

Interim financial report

Interim financial report
As of June 30, 2023

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Public limited company with capital of €13,397,525 -
Head office: 3, rue Blaise Pascal – 22300 Lannion
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Interim financial report As of June 30, 2023

This is a translation into English of the interim financial report of the Company issued in French and it is available on the website of the Issuer

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DECLARATION BY THE PERSONS RESPONSIBLE FOR THE INTERIM REPORT

I certify that, to my knowledge, the full consolidated financial statements for the past six months were drawn up in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position, and profits and losses of the Company and of all the companies included in the scope of consolidation, and that the interim management report provides a true picture of the significant events having occurred in the first six months of the financial year, their impact on the interim financial statements, and the main related-party transactions, together with a description of the main risks and uncertainties for the remaining six months of the year.

Lannion, July 27, 2023

Didier Brédy, Chairman and Chief Executive Officer of Ekinops

INTERIM MANAGEMENT REPORT

1_Ekinops business in the first six months of the year

In the first half of 2023, revenue totaled €71.0 million, a 12% increase compared to the first half of the previous year, which represented a particularly high comparison basis (+25% growth).

As in fiscal 2022, the Transport business continued to enjoy strong growth, up 41% compared with the same period of the previous year, thanks to the success of WDM solutions and the appeal of the OTN technology, in the United States and in Europe.

Access solutions were down 5% in the first half of 2023, suffering notably from the contraction in sales in the Asia-Pacific region. Access sales were almost flat in France (-1%) and up 7% in EMEA.

Revenue generated by Software & Services, which represented 14% of Group revenue in H1 2023 (vs 15% for full-year 2022), reported slight growth over the period (+1%).

International growth came in at 14% in H1 2023. Sales outside France came to 66% of total Group revenue, versus 65% a year earlier.

First-half consolidated gross profit, at €37.7 million, amounted to 53.0% of consolidated revenue.

EBITDA came to €14.3 million in the first half of 2023, i.e. 20.2% of consolidated revenue.

First-half current operating profit amounted to €6.7 million versus €4.2 million in the first half of 2022.

After accounting for €-0.1 million in financial income and a tax expense of €0.5 million, H1 2023 net income rose more than 15% to €6.0 million, compared to €5.2 million in H1 2022.

From a financial perspective, the Group received funding amounting to €7.8 million within the framework of the French government's "Relance" initiative.

2_Subsequent events after the interim closing

The Group secured new financing for an amount of €100 million, to provide the Company with the financial resources to support its development and realize its external growth strategy.

These new financings, provided by a pool of banks including the Caisse Régionale de Crédit Agricole Mutuel des Côtes-d'Armor (Agent, Arranger and Loan Coordinator), Banque Populaire Grand Ouest (Arranger and ESG Coordinator), BNP Paribas and KBC Bank, are made up of:

- an external growth credit line, intended to finance one or more M&A transactions and related costs, for an amount of €50 million (can be increased to €90 million under certain conditions) with a 7-year maturity;
- a revolving credit line, intended to finance the Group's general needs, for a maximum amount of €10 million.

3_Expected business trends for Ekinops through the end of the year

The first half of 2023 illustrated the sound performance of Ekinops with solid double-digit growth in line with the full-year target, despite the very demanding base effect, and record profitability, with an EBITDA margin that exceeded the 20% threshold for the first time and higher than the target range for the year as a whole.

Against a less buoyant global backdrop and a less favorable economic environment in the second half of the year, Ekinops plans to prioritize accelerating its commercial activity in all its geographies. At the end of the first half, full-year financial targets for 2023 remain unchanged.

On the external growth front, Ekinops still hopes to complete one transaction by year-end, using non-dilutive funding methods.

4_Information on risks and uncertainties for the second half of the year

Risk factors presented in the Universal Registration Document (URD) published by Ekinops and filed with the AMF on April 6, 2023 have not changed significantly, whether in terms of their nature or their scale.

5_Main transactions with related parties

Over the first half, the Group did not conclude any transactions with related parties other than those within the framework of its normal activities.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

T_CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€k)

ASSETS	Notes	06/30/2023	12/31/2022
Goodwill	6.1	28,521	28,457
Intangible assets	6.2	19,062	21,058
Tangible assets	6.3	6,425	5,077
Non-current financial assets	6.5	1,459	1,432
Rights of use	6.6	7,841	6,805
Other non-current assets	6.5	8,115	11,028
Deferred tax assets		6,350	5,958
Total non-current assets		77,773	79,816
Inventories	6.7	24,857	24,993
Trade receivables and related accounts	6.8	40,028	29,905
Other current assets	6.9	12,258	8,638
Derivative instrument assets	6.9	87	-
Cash and cash equivalents	6.10	47,590	39,355
Total current assets		124,819	102,891
TOTAL ASSETS		202,592	182,707
LIABILITIES			
Issued capital	6.11	13,398	13,216
Share premiums		114,394	114,004
Consolidated reserves - Group share		(8,891)	(21,595)
Translation reserves		(3,766)	(4,073)
Income for the period - Group share		5,995	12,022
Equity capital - Group share		121,130	113,576
Total shareholders' equity		121,130	113,576
Non-current financial debt	6.12	19,102	10,419
Non-current leasing liabilities	6.6	6,086	5,527
Non-current provisions	6.15	1,656	1,321
Employee commitments	6.14	3,248	3,136
Other non-current liabilities		116	721
Deferred tax liabilities		201	200
Total non-current liabilities		30,409	21,325
Current financial debt	6.12	15,020	11,008
Current lease debt	6.6	1,933	1,412
Current provisions	6.15	1,294	1,195
Derivative instruments liabilities	6.16	-	208
Trade payables and related accounts	6.16	16,476	17,732
Tax expense	6.16	1,411	2,176
Other current liabilities	6.16	14,919	14,073
Total current liabilities		51,053	47,805
TOTAL LIABILITIES		202,592	182,707

The accompanying notes are an integral part of the condensed consolidated financial statements.

2_CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€k)

	Notes	06/30/2023	06/30/2022
Revenue	7.1	71,032	63,301
Cost of sales		(33,341)	(29,836)
Gross margin		37,690	33,465
Research and development costs	7.2	(13,536)	(13,480)
Sales and marketing costs	7.2	(11,385)	(10,621)
General and administrative expenses	7.2	(6,105)	(5,231)
Current operating income		6,664	4,133
Other operating income and expenses		(16)	30
Operating income/(loss)		6,648	4,163
Net cost of debt	7.5	(343)	(164)
Other financial income and expenses	7.5	201	1,017
Pre-tax profit		6,505	5,016
Tax expense	7.6	(510)	197
Net income for the period		5,995	5,213
Attributable to Ekinops SA shareholders	7.7	5,995	5,213
Attributable to non-controlling interests		-	-
Basic earnings per share (€/share)	7.7	0.23	0.20
EBITDA	7.8	14,325	10,780

Other components of consolidated comprehensive income

(€k)

	06/30/2023	06/30/2022
Net income for the period	5,995	5,213
Other recyclable components of comprehensive income	308	577
Currency translation adjustments, net of taxes	308	577
Currency translation adjustments	308	577
Tax effect	-	-
Other non-recyclable components of comprehensive income	224	267
Actuarial gains and losses, net of taxes	5	271
Actual gains (losses) on employee commitments	5	271
Tax effect	-	-
Financial instruments, net of taxes	219	(4)
Change in fair value of financial hedging instruments	295	85
Tax effect	(76)	(89)
Total other comprehensive income	532	844
Comprehensive income	6,527	6,057
Attributable to Ekinops SA shareholders	6,527	6,057
Attributable to non-controlling interests	-	-

The accompanying notes are an integral part of the condensed consolidated financial statements.

3_CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€k)

	Number of shares	Capital	Share premium	Reserves and retained earnings	Translation reserves	Shareholders' equity, Group share	Non-controlling interests	Total shareholders' equity
At 01/01/2022	25,832,666	12,916	112,954	(23,657)	(3,423)	98,791	-	98,791
Net income for the period	-	-	-	5,213	-	5,213	-	5,213
Other comprehensive income	-	-	-	267	577	844	-	844
Comprehensive income	-	-	-	5,480	577	6,057	-	6,057
Treasury shares	-	-	-	(5)	-	(5)	-	(5)
Options exercised and bonus shares issued	330,256	165	41	(137)	(23)	46	-	46
Share-based payments	-	-	-	914	-	914	-	914
Other	-	-	-	-	-	-	-	-
At 06/30/2022	26,162,922	13,081	112,995	(17,405)	(2,868)	105,804	-	105,805
At 01/01/2023	26,431,086	13,216	114,004	(9,573)	(4,073)	113,576	-	113,576
Net income for the period	-	-	-	5,995	-	5,995	-	5,995
Other comprehensive income	-	-	-	224	308	532	-	532
Comprehensive income	-	-	-	6,219	308	6,527	-	6,527
Treasury shares	-	-	-	(65)	-	(65)	-	(65)
Options exercised and bonus shares issued	363,963	182	391	(134)	-	438	-	438
Share-based payments	-	-	-	654	-	654	-	654
At 06/30/2023	26,795,049	13,398	114,394	(2,896)	(3,766)	121,130	-	121,130

4_CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€k)

	Notes	06/30/2023	06/30/2022
Net income for the period		5,995	5,213
Elimination of amortization (excluding rights of use) and provisions	7.4	5,939	4,450
Elimination of amortization of rights of use (IFRS 16)	7.4	1,116	893
Elimination of share-based payment expenses (IFRS 2)	6.11	654	914
Elimination of other items with no cash impact		(5)	(841)
Cash flow after tax and cost of net financial debt		13,700	10,629
Elimination of other non-operating items		7	135
Elimination of tax expense (income)	7.6	510	(197)
Neutralization of financial interest related to lease liabilities	7.5	114	48
Neutralization of borrowing costs disbursed	7.5	229	107
Cash flow before tax and cost of net debt		14,560	10,722
Impact of change in working capital requirement	6.17	(13,095)	(8,271)
Tax paid		(543)	(293)
Cash flows from operating activities		922	2,158
Acquisitions of tangible and intangible assets	6.4	(4,343)	(2,735)
Change in loans, advances, and security deposits		(23)	(37)
Cash flows from investing activities		(4,366)	(2,772)
Change in share capital and share premiums		437	48
Trading in treasury shares		(65)	(5)
Issue of new loans	6.12	13,040	19
Loan repayments	6.12	(2,484)	(3,118)
Financial interest paid		(229)	(107)
Repayment of rent liabilities	6.6	(969)	(934)
Financial interest related to rent liabilities		(114)	(48)
Change in debt arising from factoring		2,138	525
Change in other financial debt		(20)	-
Cash flows from financing activities		11,735	(3,619)
Impact of currency fluctuations	6.10	(55)	250
Increase (decrease) in cash and cash equivalents		8,235	(3,983)
Opening cash and cash equivalents		39,355	45,392
Closing cash and cash equivalents		47,590	41,409

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1_General information

Ekinops SA, registered at 3, rue Blaise Pascal 22300 Lannion, France, is the consolidating entity of the Ekinops Group.

Ekinops is a leading supplier of open, interoperable telecommunications solutions for service providers (telecommunications operators and companies) around the world.

The highly programmable and scalable solutions offered by Ekinops enable the fast and flexible deployment of new services for high-capacity and high-speed optical transport as well as enterprise services, particularly through network virtualization. The portfolio of solutions consists of three sets of fully complementary products:

- the "Ekinops 360" platform to meet the needs of metropolitan, regional, and long-distance networks based on a simple, highly integrated architecture for network layer 1 (transport);
- "OneAccess" solutions to offer a wide range of physical and virtualized deployment options for layers 2 and 3 (access and routers);
- "Hybrid" solutions, that help service providers manage their networks using software through a series of software management services and tools.

Note 2_Highlights in H1 2023

Ekinops generated consolidated revenue of €71.0 million in first-half 2023, i.e. total growth of 12% compared with first-half 2022, which was a particularly high comparison base (+25% growth).

In line with FY 2022, the Optical Transport continued on its strong growth trajectory, with a further 41% rebound compared with the same period of the previous year (after +32% in Q1 2023 and +49% in Q2 2023), thanks to the success of WDM solutions and the attractiveness of the OTN technology, in the United States and in Europe.

As service providers embrace SDN (Software Defined Networking) and NFV (Network Functions Virtualization) deployment models, Ekinops solutions allow them to migrate transparently to open, virtualized architectures.

Thanks to its global organization, Ekinops operates on four continents.

Ekinops SA is listed for trading on compartment B of the Euronext Paris market (ISIN: FRO011466069; ticker: EKI).

The condensed interim consolidated financial statements at June 30, 2023, were examined by the Board of Directors of Ekinops on July 26, 2023.

The condensed interim consolidated financial statements reflect the accounting position of Ekinops SA and its subsidiaries.

The Group's functional currency is the euro. Unless stated otherwise, the financial statements are presented in thousands of euros.

Access solutions suffered a 5% decline in first-half 2023 (after +21% in first-half 2022), notably owing to the contraction in sales in the Asia-Pacific region. Access sales were broadly flat in France (-1%), but up 7% in EMEA.

Revenue generated by Software & Services, which represented 14% of Group revenue in H1 2023 (vs 15% for full-year 2022), reported slight growth over the period (+1%).

From a financial perspective, the Group received financing amounting to €7.8 million as part of the French government's "Relance" initiative. No other significant event occurred during the interim period.

Note 3 Accounting principles, rules and methods

3.1 Accounting principles

The Group's condensed consolidated financial statements for the six-month period ended June 30, 2023 were prepared in accordance with the provisions of IAS 34 on interim financial reporting and on the basis of IFRS and interpretations published by the International Accounting Standards Board (IASB) as adopted in the European Union and mandatory as of January 1, 2020.

In accordance with IAS 34, the purposes of the explanatory notes to these condensed financial statements are:

- to update the accounting and financial information contained in the latest consolidated financial statements reported as of December 31, 2022;
- to include new accounting and financial information on significant events and transactions occurring during the period.

These notes therefore discuss significant events and transactions that occurred in the first six months of the year and should be read in conjunction with the consolidated financial statements at December 31, 2022. They are inseparable from the information presented in the consolidated financial statements included in the Group's Financial Report published for the 2022 financial year.

This document is available on the websites of the Group (www.ekinops.com) and the AMF (www.amf-france.org) and can be obtained from the Group at the address indicated above.

The accounting principles used for the preparation of the condensed interim consolidated financial statements comply with IFRS and interpretations as adopted by the European Union and applicable as of June 30, 2023, which are available on the website of the European Commission:

<https://eur-lex.europa.eu/eli/reg/2008/1126/oj>

These accounting principles are identical to those applied for the preparation of the 2022 annual consolidated financial statements.

Standards, amendments, and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2023

Amendments to IAS 1 and to the presentation of practices in IFRS 2	Amendments to IAS 1 "disclosure of accounting policies"
Amendments to IAS 8	Amendments to IAS 8 "Accounting Estimates"
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IFRS 17	Insurance contracts
Amendments to IFRS 17	Change to IFRS 17
Amendments to IFRS 17	First application of IFRS 17 and IFRS 9 - Comparative information

These publications had no material impact on the Group's consolidated financial statements.

Standards, amendments and application interpretations from June 1, 2023 not adopted by the European Union

None

3.2 Use of judgements and estimates

For the preparation of the condensed interim financial statements, the Group's Management made assumptions, judgments, and estimates that impact the application of accounting methods and amounts presented as assets and liabilities expenses and income. The actual amounts may be different from the estimated amounts.

The significant judgments made by the Management to apply the accounting methods of the Group and the main uncertainties related to the estimates are identical to those described in the latest annual financial statements.

3.3 Scope and methods of consolidation

The Group's scope of consolidation did not undergo any changes compared to the situation at December 31, 2022.

Note 4_Information on the seasonal or cyclical nature of Group business

Generally, there is only a slight seasonal difference in revenue between the first and second half of the year.

Note 5_Management of financial risk

Risk factors are the same as those identified in the 2022 Universal Registration Document.

Note 6_Notes to the consolidated statement of financial position

6.1_Goodwill

The goodwill resulted from the acquisition of the OneAccess Group on September 29, 2017, Ekinops Brasil in July 2019 and SixSq in November 2021.

(€k)	Ekinops France	Ekinops Brasil	SixSq	Total
Net value at 12/31/2021	27,523	834	1,061	29,418
Acquisitions	-	-	(1,061)	(1,061)
Translation adjustments	-	99	-	99
Net value at 12/31/2022	27,523	934	-	28,457
Translation adjustments	-	64	-	64
Net value at 06/30/2023	27,523	998	-	28,521

6.2_Intangible assets

(€k)	Developed technologies	Customer relations	Order book	Development costs	Development costs in progress	Licenses and other intangible assets	Total
Gross value at 12/31/2022	33,363	8,997	1,021	12,408	4,186	4,696	64,671
Capitalization of development costs	-	-	-	684	1,298	-	1,982
Reclassifications/ implementation	-	-	-	-	-	55	55
Disposals/retirement of assets	-	-	-	4,236	(4,236)	-	-
Impact of currency fluctuations	444	-	-	24	-	1	469
Gross value at 06/30/2023	33,807	8,997	1,021	17,352	1,248	4,751	67,176
Accumulated depreciation at 12/31/2022	(24,860)	(4,725)	(1,021)	(8,351)	-	(4,656)	(43,613)
Allowance for the period	(2,726)	(450)	-	(1,003)	-	(96)	(4,275)
Decrease for the period	(959)	-	-	-	-	959	-
Impact of currency fluctuations	(204)	-	-	(7)	-	(16)	(226)
Accumulated depreciation at 06/30/2023	(28,749)	(5,175)	(1,021)	(9,361)	-	(3,809)	(48,114)
Net value at 12/31/2022	8,503	4,272	-	4,057	4,186	40	21,058
Net value at 06/30/2023	5,059	3,822	-	7,991	1,248	942	19,062

6.3_Tangible assets

(€k)	Plant and machinery	Office furniture and equipment, computer hardware	Tangible assets in progress	Total
Gross value at 12/31/2022	15,407	7,735	-	23,141
Acquisition	734	1,033	715	2,482
Decrease	-	(175)	-	(175)
Impact of currency fluctuations	43	6	-	49
Gross value at 06/30/2023	16,184	8,599	715	25,497
Accumulated depreciation at 12/31/2022	(11,729)	(6,335)	-	(18,064)
Allowance for the period	(760)	(347)	-	(1,107)
Decrease	-	120	-	120
Impact of currency fluctuations	(23)	1	-	(22)
Accumulated depreciation at 06/30/2023	(12,512)	(6,560)	-	(19,072)
Net value at 12/31/2022	3,679	1,400	-	5,077
Net value at 06/30/2023	3,673	2,039	715	6,425

6.4_Reconciliation of investments with the statement of cash flows

(€k)	06/30/2023	06/30/2022
Acquisition of intangible assets	(2,037)	(1,611)
Acquisition of tangible assets	(2,482)	(975)
Change in fixed asset supplier debt	176	(149)
Total	(4,343)	(2,735)

In the first quarter, the Ekinops France SA subsidiary moved to the Massy site (France), which led to an increase in tangible assets for an amount of €1.5 million (see note 6.3).

6.5_Financial assets

(€k)	Security deposit	Other	Non-current financial assets	Non-current share of CIR research tax credit receivables	Other non-current assets
Gross value at 12/31/2022	830	603	1,432	11,028	11,028
Increase	45	47	93	2,044	2,044
Decrease	(50)	-	(50)	(4,957)	(4,957)
Currency fluctuations	(2)	(14)	(16)	-	-
Gross value at 06/30/2023	823	637	1,459	8,115	8,115
Accumulated impairment losses at 12/31/2022	-	-	-	-	-
Allowances for the period	-	-	-	-	-
Accumulated impairment losses at 06/30/2023	-	-	-	-	-
Net value at 12/31/2022	830	603	1,432	11,028	11,028
Net value at 06/30/2023	823	637	1,459	8,115	8,115

Reclassification of non-current share of CIR research tax credit as current.

6.6_Rights of use and lease liabilities

During the second quarter of 2023, the Group concluded two new commercial leases, leading to an increase in rights of use and lease liabilities linked to the buildings for an amount of €1.9 million. The latter stem from the decision to move the premises of the Ekinops Corporation and Ekinops India subsidiaries.

6.6.1_Rights of use

(€k)	12/31/2022	Effect of business combinations	New contracts and changes over the period	Depreciation and amortization	Translation adjustments	06/30/2023
Rights of use - Technical equipment	160	-	-	(29)	-	130
Rights of use - Buildings	6,000	(171)	1,980	(829)	2	6,982
Rights of use - Vehicles	645	(53)	394	(257)	-	729
Net value of rights of use	6,805	(224)	2,374	(1,116)	2	7,841

6.6.2_Lease liabilities

(€k)	12/31/2022	Contract expiry	New contracts and change of period	Reclassification	Lease liability repayments	Translation adjustments	06/30/2023
Lease liabilities - Technical equipment	-	-	-	-	-	-	-
Lease liabilities - Buildings	5,263	(184)	1,859	(1,246)	-	3	5,695
Lease liabilities - Vehicles	264	(52)	424	(245)	-	-	391
Total non-current	5,527	(236)	2,283	(1,491)		3	6,086
Lease liabilities - Technical equipment	16	-	-	-	(16)	-	-
Lease liabilities - Buildings	987	-	-	1,246	(704)	(1)	1,528
Lease liabilities - Vehicles	409	-	-	245	(249)	-	405
Total current	1,412			1,491	(969)	(1)	1,933
Total	6,940	(236)	2,283	-	(969)	2	8,019

6.7_Inventories

(€k)	12/31/2022	Change	Allocations to provisions for inventory impairment	Writeback of inventory impairment provision	Impact of currency fluctuations	06/30/2023
Components inventories	17,154	(1,210)	-	-	-	15,944
Finished product inventories	9,613	2,064	-	-	(5)	11,672
Gross values	26,767	854	-	-	(5)	27,616
Impairment losses-Components	(1,414)	-	(931)	-	-	(2,345)
Impairment losses - Finished products	(360)	-	(52)	-	(2)	(414)
Accumulated impairment losses	(1,774)	-	(983)	-	(2)	(2,759)
Net values	24,993	854	(983)	-	(7)	24,857

The provision for component inventory impairments results from the recognition of the loss of value of obsolete components.

6.8_Trade receivables and related accounts

(€k)	12/31/2022	Change	Impact of currency fluctuations	06/30/2023
Trade receivables and related accounts	30,279	10,247	(123)	40,403
Accumulated impairment losses	(374)	(2)	1	(375)
Net values	29,905	10,245	(122)	40,028

The increase in trade receivables is linked to the significant increase in revenue at the end of the first half.

6.9_Other current assets

(€k)	12/31/2022	Change	Reclassifications and other changes	06/30/2023
Forward exchange purchases	-	87	-	87
Derivative instrument assets	-	87	-	87
Corporate tax, CVAE receivable	571	249	(7)	813
Tax credits (CIR, CII, CICE)	3,407	(1,203)	3,494	5,698
Other taxes and social security receivables	2,570	(289)	(4)	2,277
Prepaid expenses	1,082	326	-	1,408
Other	1,174	1,042	12	2,228
Gross values	8,804	125	3,495	12,424
Accumulated impairment losses	(166)	-	-	(166)
Net values	8,638	212	3,495	12,345

The Group benefits from certain aid in the form of subsidiaries, which are recorded as "Other" current assets.

6.10_Cash and cash equivalents

(€k)	12/31/2022	Change	Impact of currency fluctuations	06/30/2023
Cash	39,355	8,289	(55)	47,590
Cash equivalents	-	-	-	-
Cash and cash equivalents	39,355	8,289	(55)	47,590
Bank overdraft facilities	-	-	-	-
Total net cash position	39,355	8,289	(55)	47,590

6.11_Capital

6.11.1_Issued capital

At June 30, 2023, the capital of the parent consisted of 26,795,049 fully paid up common shares with a nominal unit value of €0.50.

Date	Type of transaction	Capital	Number of shares created	Nominal value
At 12/31/2021		€12,916,333	25,832,666	€0.50
2022	Capital increase following exercise of options and issue of bonus shares	€299,210	598,420	€0.50
At 12/31/2022		€13,215,543	26,431,086	€0.50
First-half 2023	Capital increase following exercise of options and issue of bonus shares	€181,982	363,963	€0.50
At 06/30/2023		€13,397,524	26,795,049	€0.50

6.11.2_Share subscription warrants and stock options

a) Stock options (OSA)

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Closing new potential shares	Adjusted strike price	Remaining contractual life	Expense recognized at 06/30/2023 (€K)	Expense recognized at 06/30/2022 (€K)
06/19/2014	176,593	-	(74,975)	-	101,618	€5.07	1.0 years	-	-
07/29/2019	62,500	-	(3,500)	-	59,000	€3.66	6.1 years	-	(1)
05/27/2021	67,500	-	(1,875)	(5,000)	60,625	€6.53	7.9 years	(17)	(53)
Total stock options (OSA)	306,593	-	(80,350)	(5,000)	221,243	N/A	N/A	(17)	(54)

b) Founder warrants - BCE

	Starting new potential shares	Awarded during the period	Exercised during the period	Canceled or lapsed during the period	Closing new potential shares	Adjusted strike price	Remaining contractual life	Expense recognized at 06/30/2023 (€K)	Expense recognized at 06/30/2022 (€K)
02/25/2013	15,810	-	(11,780)	(4,030)	-	€4.31	-	-	-
Total founder warrants (BCE)	15,810	-	(11,780)	(4,030)	-	N/A	N/A	-	-

c) Bonus shares awarded (AGA)

	Starting new potential shares	Awarded during the period	Acquired during the period	Canceled or lapsed during the period	Closing new potential shares
06/13/2018			(57,500)	-	-
03/02/2021			(214,333)	-	192,333
05/27/2021			-	-	269,334
05/25/2022			-	-	54,750
Total bonus shares awarded (AGA)			(271,833)	-	516,417

d) Summary of movements and reconciliation of share-based payment expense

	Starting new potential shares	Awarded during the period	Exercised or acquired during the period	Canceled or lapsed during the period	Closing new potential shares	Expense recognized at 06/30/2023 (€K)	Expense recognized at 06/30/2022 (€K)
Stock options (OSA)	306,593	-	(80,350)	(5,000)	221,243	(17)	(54)
Startup warrants (BCE)	15,810	-	(11,780)	(4,030)	-	-	-
Bonus shares awarded (AGA)	788,250	-	(271,833)	-	516,417	(638)	(860)
Grand total	1,110,653	-	(363,963)	(9,030)	737,660	(654)	(914)

6.12_Financial debt

a) Change in financial debt

(€k)	12/31/2022	Increases	Repayments	Other changes	06/30/2023
Bank loans	10,382	7,800	-	(1,527)	16,655
Bank loans/CIR financing	-	5,150	-	(2,830)	2,320
Miscellaneous financial debt	37	90	-	-	127
Total non-current financial debt	10,419	13,040	-	(4,357)	19,102
Bank loans	3,726	-	(1,300)	1,527	3,954
Bank loans/CIR financing	2,586	-	(907)	2,830	4,509
Discounting of advances and interest-free loans	277	-	(277)	-	-
Factoring debt	4,419	12,500	(10,362)	-	6,557
Miscellaneous financial debt	-	-	-	-	-
Total current financial debt	11,008	12,500	(12,846)	4,357	15,020
Total financial debt	21,427	25,540	(12,846)	-	34,122

The Group received financing amounting to €7.8 million within the framework of the French government's "Relance" initiative which includes a net debt/EBITDA covenant.

The Group also benefited from prefinancing for the CIR research tax credit for 2020 and 2021. The repayment of these loans will occur at the same time as the liquidation of the receivable by tax authorities.

Factoring debts correspond to drawdowns under factoring contracts put in place by the Group. Given that these contracts do not transfer credit risk, the financial assets transferred to the Factor are not derecognized and are shown as trade receivables, whereas the drawdowns not yet repaid are included in financial debt.

b) Breakdown of financial debt by interest rate

(€k)	06/30/2023	Fixed rate	Variable rate
Non-current financial debt	19,102	16,782	2,320
Current financial debt	15,020	3,954	11,066
Total financial debt	34,122	20,736	13,386

The Group benefits from variable rates on its factoring debt. Other debt is covered by hedging contracts.

6.13_Information on net debt

a) Breakdown of debt by currency

(€k)	06/30/2023	EUR	USD	AUD	Other currencies
Bank loans	20,609	20,533	-	-	76
Bank loans/CIR financing	6,829	6,829	-	-	-
Factoring debt	6,557	6,557	-	-	-
Miscellaneous financial debt	127	127	-	-	-
Financial debt	34,122	34,046	-	-	76
Cash and cash equivalents	(47,590)	(41,428)	(4,369)	(855)	(938)
Net debt/(Cash and cash equivalents)	(13,468)	(7,382)	(4,369)	(855)	(862)

b) Breakdown of debt by maturity

(€k)	06/30/2023	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5years	Discounting
Bank loans	20,609	3,954	3,964	3,167	900	2,775	5,850	-
Bank loans/CIR financing	6,829	4,509	2,320	-	-	-	-	-
Factoring debt	6,557	6,557	-	-	-	-	-	-
Miscellaneous financial debt	127	-	28	-	99	-	-	-
Financial debt	34,122	15,020	6,312	3,167	999	2,775	5,850	-
Cash and cash equivalents	(47,590)	(47,590)	-	-	-	-	-	-
Net debt/(Cash and cash equivalents)	(13,468)	(32,570)	6,312	3,167	999	2,775	5,850	-

6.14_Employee commitments

a) Change in net commitment recognized on the balance sheet

(€k)	06/30/2023	12/31/2022
Starting actuarial debt	3,136	3,147
Cost of services rendered	175	248
Use (retirement)	(101)	(123)
Financial cost	46	27
Actuarial losses (gains)	(5)	(149)
Impact of currency fluctuations	(3)	(13)
Ending actuarial debt	3,248	3,136

As the Group does not have hedging assets, the entire commitment set out above is recorded in the Group's liabilities.

All actuarial gains and losses are recognized in shareholders' equity. The cost of services rendered is recorded in operating expenses, and the financial cost is recorded in other financial income and expenses.

b) Actuarial assumptions

The main actuarial assumptions used for the calculation of end-of-career obligations are as follows:

Actuarial assumptions	06/30/2023	12/31/2022
Retirement age	65 years	65 years
Discounting rate	3.61%	3.77%
Employer contribution rates	47.0%	47.0%
Rate of salary increases	4.00%	4.00%
<i>Employee turnover</i>		
Under 25	10% - 15%	10% - 15%
25-30 years	10% - 20%	10% - 20%
30-35 years	20% - 25%	20% - 25%
35-40	15.00%	15.00%
40-45	2.0% - 10%	2 - 10%
45-50	2.00%	2.00%
50-55	2.00%	2.00%
> 55 years	0.00%	0.00%
Mortality table	TGHF05	TGHF05

6.15_Provisions

(€k)	12/31/2022	Allowances	Writeback used	Writeback not used	Reclassifications	06/30/2023
Provisions for disputes	832	191	-	-	-	1,023
Provisions for social risks	135	-	-	-	-	135
Provisions for other risks and charges	354	144	-	-	-	498
Provisions for liabilities and charges Non-current portion	1,321	335	-	-	-	1,656
Provision for warranty	819	561	-	(512)	-	868
Provisions for disputes	-	-	-	-	-	-
Provisions for other risks and charges	376	50	-	-	-	426
Provisions for liabilities and charges	1,195	611	-	(512)	-	1,294
Total	2,516	946	-	(512)	-	2,950

Allowances for disputes and risks and charges relate to ongoing cases with no significant impact on operating business.

6.16_Other current liabilities

(€k)	12/31/2022	Change	Reclassifications and other changes	06/30/2023
Financial instruments	208	-	(208)	-
Derivative instruments liabilities	208	-	(208)	-
Trade payables	17,732	(1,304)	48	16,476
Trade payables	17,732	(1,304)	48	16,476
Corporate taxes payable	2,176	665	(1,430)	1,411
Corporate taxes payable	2,176	665	(1,430)	1,411
Debt on acquisitions of tangible and intangible assets	14	176	-	190
Taxes and social security contributions payable	11,980	(1,466)	(6)	10,508
Deferred income	1,931	1,676	582	4,189
Other	147	(115)	-	32
Total other current liabilities	14,073	271	576	14,919

6.17_Change in working capital requirement

(€k)	06/30/2023	06/30/2022
Net (increase)/decrease in inventories	130	1,229
Net (increase)/decrease in trade receivables	(10,247)	(9,322)
Increase/(decrease) in trade payables	(1,256)	1,813
Net (increase)/decrease in other business related WCR items	(1,722)	(1,991)
(Increase)/decrease in working capital requirement	(13,095)	(8,271)

The increase in trade receivables is linked to the significant growth in sales at the end of the half-year period.

Note 7_Notes to the income statement

7.1_Income from ordinary activities

a) By type

(€k)	06/30/2023	06/30/2022
Sales of goods produced	61,285	53,666
Sales of services produced	9,747	9,635
Total revenue	71,032	63,301

b) By geographic region

(€k)	06/30/2023	06/30/2022
North and South America	18,244	12,829
Europe - Middle East - Africa - Asia-Pacific	52,788	50,472
Total revenue	71,032	63,301

7.2_Details of expenditure allocated by function

a) Details of research and development costs

(€k)	06/30/2023	06/30/2022
Payroll costs	(13,232)	(12,462)
Allocations to amortization/depreciation provisions	(6,215)	(4,543)
Business travel and trips	(290)	(144)
Professional fees and consulting	(578)	(309)
Outside personnel	(1,867)	(1,216)
Equipment and property rentals and rental charges	(109)	(108)
Supplies, equipment, maintenance	(934)	(1,269)
Tax credit	2,040	1,725
Subsidies	2,201	859
Capitalization of development costs	1,982	1,621
Allocation of manufacturing costs to cost of sales	4,053	2,816
Other	(587)	(451)
Total research and development costs	(13,536)	(13,480)

b) Details of sales and marketing costs

(€k)	06/30/2023	06/30/2022
Payroll costs	(8,299)	(7,670)
Outside personnel	(375)	(360)
Business travel and trips	(546)	(351)
Professional fees and consulting	(296)	(545)
Equipment and property rentals and rental charges	(66)	(52)
Supplies, equipment, maintenance	(244)	(250)
Trade fairs	(405)	(125)
Allocations to amortization/depreciation provisions	(1,079)	(696)
Other	(76)	(572)
Total marketing and sales expenses	(11,385)	(10,621)

c) Details of general and administrative expenses

(€k)	06/30/2023	06/30/2022
Payroll costs	(2,901)	(2,371)
Share-based payments	(654)	(1,316)
Professional fees and consulting	(613)	(773)
Outside personnel	(52)	(22)
Supplies, equipment, maintenance	(672)	(542)
Insurance	(152)	(138)
Bank charges	(111)	(109)
Equipment and property rentals and rental charges	(63)	(1)
Allocations to amortization/depreciation provisions	(358)	206
Subsidies	7	175
Operating currency gains (losses)	(178)	(52)
Other	(358)	(288)
Total general and administrative expenses	(6,105)	(5,231)

7.3_Breakdown of personnel costs and headcount

a) Breakdown of personnel costs

(€k)	06/30/2023	06/30/2022
Total research and development costs	(13,232)	(12,472)
Total marketing and sales expenses	(8,299)	(7,670)
Total general and administrative expenses	(3,555)	(3,687)
Total payroll costs	(25,086)	(23,829)

a) Breakdown of personnel costs by function

(€k)	06/30/2023	06/30/2022
Salaries and wages	(18,039)	(16,691)
Social security contributions and payroll taxes	(6,319)	(5,698)
Cost of services rendered	(75)	(125)
Share-based payments	(654)	(1,316)
Total payroll costs	(25,086)	(23,829)

c) Headcount

(in units)	06/30/2023	06/30/2022
Salaried personnel	480	466
External and subcontractors	61	43
Total headcount	541	509

7.4_Allocations to amortization/depreciation provisions, net of reversals

(€k)	06/30/2023	06/30/2022
Allowances for amortization - Intangible assets	(1,099)	(977)
Allowances for amortization - Developed technologies and customer relations	(3,176)	(2,987)
Allowances for amortization - Tangible assets	(1,107)	(726)
Allocations to amortization - Rights of use	(1,116)	(893)
Net allowance for liabilities and charges of the «Current operating profit (loss)»	(436)	366
Cost of services rendered and impact of IAS19	(74)	(114)
Sub-total (EBITDA)	(7,007)	(5,331)
IAS 19 financial cost	(46)	(13)
Net allowance for liabilities and charges in «Other operating income (expense)»	-	-
Sub-total (EBITDA)	(7,055)	(5,344)
Net allowance for writebacks of provisions on inventories	(983)	667
Net allocation to writeback provisions for other current assets	-	-
Total	(8,038)	(4,677)

The increase in rights of use allocations stems from the subscription of new IFRS16-eligible leasing contracts.

The allowance for provisions for liabilities and charges in «current operating profit (loss)» can mainly be attributed to the increase in provisions for ongoing cases, without a significant impact on operations.

7.5_Cost of net debt and other financial income/expense

a) Net cost of debt

(€k)	06/30/2023	06/30/2022
Interest expenses	(343)	(161)
Effect of undiscounting	-	(3)
Net cost of debt	(343)	(164)

b) Other financial income and expenses

(€k)	06/30/2023	06/30/2022
Currency gains (losses)	(47)	1,021
Other financial income and expenses	248	(5)
Other financial income and expenses	201	1,017

The Group generated financial income stemming from interest rate hedging in first-half 2023.

7.6_Tax expense

(€k)	06/30/2023	06/30/2022
Current income tax	(999)	(624)
Change in deferred taxes	488	821
Tax expense	(510)	197

7.7_Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to Ekinops SA shareholders by the weighted average number of common shares outstanding during the period.

(€k/units)	06/30/2023	06/30/2022
Net income attributable to Ekinops SA shareholders	5,995	5,213
Weighted average number of outstanding shares:	26,795,049	26,162,922
> <i>Weighted average number of common shares</i>	26,509,664	25,950,592
> <i>Weighted average number of treasury shares</i>	(35,886)	(31,864)
Basic earnings per share (€/share)	0.23	0.20

7.8_EBITDA⁽¹⁾

The Group has opted to report on this aggregate given its significance in the analysis of its financial performance.

As such, the Group defines EBITDA as current operating income restated for (i) amortization, depreciation, provisions and write-offs, and (ii) charges related to share-based payments.

(€k)	First-half 2023	FY 2022	Second-half 2022	First-half 2022
Current operating income	6,664	9,251	5,118	4,133
Amortization, depreciation and provisions	3,831	4,720	2,376	2,344
Allocations to amortization - Developed technologies and customer relations	3,176	6,346	3,359	2,987
Income and expenses related to share-based payments	654	2,254	938	1,316
EBITDA	14,325	22,570	11,791	10,780

Note 8_Segment information

The Group is managed on the basis of a single sector and does not distinguish between autonomous operating segments. The benchmark sector indicator is current operating income.

However, the Group monitors the revenue generated by its two main business regions:

- Europe - Middle East - Africa - Asia-Pacific; and
- North and South America.

This information is presented in Note 7.1.

Note 9_Off-balance-sheet items

9.1_Other commitments

The Group outsources the manufacturing of its equipment to its industrial partners. Orders for manufacturing finished products are launched on the basis of firm customer orders. In addition, the Group orders components or semi-finished products from these same subcontractors in order to be able to demonstrate commercial responsiveness. The Group therefore commits to taking back these inventories up to a certain limit. The amount of this commitment is estimated at €10.9m as of June 30, 2023.

(1) Earnings Before Interest, Taxes, Depreciation and Amortization.

Note 10_Main transactions with related parties

During the interim period there were no substantial changes to recorded related-party transactions compared with those in the financial statements for the 2022 financial year, likely to interfere with the analysis of the 2023 interim financial statements.

Note 11_Subsequent events after the interim closing

The Group secured new financing for an amount of €100 million, to provide the Company with the financial resources to support its development and realize its external growth strategy.

These new financings, provided by a pool of banks including the Caisse Régionale de Crédit Agricole Mutuel des Côtes-d'Armor (Agent, Arranger and Loan Coordinator), Banque Populaire Grand Ouest (Arranger and ESC Coordinator), BNP Paribas and KBC Bank, are made up of:

- an external growth credit line, intended to finance one or more M&A transactions and related costs, for an amount of €50 million (can be increased to €90 million under certain conditions) with a 7-year maturity;
- a revolving credit line, intended to finance the Group's general needs, for a maximum amount of €10 million.

REPORT BY THE STATUTORY AUDITORS ON THE INTERIM FINANCIAL INFORMATION

Period from January 1, 2023 to June 30, 2023

To the shareholders of Ekinops SA

Pursuant to the mission entrusted to us by your General Meeting and in application of Article L. 451 III of the French monetary and financial code, we:

- performed a limited review of the company's condensed consolidated interim financial statements for the period from January 1, 2023 to June 30, 2023, as appended to this report;
- checked the information provided in the interim business report.

These condensed consolidated interim financial statements were prepared under the responsibility of the Board of Directors. Our role is to express our conclusion on these financial statements based on our limited review.

Conclusion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France.

A limited review mainly consists in meeting with members of the management team responsible for accounting and financial aspects and implementing analytical procedures. This work is less extensive than that required for an audit performed in accordance with the professional standards applicable in France. As a result, the assurance obtained through a limited review that the financial statements, taken as a whole, do not include any material misstatements is a moderate assurance, inferior to that obtained from an audit.

On the basis of our limited review, we did not identify any material misstatements likely to call into question the compliance of the condensed interim consolidated financial statements with IAS 34, a standard of IFRS as adopted in the European Union relating to interim financial reporting.

Specific verification

We also verified the information provided in the interim activity report commenting on the condensed interim consolidated financial statements that were the subject of our limited review.

We have no comments to make on the fair presentation of that information or its consistency with the condensed interim consolidated financial statements.

Angers and Paris La Défense, July 27, 2023

The Statutory Auditors

Altonéo Audit

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