line rate of 20% and is represented by computer hardware.

3.3 Financial assets

Financial assets are valued at historical cost, including incidental expenses or par value (loans and receivables). In the event of an impairment which, in the opinion of the Board, is of a permanent nature, financial assets are subject to allowances. Allowances are not continued if the reasons behind them no longer apply.

To determine the existence of any allowances relating to investments in associates, the Board of Directors took as its basis the difference between the net carrying amount of each investment and the relevant recoverable amount, determined on the basis of three-year cash-flow forecasts.

3.4 Receivables

Receivables are recognised at their par value. They are subject to allowances when their recovery is compromised. Allowances are not continued if the reasons behind them no longer apply.

3.5 Securities

The securities represented by shares in money market funds are measured at their fair value which is the latest price available as at the reporting date. Unrealised gains and losses are recognised in the profit and loss account.

The securities represented by treasury shares in the Company are measured at their acquisition price, including incidental expenses. An allowance is recognised when the historical cost is less than the market price. According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve with the value of treasury shares included in the balance sheet has been established on the liabilities side.

The market value corresponds to the latest price available on the day of valuation for securities officially allowed to be listed on the exchange or on another regulated market.

3.6 Deferred charges and accrued income

This item comprises expenses recognised during the year but which are attributable to a subsequent year.

3.7 Provisions

At the end of each year, provisions are made to cover losses or debts which are clearly defined in nature but which as at the reporting date are either probable or certain and yet the amount or date of payment is uncertain, for all foreseeable risks and costs. Provisions relating to previous years are reviewed regularly and recognised in profit or loss if they are no longer required.

3.8 Payables

Payables are recognised at their reimbursement value. Payables are recognised as contingent liabilities when their status is subject to unsecured debts.

3.9 Conversion of foreign-currency accounts

All transactions denominated in a currency other than the euro are recognised at the exchange rate prevailing as at the transaction date. As at the reporting date:

- all assets denominated in currencies other than the euro, with the exception of bank deposits, securities, short-term receivables and fixed assets, are individually valued at the lower of the value based on the historical exchange rate or the value based on the exchange rate prevailing as at the reporting date;
- all liabilities denominated in currencies other than the euro, with the exception of short-term debt, are valued individually at the higher of the value based on the historical exchange rate or the value based on the exchange rate prevailing as at the reporting date;
- bank deposits, securities, receivables and short-term debt, by their liquid nature, denominated in currencies other than the euro, are valued at the exchange rate prevailing as at the reporting date;
- all fixed assets denominated in currencies other than the euro are converted into euros at the historical exchange rate prevailing as at the transaction date. As at the reporting date, these fixed assets are converted at the historical exchange rate.

Income and expenses in currencies other than the euro are converted into euros at the exchange rate prevailing as at the transaction date. Therefore, only realised foreign-exchange gains and losses and unrealised foreign-exchange losses are recognised in the profit and loss statement.

3.10 Revenue

Revenue includes amounts resulting from services rendered by the Company to associates, net of any sales rebates and of value-added tax and other taxes related to sales.

Note 4: Intangible assets and property, plant and equipment

4.1 Intangible assets

In the year ended 31 December 2020, intangible assets developed as follows:

	Concessions, patents and licences	Advances paid	TOTAL
Purchase price as at opening	317,448.53	0.00	317,448.53
Acquisitions	0.00	0.00	0.00
Transfers	0.00	0.00	0.00
Purchase price as at year end	317,448.53	0.00	317,448.53
Allowances as at opening	(289,595.93)	-	(289,595.93)
Charges for the year	(17,709.14)	-	(17,709.14)
Reversals for the year	-	-	-
Allowances as at year end	(307,305.07)	-	(307,305.07)
Net amount as at year end	**10,143.46**	**-**	**10,143.46**
Net amount as at opening	**27,852.60**	**-**	**27,852.60**

4.2 Property, plant and equipment

In the year ended 31 December 2020, property, plant and equipment developed as follows:

	Investments held as fixed assets	Other fixtures, tools and furniture	TOTAL
Purchase price as at opening	19,294.00	40,592.04	59,886.04
Acquisitions	-	-	-
Disposals	-	-	-
Purchase price as at year end	19,294.00	40,592.04	59,886.04
Allowances as at opening	(19,294.00)	(40,592.04)	(59,886.04)
Charges for the year	-	-	-
Reversals for the year	-	-	-
Allowances as at year end	(19,294.00)	(40,592.04)	(59,886.04)
Net amount as at year end	**-**	**-**	**-**
Net amount as at opening	**-**	**-**	**-**

Note 5: Financial assets

In the year ended 31 December 2020, financial assets developed as follows:

	Shares in associates	Investments and other financial instruments held as fixed assets	TOTAL
Purchase price as at opening	224,894,787.49	1,377,858.54	226,272,646.03
Acquisitions	1,736,942.00	2,852,746.80	4,589,688.80
Disposals	(22,405,405.81)	(159,363.17)	(22,564,768.98)
Transfers	-	-	-
Purchase price as at year end	204,226,323.68	4,071,242.17	208,297,565.85
Allowance as at opening	(28,816,303.50)	(1,158,293.89)	(29,974,597.39)
Charges for the year	(937,028.00)	-	(937,028.00)
Reversals for the year	5,811,723.50	50,964.52	5,862,688.02
Amount carried forward from the year	-	-	-
Allowance as at year end	(23,941,608.00)	(1,107,329.37)	(25,048,937.37)
Net amount as at year end	**180,284,715.68**	**2,963,912.80**	**183,248,628.48**
Net amount as at opening	**196,078,483.99**	**219,564.65**	**196,298,048.64**

5.1 Shares in affiliated undertakings

During 2020, the Company performed the following transactions:

- the sale on 29 September 2020 of 100% of the Luxembourg company Sword Sol s.à r.l., owning all the Group's French subsidiaries, for €73,000,000.00 plus an additional payment depending on the financial performance of the French activities over the years 2020 and 2021;
- the purchase on 10 April 2020 and the resale on 8 December 2020 of three French property investment companies (SCIs), owning the premises occupied by certain French subsidiaries, for a total of €1,611,131.00, without generating any capital gain or loss;
- the purchase on 21 September 2020 of Le Connecteur, a company incorporated in France, for €50,810.00, i.e. 100% of the company;
- the sale on 15 September 2020 of 1,127 shares in Sword Technologies S.A., a company incorporated in Luxembourg, for €2,069,284.70, i.e. 21.76% of the company;
- the purchase on 6 March 2020 of 26 shares in Tipik Communication Agency S.A., a company incorporated in Belgium, for €75,000.00, i.e. 2% of the company;
- the subscription on 3 August 2020 of a share in Sword Co-Investment Fund S.C.Sp., a special limited partnership under Luxembourg law, as a general partner for €1.00.

As at 31 December 2020, the Board of Directors believed that:

- For Tipik Communication Agency S.A., Sword Technologies S.A., Sword Solutions Inc. and Sword Suisse Holding, the value of the companies exceeds the historical acquisition price, and so there was a €5,811,723.50 reversal of an allowance, made up of €4,364,670 for Sword Technologies S.A. and €1,447,053.50 for Tipik Communication Agency S.A.;
- Sword Soft Ltd shares were also partially impaired, this time to the tune of €909,980 (compared with €23,004,580 in 2019), following the distribution of a significant dividend of €12,004,574.33 in 2020; as at 31 December 2020, the impairment totalled €23,914,560.00;
- Le Connecteur S.à r.l. shares worth €27,048.00 were also partially impaired.

To determine the existence of any allowances relating to investments in associates, the Board of Directors took as its basis the difference between the net carrying amount of each investment and the relevant recoverable amount, determined on the basis of three-year cash-flow forecasts.

As at 31 December 2020, investments in associates were represented by:

Subsidiary name	% held	Purchase price	Equity as at 31/12/2020	Profit or loss as at 31/12/2020
Sword Soft Ltd, 1000 Great West Road, Brentford, Middlesex, TW8 9DW, England	100%	161,366,200.00	41,212,261	12,905,910
Sword Suisse Holding S.A., 19 Avenue des Baumettes, CH1020 Renens, Switzerland	100%	31,013,650.42	20,414,489	(609,967)
Sword Technologies S.A., 2 Rue d'Arlon, 8399 Windhof, Luxembourg	78.24%	6,992,890.44	2,154,580	10,784
Tipik Communication Agency S.A., 270 Avenue de Tervueren, 1150 Brussels, Belgium	100%	3,500,771.82	908,063	3,788
Sword Solutions Inc., 30 Broad Street, 14th Floor, New York, NY 10004, United States	100%	1,302,000.00	1,543,501	25,529
Le Connecteur s.à r.l., 6 Rue Claude Chappe, 9370 Saint-Didier-au-Mont-d'Or	100%	50,810.00	23,762	4,333
Sword Co-Investment Fund S.C.Sp., 2 Rue d'Arlon, 8399 Windhof, Luxembourg	0.01%	1.00	28,606,402	(14,040)
		204,226,323.68		

5.2 Investments held as fixed assets

During 2020, the Company acquired a 4.86% stake in AW FG Carré, a simplified joint stock company incorporated in France that is also the purchaser of Sword Sol S.à r.l. (see Note 5.1). The acquisition of this stake cost €2,852,746.80.

During 2020, the Company sold 18,649 shares in Scientific Brain Training for €103,128.97, entailing a capital loss of €2,237.88.

As at 31 December 2020, the Board of Directors decided to:

- go ahead with an additional allowance of €3,031.80 covering the 20,212 Scientific Brain Training shares, bringing the net carrying amount of these securities to €111,166.00;
- maintain the allowance of €1,045,775.73 for securities in Lyods Engineering Limited (formerly Lyodssoft HK), a company having its registered office in Hong Kong;
- maintain the value of the AW FG Carré securities at the historical price due to the recent transaction.

Note 6: Other receivables

As at 31 December 2019, the Company granted loans to senior executives of Group subsidiaries in connection with financing the acquisition of minority interests in Group subsidiaries. The amount of the loans and interest accrued as at 31 December 2019 was €527,804.16. In January 2020, these loans, including interest, were fully repaid.

During 2020, the Company granted new loans to senior executives of Group subsidiaries in connection with financing the acquisition of minority interests in Group subsidiaries. The amount of the loans and interest accrued as at 31 December 2020 was €22,287,248.41 (due in more than one year).

Following the sale of Sword Sol S.à r.l., (see Note 5.1), the expected additional payment came to €589,024.15 (due in less than one year) and €7,410,975.85 (due in more than one year).

Note 7: Equity

7.1 Subscribed capital

As at 31 December 2020 and 31 December 2019, share capital stood at €9,544,965, represented by 9,544,965 shares with a par value of €1 each, fully paid up. The share capital is accompanied by a share premium of €70,676,064.46.

7.2 Legal reserve

Each year, a fixed percentage of 5% of the net profit, after absorption of deferred losses, if applicable, will be allocated to the legal reserve. The deduction will no longer be compulsory when the reserve reaches 10% of the share capital. The reserve cannot be distributed.

7.3 Changes in equity accounts

For the period ended 31 December 2020, the changes were as follows:

	01/01/2020	Allocation of profit or loss	Profit for the year	Dividends paid	Treasury shares	31/12/2020
Share capital	9,544,965.00					9,544,965.00
Share premium	70,676,064.46					70,676,064.46
Legal reserve	954,496.50					954,496.50
Reserve for treasury shares	132,629.88				262,411.47	395,041.35
Profit or loss carried forward	131,059,339.50	31,898,554.55			(262,411.47)	162,695,482.58
Interim dividends	-			-22,881,112.80		-22,881,112.80
Profit for the year	31,898,554.55	(31,898,554.55)	77,699,601.87			77,699,601.87
TOTAL	**244,266,049.89**	**-**	**77,699,601.87**	**-22,881,112.80**	**-**	**299,084,538.96**

7.4 Treasury shares

As at 31 December 2020, there were 12,601 treasury shares recognised, amounting to a total of €395,041.35, and recognised under 'Securities'.

According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve for the amount of treasury shares included in the balance sheet has been established on the liability side, i.e. a total amount of €395,041.35.

Treasury shares listed as securities were acquired to support the market price of the Sword Group share.

Note 8: Debts

8.1. Amounts owed to credit institutions

No bank debt has a maturity of over five years. No debt is covered by collateral. As at 31 December 2020, the breakdown of bank debt was as follows:

	Amount drawn down	Authorised amount
Bank debt due in more than one year	-	110,000,000.00
Bank debt due within one year	-	20,000,000.00
Interest and commission payable	35,195.89	-
	35,195.89	

Classification of amounts owed to credit institutions due in more than one year:
Bank debt due in more than one year comprises floating-rate syndicated loans that are subject to drawdowns by the Company in the form of promissory notes whose term can vary from one to six months. To classify outstanding promissory notes as at year end as financial debt due in more than one year, the following aspects were taken into account:

- the ability of the Company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid as at 31 December 2020 cannot be reduced by the banks within a 12-month period);
- the Company's desire to utilise that form of funding within the 12 months ahead.

Bank covenants
The Company pledges to maintain, in accordance with the covenant clauses:

- a net consolidated financial debt/consolidated EBITDA ratio of less than 3.5 or 3, depending on the agreement;
- a net consolidated financial debt/consolidated equity ratio of less than 1.

Should the Company fail to comply with the aforementioned covenants, the lending banks can demand the reimbursement of the outstanding loan. As at 31 December 2020, the Company complied with these covenants, as there were no outstanding loans.

8.2. Debts on purchases and services

As at 31 December 2020, the increase in debts on purchases and provision of services compared with 31 December 2019 was mainly associated with the costs related to the sale of Sword Sol s.à r.l. (see Note 5.1) and other operating debts.

Note 9: Related-party transactions

9.1. In respect of associates

As at 31 December 2020, balance-sheet items in respect of associates were as follows:

	Amounts owed by associates falling due in less than one year	**Amounts owed to associates falling due in less than one year**
Sword Technologies S.A. (LU)	15,523,410.53	-
Sword Charteris Limited (UK)	7,683,375.04	-
Sword Co-Investment Fund S.C.Sp. (LU)	4,496,476.08	-
Tipik Communication Agency S.A. (BE)	1,345,314.35	-
Sword Suisse Holding (CH)	-	1,752,318.65
Sword Solutions Inc. (USA)	-	1,373,358.86
Active Risk Inc. (USA)	-	1,133,537.59
Miscellaneous associates	122,593.00	74,886.39
	29,171,169.00	4,334,101.49

The main balance-sheet items listed above were generated primarily by cash pooling. The main current accounts between Group companies were paid at rates ranging between 0.15% and 2.25%, corresponding to the market conditions applicable to each subsidiary.

During the year ended 31 December 2020, the following events occurred:

- The Company wrote off €800,000 under a clawback provision vis-à-vis the current account of Sword Technologies S.A. As at 31 December 2020, there was a current-account waiver with a clawback provision vis-à-vis Sword Technologies amounting to €7,955,000. The Sword Technologies current-account total of €15,523,410.53 factors in this current-account waiver.
- The Company wrote off €660,000 under a clawback provision vis-à-vis the current account of Tipik Communication Agency S.A. As at 31 December 2020, there was a current-account waiver with a clawback provision vis-à-vis Tipik Communication Agency amounting to €10,454,381.96. The Tipik Communication Agency current-account total of €1,345,314.35 factors in this current-account waiver.

For the year ended 31 December 2020, the main types of income and expenses in respect of associates were as follows:

	Expenses	**Income**
Management services	-	5,000,039.00
Dividends	-	13,966,880.47
Income from disposal of shares in respect of associates	-	124,802.21
Subcontracting/miscellaneous fees	399,072.00	-
Marketing expenses/sponsorship	225,162.70	-
Other miscellaneous expenses/income	193,429.14	-
Interest on cash-pooling current account	6,165.90	876,584.07
Current-account waiver/reversal with clawback provision	1,460,000.00	-
	2,283,829.74	19,968,305.75

9.2. In respect of non-consolidated companies sharing common senior executives

For the year ended 31 December 2020, Financière Sémaphore S.à r.l., a company incorporated in Luxembourg, invoiced the following services:

- assistance to the Company's executive management: €349,999.90;
- success fees related to sales/acquisitions: €600,000.00.

The Group used support services provided by a subsidiary of Financière Sémaphore to seek investment targets. The value of services came to €100,000 in 2020 (compared with €130,000 in 2019). This subsidiary, called Le Connecteur, was sold to the Company in late September 2020 (see Note 5.1).

The Group used transport services worth €65,080.00 in total provided by a subsidiary of Financière Sémaphore.

Note 10: Net revenue

During the year ended 31 December 2020, revenue came to €5,000,039.00 and comprised services for all of the Group's subsidiaries.
The breakdown by geographical area was as follows:

- Europe: 91%;
- America: 3%;
- Oceania: 2%;
- Asia: 4%.

Note 11: Other operating income/other external charges

During the year ended 31 December 2019, other operating income mainly comprised the recharging of fees/acquisition and sale fees to associates directly involved in the relevant investment, totalling €347,334.00. There was no recharging in 2020.
During the years ended 31 December 2020 and 31 December 2019, other external charges comprised acquisition and sale fees, amounting to €4,204,480.98 and €1,131,632.88, respectively, and fees relating to managing the holding and its subsidiaries, amounting to €2,548,337.45 and €2,643,237.22, respectively.

Note 12: Staff

During the year ended 31 December 2020, the number of Company employees stood at an average of one person in 2019

Note 13: Allowances (charges and write-backs)

13.1 Allowances on current assets

For the year ended 31 December 2020, allowances on current assets comprised the following items:

- a waiver with current-account clawback provision in respect of associates: €1,460,000.00. See Note 9.1.

13.2 Allowances on financial assets and on securities that are part of current assets

For the year ended 31 December 2020, allowances on financial assets and on securities that were part of current assets comprised the following items:

- an allowance on Sword Soft securities (€909,980) and one on Le Connecteur securities (€27,048) (see Note 5.1);
- a reversal of an allowance on shares in respect of associates for Sword Technologies S.A. (€4,364,670) and one for Tipik Communication Agency S.A. (€1,447,053.50) (see Note 5.1);
- an allowance on investments held as fixed assets (€3,031.80) (see Note 5.2);
- an allowance on treasury shares recognised under 'Securities' (€181.55).

Note 14: Income from financial assets

Income from financial assets was represented by dividends from Company subsidiaries (€13,966,880.47) as well as the capital gain on the sale of Sword Sol S.à r.l. (€62,275,009.89) (see Note 5.1).

Note 15: Taxation

The Company is subject to all taxes applicable to companies with share capital. The Company was definitively taxed until 31 December 2019.

Note 16: Off-balance-sheet commitments

As at 31 December 2020, the Company had no specific off-balance-sheet commitments. In general, the Company issues letters of financial support on behalf of Group subsidiaries as part of their client contracts which require a performance guarantee.

Note 17: Board of Directors' remuneration

For the year ended 31 December 2020, the directors received fees amounting to €95,000 (the same amount they had received for the year ended 31 December 2019). This amount is included in 'Other operating expenses'.
For the year ended 31 December 2020, no advance or credit was paid to members of the administrative bodies.

Note 18: Fees received by the *Réviseur d'Entreprisés Agréé* (statutory auditor)

In accordance with Article 65(1), 16° of the Law of 19 December 2002, as amended, the specified information has been omitted. Information on the audit fees is given in the consolidated financial statements and includes the audit fees for the financial statements.

Note 19: Subsequent events

None

6.4 REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sword Group S.E (the "Company"), which comprise the balance sheet as at 31 December 2020, and the profit and loss account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Shares in associates and other interests	
As at 31 December 2020, the Company owns a number of subsidiaries, recognised at acquisition cost, which may be subject to value adjustments in case of a permanent decrease in their value.	Tests of substantive details have been conducted to ensure the existence of investments as well as the reconciliation of movements of shareholders' funds in the course of the year.
The valuation of these investments is significant for our audit, given the carrying amount thereof and the judgement required in assessing the permanent nature of any value adjustment.	We assessed management's handling of indicators of potential losses. In this assessment, the net carrying amount is used as a starting point for evaluating whether a loss is permanent, in addition to a qualitative analysis. We have also reviewed the adequacy of the information in Notes 5.1 'Shares in affiliated undertakings' and 5.2 'Investments held as fixed assets'.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Revenue recognition	
The Company provides management services, as described in note 10 the financial statements, to various subsidiaries. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements.	Our procedures included evaluating the income recognition method for management services contracts and the design and effectiveness of management controls regarding income-recognition analysis and the identification of unusual contractual conditions. Detailed substantive procedures have been carried out with regard to the cost-plus analysis and testing of the calculation of management fees and margin validation.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the “Réviseur d’Entreprises Agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “Réviseur d’Entreprises Agréé” for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “Réviseur d’Entreprises Agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 28 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website http://www.sword-group.com , is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Luxembourg, 25 March 2021

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, rue Guillaume Kroll
L – 1882 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé

7 CAPITAL AND SHAREHOLDER STRUCTURE

7.1 SHARE CAPITAL

The share capital is €9.545 million, or more precisely €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euro). This shall be divided into 9,544,965 shares worth €1 each, fully paid up and all of the same class. There were no reported cases of a threshold being crossed in 2020.

7.2 BREAKDOWN OF CAPITAL AND CONTROL

7.2.1 Main shareholders

Jacques Mottard holds (including Financière Sémaphore) 17.9% of voting rights.
Eximium holds 17.8% of voting rights.
The floating shareholders represent 62.6% of the capital.

7.2.2 Breakdown of capital as at year end (31 December 2020)

Shareholders	Number of shares	% of voting rights
Financière Sémaphore	1,706,280	17.9%
Eximium	1,702,819	17.8%
Treasury shares	12,601	0.1%
Employees and miscellaneous registered shareholders	151,813	1.6%
Floating stock	5,971,452	62.6%
Total	9,544,965	-

7.3 DIVIDENDS

The dividend per share proposed to the General Meeting of Shareholders will be €4.80. This will complement the interim dividend of €2.40 paid in September 2020.

7.4 STOCK-MARKET PERFORMANCE

The Company's shares are listed on Euronext Paris (*Compartiment B*). There are 9,544,965 shares in circulation.
Information concerning the Company's share price is available on its website (https://www.sword-group.com/en/investors/).
Sword Group SE shares are part of the following main indices: ICB: 9530 Software & Computer Services, Indices CAC® Small, CAC® Mid & Small, CAC® All-Tradable, CAC® All-Share.

Variations in the share price:

2020	**As at 31 January 2021**
Highest closing price: €36.35 (on 29 January 2020)	Highest closing price: €35.20 (on 26 January 2021)
Lowest closing price: €21.00 (on 17 March 2020)	Lowest closing price: €30.70 (on 4 January 2021)
Number of shares traded on the stock market: 11,053 (1)	Number of shares traded on the stock market: 7,583 (2)

(1) This is the average number of shares traded daily in 2020, a year in which 2,840,681 shares were traded in all.
(2) This is the average number of shares traded in January 2021, a month in which 151,667 shares were traded in all.

7.5 REPURCHASE OF TREASURY SHARES

The Company may end up holding treasury shares under the share repurchase programme authorised by the Extraordinary General Meeting on 28 April 2017, redeemable at 5% of its share capital for a period of five (5) years. The objectives of share ownership under this programme are as follows:

- to provide stability for the market or liquidity as part of a liquidity contract entered into with a certified provider;
- to purchase for exchange or payment as part of external growth operations;
- to cancel shares up to a maximum of 5% of the Company's share capital, over a period of 24 months, subject to its Extraordinary General Meeting of Shareholders authorising its capital reduction.

The same Extraordinary General Meeting held on 28 April 2017 authorised the Board of Directors to reduce the share capital by cancelling shares acquired through the Company's treasury share repurchase programme, up to a maximum of 5% of its share capital and for a period of five (5) years.

Information on the acquisition and sale by the Company of treasury shares as at 31 December 2020:

Number of shares held by the Company as at 31 December 2019	4,040
Number of shares purchased in 2020	100,703
Number of shares sold in 2020	92,142
Number of treasury shares held by the Company as at 31 December 2020	12,601

The Company acquired treasury shares in accordance with the authorisation granted by the Extraordinary General Meeting of 28 April 2017 in its Resolution 8 relating to the agreed objectives of that meeting.

Issuer's statement regarding transactions involving treasury shares as at 31 December 2020:

Percentage of capital held by the issuer either directly or indirectly	0.1%
Number of shares cancelled in the past 24 months	-
Number of portfolio shares held	12,601
Portfolio carrying amount as at 31 December 2020	€395,041
Portfolio market value as at 31 December 2020	€395,041

	Accumulated gross flows in 2020		**Outstanding positions as at**	
Number of shares	Purchases 100,703	Sales 92,142	For purchase	For sale
Maximum average	-	-	-	-
Average price	€30.5342	€30.1118	-	-
Average exercise price	-	-	-	-
Amounts	€3,074,887.51	€2,774,561.27	-	-

Sword Group did not use derivatives in this share repurchase programme.

During the period under review, no share repurchase programme was in progress.

7.6 INFORMATION RELATING TO TRANSACTIONS INVOLVING SHARES HELD BY SWORD GROUP SENIOR EXECUTIVES

Sword Group's senior executives comply with all the legislative and regulatory provisions relating to transactions involving listed companies' shares.

Sword Group's senior executives regularly declare the transactions they perform involving Sword Group shares under the legal and regulatory provisions and refrain from any transactions involving Sword Group shares if they hold privileged information.

Sword Group alerts the CSSF to any offences relating to the holding of privileged information, using a list of insiders it has drawn up pursuant to the legal provisions. This gives the names of all those who hold privileged information and are employed by Sword Group and of third parties who have access to such information as part of their collaboration with the Group.

During the most recent year ended, the senior executives performed no transactions involving securities.

7.7 AUTHORISATION OF SHARES ISSUED TO THE BOARD OF DIRECTORS

None

7.8 INFORMATION ON PUBLIC TAKEOVER BIDS

Sword Group's share capital stands at €9,544,965, represented by 9,544,965 shares without par value, fully paid up.

There are no other classes or categories of shares or of options or pre-emptive rights entitling the holders to the issue of shares of another class which could have a dilutive effect on the number of shares issued.

All shares issued entitle the holders to the same rights both in terms of their right to vote at Ordinary and Extraordinary General Meetings and their right to the dividend voted on by shareholders at General Meetings.

Note that there are no restrictions on the transfer of securities or any special right of control by certain holders of these securities. No agreement has been made between shareholders that could lead to restrictions on the transfer of securities or on voting rights.

The members of Sword Group's Board of Directors are appointed by the General Meeting following nomination by the Board of Directors. They are appointed for a maximum term of four years, which is also their normal term of office. This term is renewable.

As a rule, their term of office expires at the end of the General Meeting choosing their replacement. The General Meeting may dismiss them at any time.
If a vacancy arises on the Board of Directors, this body may nominate somebody to fill this, in accordance with the rules governing such appointments. At the next General Meeting, the shareholders will make a final decision on the appointment, whose term of office will, as a rule, run for the rest of the term of the person being replaced.

8 ADDITIONAL INFORMATION

8.1 MEMORANDUM AND ARTICLES OF ASSOCIATION

Capital and Shares

The share capital is €9.545 million, or more precisely €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euro). This shall be divided into 9,544,965 shares worth €1 each, fully paid up and all of the same class.

The shares shall be issued in paperless format.

Any shareholder, acting alone or in concert, who owns more than 5%, 10%, 15%, 20%, 25%, a third, half or two thirds of the capital or the voting rights is obliged to inform the Company of the total number of shares and voting rights held, by registered letter with acknowledgement of receipt, within four stock exchange trading days starting on the day where they learn that they have exceeded these shareholding thresholds. The same will apply whenever the person's holding falls below one of the said thresholds.

This information will also be provided to the Financial Sector Supervisory Commission within (i) 6 trading days of any transaction and (ii) 4 trading days of the date the said shareholding thresholds are crossed due to an event that modifies the distribution of the voting rights.

If shares have not been properly disclosed, voting rights shall be withdrawn from those shares exceeding the number that should have been declared until proper notification is provided.

The shares are freely tradable, notwithstanding any legal or regulatory provisions to the contrary.

Modifications of the Share Capital

1 – The share capital may be increased by whatever means and according to all the procedures provided for by the law.

Payment for newly created shares may be made in cash, either by offsetting these against claims for liquidated amounts due from the Company or by incorporating reserves, profits or share premiums or by a contribution in kind or through the conversion of bonds.

Only the Extraordinary General Meeting shall have the power to decide on any increase in capital. It may also delegate this power to the Board of Directors in relation to the capital authorised by the Memorandum and Articles of Association.

The Board of Directors may decide to restrict increases in capital only for payments in cash corresponding to the amount subscribed.

In the event of a capital increase through the issue of shares for cash, pre-emptive rights shall be granted to the owners of the existing shares in accordance with the provisions laid down by law.

However, shareholders may individually renounce their pre-emptive right during the General Meeting that decides on or authorises the share capital increase. In addition, the shareholders may, in the General Meeting, cancel this pre-emptive right in accordance with legal requirements.

2 – A capital increase may also arise following a request made by any shareholder to receive payment of all or some of the dividends to be distributed, in the form of shares when shareholders have been granted the right to do so by a resolution of the General Meeting or by the Board of Directors within the scope of a capital increase up to the amount of the authorised capital as defined under Article 8 of the Memorandum and Articles of Association and under Article 2.1 of this charter.

In such a case, the Board of Directors shall, within the statutory time limit, record the number of shares issued by virtue of the previous paragraph and shall record changes to the Memorandum and Articles of Association by means of a notarial deed.

The Extraordinary General Meeting may also delegate to the Board of Directors the power to actually reduce the share capital.

The Board of Directors may repurchase Company shares, within the limits provided by law and the authorisation granted by the Extraordinary General Meeting.

Powers and General Meetings
The shareholders shall be given notice to attend General Meetings in accordance with the legal provisions and those of the Memorandum and Articles of Association. Article 18 of the Memorandum and Articles of Association lays down general rules for the General Meetings of Shareholders.

Convening Notices

The shareholders shall convene at the Annual General Meeting on 28 April of each year at 11 a.m. in the municipality where the Company has its registered office or at any other venue indicated in the convening notice.

If the meeting date coincides with a bank holiday, the meeting shall be held the next working day.

Ordinary General Meetings may be called by the Board of Directors at any time during the year with a special notice to this effect.

One or more shareholders holding at least a total of 10% of the subscribed capital may request that a General Meeting be called. The notice to convene such a meeting shall state the items on the agenda.

The form of the meeting and the notice period shall be as required by law. Convening notices must indicate the venue for the meeting, which may be held at the registered office or at any other location, and the agenda.

Agenda

The agenda is set by the person calling the meeting. It shall include, if appropriate, proposals made by one or more of the shareholders owning a total of at least 5% of the subscribed capital. These shareholders may request that one or more new items be included in the agenda of any General Meeting, subject to the time limits and procedures provided by law.

When a meeting has not been able to deliberate validly due to the absence of the required quorum, a second meeting shall be convened in the same way as the first, with the convening notice referring to the date of the first meeting.

Admission to the Meetings – Powers

All shareholders shall be entitled to attend the General Meetings personally or by proxy, regardless of how many shares they hold, on supplying proof of identity and share ownership, in the form:

- either of a registration in their name;
- or of an entry of the shares in an account in the name of the shareholder or of the intermediary who is registered to represent them, as at the third working day preceding the General Meeting at midnight, Paris time.

However, the Board of Directors may reduce or waive such a notice period if this is in the interests of all the shareholders.

The shareholders may submit their vote by post but must request a postal vote form from the Company in order to do so. This form will include the information relating to the General Meeting in question and will be drafted in such a way that shareholders will be able to cast their vote for each of the resolutions proposed, in the order in which they are presented at the meeting. The request for the form must be addressed to the Company by any means and must be deposited or received at the registered office at least six days prior to the meeting.

To be valid, the ballot paper must include the following information:

- the shareholder's first name, surname and place of residence;
- an indication of the form in which the shares are held, the number of shares held and confirmation of the registration of the shares either in the registered share accounts or in the share accounts held by the authorised financial intermediary;
- the signature of the shareholder or his/her legal representative.

Postal votes must, in order to be taken into account, reach the Company at least three days before the General Meeting.

A shareholder can be represented by a third party in accordance with the conditions laid down by the regulations in force.

Holding of the Meeting – Meeting Committee (Secretary of the Meeting) – Minutes
The General Meeting is chaired by the Chairman of the Board of Directors or by a Director designated by the Board, if the convening notice comes from the latter, or failing that, by a person appointed by the meeting. It shall be chaired by the statutory auditor or company auditor as the case may be and by the court officer or by the liquidator in the other cases. Scrutineer duties are performed by the two Board members having the most votes, as long as they agree to these responsibilities. The committee appoints a secretary (who may be a non-shareholder).

The deliberations are recorded in minutes signed by the members of the committee and signed by the shareholders requesting them.

Copies or extracts of these minutes, to be submitted in court or elsewhere, are duly certified in the case of Ordinary General Meetings by the Chairman of the Board of Directors or a Director or the Secretary of the General Meeting and in the case of Extraordinary General Meetings, by the Notary who is the depository for the minutes in question.

The conditions for exercising voting rights – Majority quorum
1 – The quorum shall be calculated taking into account all the shares that comprise the share capital, less those shares from which voting rights have been withdrawn by law.

For postal votes, only forms duly completed and comprising a reference to the certificate of deposit of the shares, received by the Company at least three days before the meeting is held, will be taken into consideration when determining the quorum.

2 – The Ordinary General Meeting cannot validly conduct business on the basis of the first convening notice, unless the shareholders present, represented or voting by post own at least a quarter of the share capital. In the absence of such a quorum, a second General Meeting will be called, without the need for a quorum, in the form envisaged within the provisions of Article 450-3 of the Law of 10 August 1915 on commercial companies, as amended.

The Extraordinary General Meeting cannot validly conduct business unless the shareholders present, represented or voting by post own at least half of the share capital at the time of the first convening notice. In the absence of such a quorum, a second General Meeting will be called, without the need for a quorum, in the form envisaged within the provisions of Article 450-3 of the Law of 10 August 1915 on commercial companies, as amended.

3 – In General Meetings, each member of the Meeting shall have the same number of votes as the number of shares he/she owns or represents without any limitation, with the sole exception of the cases provided for by law.

4 – At General Meetings, voting shall take place on a show of hands, by names being called out or by secret ballot or through the use of telecommunications, such as video-conferencing systems or any other means of remote transmission that make it possible to identify the shareholder taking part in the General Meeting, as may be decided by the committee for the meeting or by the shareholders.

Resolutions of Ordinary General Meetings shall be made by a majority of the validly cast votes. The validly cast votes do not include those associated with the shares for which the shareholder has not taken part in the vote, abstained from voting or returned a blank or invalid vote.

Resolutions of Extraordinary General Meetings shall be by a majority of two thirds of the validly cast votes.

Dividend Policy
In accordance with Article 23 of the Memorandum and Articles of Association, the following items shall initially be deducted from the profits of the accounting year less any losses from the previous years:

- at least five percent (5%) to constitute the legal reserve; such a deduction will cease to be mandatory when the said reserves will have reached a sum equal to one tenth of the capital, but will resume if for any reason whatsoever this percentage is no longer reached;
- and any amounts to be allocated to the reserve account by law.

The balance, plus profits carried forward, shall comprise the distributable profit that the General Meeting, on proposal from the Board of Directors, may resolve to distribute in full or in part as dividends, or allocated to reserve accounts, capital amortisation or carry forward.

The Extraordinary General Meeting may, subject to legal provisions, decide on the full or partial amortisation of the shares that will proportionally lose the right to a dividend and to the reimbursement of their par value.

This meeting may also, subject to legal provisions, decide to convert into capital shares those shares that have been fully or partially amortised.

In general, Sword Group shall pursue a dividend policy linked, on the one hand, to the profits of the year in question and, on the other, to the foreseeable development of the Group and its profitability.

8.2 DOCUMENTS AVAILABLE TO THE PUBLIC

All accounting, legal and other documents are available at the Company's registered office.

8.3 PERSON IN CHARGE OF THE ANNUAL FINANCIAL REPORT

The person in charge of the annual financial report is Jacques Mottard.

8.4 STATUTORY AUDITORS OF THE ACCOUNTS

Statutory audits of the accounts are carried out by Mazars Luxembourg S.A., *Cabinet de Révision Agréé* (approved audit firm), having its registered office at 5 Rue Guillaume J. Kroll, LU-1882 Luxembourg, appointed on an annual basis by the Ordinary General Meeting held on 3 May 2013. This appointment was renewed by the Ordinary General Meeting held on 28 April 2020 for a term expiring at the General Meeting called to approve the financial statements for the year ended 31 December 2020 (its renewal will be proposed at the General Meeting on 28 April 2021).

9 STATEMENT BY THE PERSON IN CHARGE OF THE ANNUAL FINANCIAL REPORT

Pursuant to Article 3 (2) c) of the Law of 11 January 2008 on transparency requirements for information about issuers whose securities are admitted to trading on a regulated market, as amended, we declare that these financial statements were prepared in accordance with applicable accounting standards and that, to the best of our knowledge, they give a true and fair view of the assets and financial position of Sword Group SE ("the Company") as at 31 December 2020 and of the results of its operations for the year then ended, and a description of the main risks and uncertainties facing the Company. The management report, to the best of our knowledge, presents truly and fairly the development, results and financial position of the Company.

Windhof, 27 March 2021

Jacques Mottard
Executive Chairman

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

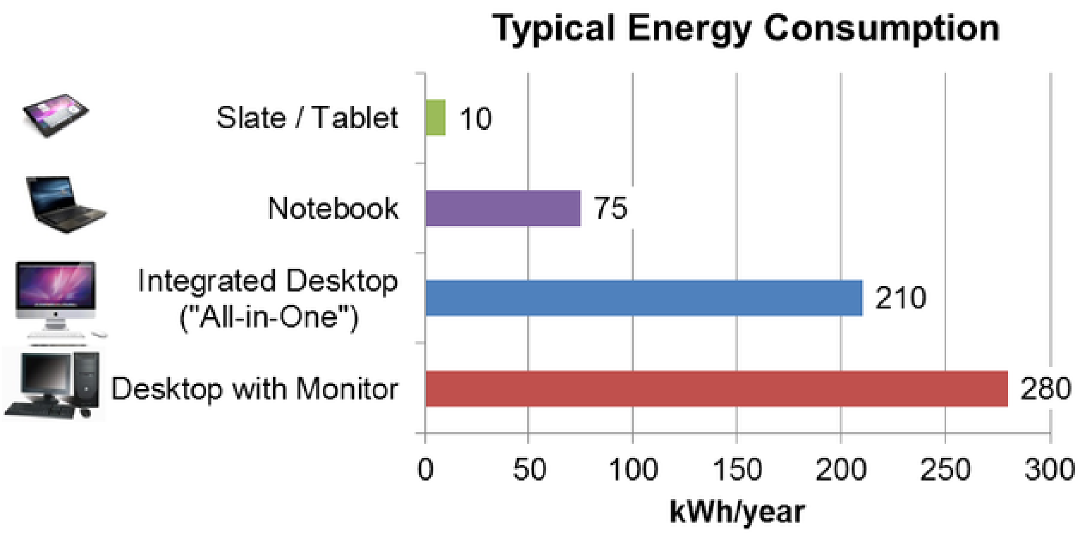
Sword has its premises in buildings that meet insulation standards and minimise the use of air conditioning. In addition, motion detection switches are widely used in these buildings to avoid unnecessary electricity consumption. Buildings are checked regularly to assess the quality and ongoing performance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



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

	Consolidated	
€m	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.

11 OFFICES AND CONTACT DETAILS

SERVICES

Sword in Johannesburg	Waterfall Crescent North, Waterfall Park, Vorna Valley, Midrand, South Africa
Sword in London	WeWork, 30 Stamford Street, Southbank Central, London, SE1 9LQ, England
Sword in Brentford (London)	1000 Great West Road, Brentford, Middlesex, TW8 9DW, England
Sword in Staines (London)	Staines One, Station Approach, Staines-upon-Thames, TW18 4LY, England
Sword in Perth (Australia)	DataCo Australia Pty Limited, Suite 3, Level 1, Ord Street, West Perth, WA 6005, Australia
Sword in Brussels	Avenue de Tervueren 270, 1150 Brussels, Belgium
Sword in Montreal	19 Rue Le Royer Ouest, Office 202, Montreal, QC, H2Y 1W4, Canada
Sword in Copenhagen	DataCo Danmark ApS, c/o Revisorgaarden I København, Ved Vesterport 6, 5. sal, 1612 København V, Denmark
Sword in Aberdeen (1/2)	Deebridge House, 4 Leggart Terrace, Aberdeen, AB12 5US, Scotland
Sword in Aberdeen (2/2)	4th Floor, Johnstone House, 50-54 Rose Street, Aberdeen, AB10 1UD, Scotland
Sword in Dubai (1/2)	Sword Middle East FZ LLC, Dubai Internet City, Building 02, 1st Floor, Office 11, PO Box 500406, United Arab Emirates
Sword in Dubai (2/2)	Sword Middle East Software Solutions LLC, Dubai Business Bay, Binary Tower, 4th Floor, Office 27, PO Box 413706, United Arab Emirates
Sword in Barcelona	Carrer d'Ausiàs Marc 7, 4th Floor, 08010 Barcelona, Spain
Sword in Lyon	11 Rue Voie Lactée, 69370 Saint-Didier-au-Mont-d'Or, France
Sword in Athens	Gyzi 3, Marousi 151 25, Athens, Greece

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Sword in Chennai	Arihant Epark, 10th Floor, No. 117/1 Lattice Bridge Road – Dr Muthulakshmi Salai, Adyar, Chennai 600 020 India
Sword in Beirut	BerytechTechnology & Health, Rue de Damas, Beirut, Lebanon
Sword in Luxembourg	2 Rue d'Arlon, 8399 Windhof, Luxembourg
Sword in Auckland (New Zealand)	DataCo New Zealand Ltd, c/o Monteck Carter LP, Level 1, Building 5, 15 Accent Drive, East Tamaki, Auckland 2013, New Zealand
Sword in The Hague	DataCo Netherlands B.V., Monfor Offices, Sir Winston Churchilllaan 299a, 2288 DC RIJSWIJK, Netherlands
Sword in Nyon	Route de Crassier 7, Building A1, 1262 Eysins (Nyon), Switzerland
Sword in Geneva (Switzerland)	Skylab, 5 Chemin du Pré-Fleuri, 1228 Plan-les-Ouates, Switzerland
Sword in Lausanne	Avenue des Baumettes 19, 1020 Renens, Switzerland
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Sword in Houston (Texas, United States)	DataCo Services USA LLC, 2925 Richmond Avenue, 14th Floor, Houston, Texas 77098, United States

SOFTWARE

Sword in Maidenhead (London)	1 Grenfell Road, Maidenhead, Berks., SL6 1HN, England
Sword in Melbourne (Australia)	Level 14, 333 Collins Street, Melbourne, VIC 3000, Australia
Sword in Kuala Lumpur	Level 33, Ilham Tower, No. 8, Jalan Binjai, 50450 Kuala Lumpur, Malaysia
Sword in New York (2/2)	One World Trade Center, 85th Floor, New York, NY 10007, United States
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