

Condensed Consolidated Interim Financial Statements
(In euros)

Topicus.com Inc.

For the three and six months ended June 30, 2023 and 2022
Unaudited

Topicus.com Inc.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	June 30, 2023	December 31, 2022	June 30, 2022
Assets			
Current assets:			
Cash	172,315	136,772	159,728
Accounts receivable	130,456	95,790	92,317
Unbilled revenue	48,701	41,036	42,925
Inventories	4,268	1,419	902
Other assets (note 5)	54,657	34,778	36,500
	410,396	309,795	332,372
Non-current assets:			
Property and equipment	20,372	19,579	19,582
Right of use assets	57,919	54,412	57,927
Deferred income taxes	7,044	19,978	8,307
Other assets (note 5)	12,161	17,030	11,502
Intangible assets (note 6)	942,297	874,000	872,887
	1,039,793	984,999	970,205
Total assets	1,450,189	1,294,794	1,302,577
Liabilities and Shareholders' Equity			
Current liabilities:			
Topicus Revolving Credit Facility and current portion of term and other loans (note 7 and 8)	168,228	201,275	151,570
Loan from CSI (note 17)	30,281	30,867	-
Accounts payable and accrued liabilities	162,868	174,824	142,840
Deferred revenue	241,980	116,989	197,492
Provisions (note 9)	1,682	1,884	1,076
Acquisition holdback payables	14,878	14,009	18,416
Lease obligations	19,280	18,824	18,927
Income taxes payable	16,510	11,467	14,457
	655,707	570,141	544,779
Non-current liabilities:			
Term and other loans (note 8)	65,807	41,280	101,421
Loan from CSI (note 17)	-	-	31,602
Deferred income taxes	147,382	150,521	145,731
Acquisition holdback payables	1,289	2,316	3,078
Lease obligations	39,684	36,634	40,076
Other liabilities (note 5)	26,273	26,118	20,410
	280,434	256,869	342,317
Total liabilities	936,141	827,009	887,096
Shareholders' Equity:			
Capital stock (note 11)	39,412	39,412	39,412
Accumulated other comprehensive income (loss)	851	(232)	1,576
Retained earnings (deficit)	255,528	226,919	192,970
Non-controlling interests (note 18)	218,258	201,685	181,523
	514,048	467,784	415,481
Total liabilities and shareholders' equity	1,450,189	1,294,794	1,302,577
Subsequent events (note 19)			
Total liabilities and shareholders' equity	1,450,189	1,294,794	1,302,577

See accompanying notes to the condensed consolidated interim financial statements.

Topicus.com Inc.

Condensed Consolidated Interim Statements of Income (Loss)

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited				
	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue				
License	7,847	6,418	14,825	11,885
Professional services	71,974	56,481	141,314	106,589
Hardware and other	3,705	2,293	6,385	4,534
Maintenance and other recurring	188,557	155,425	373,989	301,374
	272,083	220,616	536,513	424,383
Expenses				
Staff	155,841	123,809	305,949	235,704
Hardware	2,545	1,515	4,123	2,234
Third party license, maintenance and professional services	21,340	18,625	41,888	36,099
Occupancy	2,560	1,804	5,026	3,341
Travel, telecommunications, supplies, software and equipment	10,703	8,450	20,267	14,548
Professional fees	4,557	3,779	8,837	7,576
Other, net	964	4,762	7,178	9,182
Depreciation	7,695	7,008	14,990	13,203
Amortization of intangible assets (note 6)	29,985	26,010	57,946	48,989
	236,191	195,763	466,204	370,875
Finance and other expenses (income) (note 12)	4,447	(51)	9,396	1,680
	4,447	(51)	9,396	1,680
Income (loss) before income taxes	31,445	24,904	60,912	51,828
Current income tax expense (recovery) (note 10)	14,898	11,041	27,226	22,263
Deferred income tax expense (recovery) (note 10)	(6,905)	(6,237)	(10,894)	(10,894)
Income tax expense (recovery)	7,993	4,805	16,332	11,370
Net income (loss)	23,452	20,099	44,580	40,458
Net income (loss) attributable to:				
Equity holders of Topicus (note 18)	14,572	12,526	28,472	24,097
Non-controlling interests (note 18)	8,880	7,573	16,108	16,362
Net income (loss)	23,452	20,099	44,580	40,458
Weighted average shares (note 13)				
Basic shares outstanding	81,889,764	80,097,017	81,889,764	80,011,366
Diluted shares outstanding	129,841,819	129,841,819	129,841,819	129,841,819
Earnings (loss) per common share of Topicus (note 13)				
Basic	0.18	0.16	0.35	0.30
Diluted	0.18	0.16	0.35	0.30

See accompanying notes to the condensed consolidated interim financial statements.

Topicus.com Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	23,452	20,099	44,580	40,458
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	2,999	3,444	2,203	4,871
Other comprehensive (loss) income for the period, net of income tax	2,999	3,444	2,203	4,871
Total comprehensive income (loss) for the period	26,451	23,543	46,784	45,329
Total other comprehensive income (loss) attributable to:				
Equity holders of Topicus	1,320	1,325	1,083	1,956
Non-controlling interests	1,679	2,119	1,120	2,915
Total other comprehensive income (loss)	2,999	3,444	2,203	4,871
Total comprehensive income (loss) attributable to:				
Equity holders of Topicus	15,892	13,850	29,555	26,052
Non-controlling interests	10,559	9,693	17,228	19,277
Total comprehensive income (loss)	26,451	23,543	46,784	45,329

See accompanying notes to the condensed consolidated interim financial statements.

Topicus.com Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)
(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2023

	Attributable to equity holders of Topicus					Total	Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (Deficit)			
Balance at January 1, 2023	-	39,412	-	(232)	226,919	266,099	201,685	467,784
<i>Total comprehensive income (loss) for the period:</i>								
Net income (loss)	-	-	-	-	28,472	28,472	16,108	44,580
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other, net of income tax	-	-	-	1,083	-	1,083	1,120	2,203
Total other comprehensive income (loss) for the period	-	-	-	1,083	-	1,083	1,120	2,203
Total comprehensive income (loss) for the period	-	-	-	1,083	28,472	29,555	17,228	46,784
Transactions with owners, recorded directly in equity								
Other movements in non-controlling interests and equity	-	-	-	-	137	137	70	207
Dividends paid to non-controlling interests	-	-	-	-	-	-	(726)	(726)
Balance at June 30, 2023	-	39,412	-	851	255,528	295,791	218,258	514,048

See accompanying notes to the condensed consolidated interim financial statements.

Topicus.com Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)
(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2022

	Attributable to equity holders of Topicus						Non-controlling interests	Total equity
	Preferred Shares	Capital Stock	Other equity	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total		
Balance at January 1, 2022	2,047,473	39,412	(1,009,996)	(380)	(1,782,113)	(705,604)	1,061,236	355,632
<i>Total comprehensive income (loss) for the period:</i>								
Net income (loss)	-	-	-	-	24,097	24,097	16,362	40,458
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other	-	-	-	1,956	-	1,956	2,915	4,871
Total other comprehensive income (loss) for the period	-	-	-	1,956	-	1,956	2,915	4,871
Total comprehensive income (loss) for the period	-	-	-	1,956	24,097	26,052	19,277	45,329

Transactions with owners, recorded directly in equity

Conversion of preferred shares to subordinate voting shares	(2,047,473)	-	2,047,473	-	-	-	-	-
Conversion of non-controlling interest preferred units to ordinary units and other movements in non-controlling interests	-	-	912,788	-	-	912,788	(912,788)	-
Net acquisition of non-controlling interest associated with business combinations	-	-	(23)	(0)	(54)	(78)	15,470	15,393
Reductions of non-controlling interest associated with disposals	-	-	-	-	-	-	(873)	(873)
Reclassification of other equity to retained earnings (deficit)	-	-	(1,950,242)	-	1,950,242	-	-	-
Exchange of Topicus Coop ordinary units held by non-controlling interests to subordinate voting shares of Topicus	-	-	-	-	799	799	(799)	-
Balance at June 30, 2022	-	39,412	-	1,576	192,970	233,958	181,523	415,481

See accompanying notes to the condensed consolidated interim financial statements.

Topicus.com Inc.

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of euros, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cash flows from (used in) operating activities:				
Net income (loss)	23,452	20,099	44,580	40,458
Adjustments for:				
Depreciation	7,695	7,008	14,990	13,203
Amortization of intangible assets	29,985	26,010	57,946	48,989
Finance and other expenses (income)	4,447	(51)	9,396	1,680
Income tax expense (recovery)	7,993	4,805	16,332	11,370
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 16)	(75,465)	(79,639)	41,134	48,989
Income taxes (paid) received	(13,474)	(10,255)	(25,752)	(20,673)
Net cash flows from (used in) operating activities	(15,367)	(32,023)	158,626	144,014
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(347)	(277)	(653)	(556)
Interest paid on other facilities	(3,505)	(2,432)	(6,565)	(3,987)
Proceeds from sale of interest rate cap	5,516	-	5,516	-
Net increase (decrease) in Topicus Revolving Credit Facility	45,000	45,000	35,000	100,000
Proceeds from issuance of term and other loans	21,941	-	26,218	346
Increase (decrease) in loan from Vela Software Group (note 17)	(468)	7,904	(468)	6,086
Repayments of term and other loans	(4,497)	(1,052)	(72,941)	(1,669)
Credit facility transaction costs	(175)	-	(238)	-
Payments of lease obligations	(5,543)	(5,063)	(10,805)	(9,574)
Other financing activities	-	(580)	-	(580)
Dividends to non-controlling interests	(726)	-	(726)	-
Dividends paid to redeemable preferred securities holders	-	-	-	(66,614)
Net cash flows from (used in) in financing activities	57,197	43,500	(25,663)	23,452
Cash flows from (used in) investing activities:				
Acquisition of businesses (note 4)	(63,252)	(94,502)	(88,048)	(107,659)
Cash obtained with acquired businesses (note 4)	4,611	24,935	5,583	27,612
Post-acquisition settlement payments, net of receipts	(6,567)	(671)	(11,055)	(2,431)
Interest, dividends and other proceeds received	-	3,028	-	3,028
Property and equipment purchased	(1,888)	(1,587)	(3,869)	(3,613)
Net cash flows from (used in) investing activities	(67,096)	(68,798)	(97,388)	(83,064)
Effect of foreign currency on cash and cash equivalents	317	(0)	(31)	(0)
Increase (decrease) in cash	(24,950)	(57,321)	35,543	84,402
Cash, beginning of period	197,265	217,049	136,772	75,326
Cash, end of period	172,315	159,728	172,315	159,728

See accompanying notes to the condensed consolidated interim financial statements.

TOPICUS.COM INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of euros, except per share amounts and as otherwise indicated)

(Due to rounding, numbers presented may not foot)

Three and six months ended June 30, 2023 and 2022

(Unaudited)

Notes to the condensed consolidated interim financial statements

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(Due to rounding, numbers presented may not foot)

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(Unaudited)

1. Reporting entity

Topicus.com Inc. ("Topicus" or "the Company") was incorporated pursuant to the Business Corporations Act (Ontario) on September 10, 2020. The address of its registered office is 20 Adelaide Street East, Toronto, Ontario, Canada.

The condensed consolidated interim financial statements of Topicus as at and for the periods ended June 30, 2023 and June 30, 2022 comprise Topicus, Topicus Coop and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. Topicus' principal subsidiary is Topicus Coop and Topicus has a common equity interest of 63.07% (December 31, 2022 – 63.07%) in Topicus Coop with 36.93% (December 31, 2022 – 36.93%) being owned by the non-controlling interests.

The Company is engaged principally in the development, installation and customization of software and the provision of related professional services and support for customers across over 20 diverse markets primarily in Europe.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Topicus 2022 annual consolidated financial statements, available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com, except as disclosed herein.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 3, 2023.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2022 annual consolidated financial statements.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, derivative financial instruments and contingent consideration related to business acquisitions, which are measured at their estimated fair value.

(c) Functional and presentation of currency

The consolidated financial statements are presented in euro, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and

TOPICUS.COM INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of euros, except per share amounts and as otherwise indicated)

(Due to rounding, numbers presented may not foot)

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(Unaudited)

reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2022 annual consolidated financial statements and described in these condensed consolidated interim financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

3. Material accounting policies

The material accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the 2022 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The accounting policies have been applied consistently by the Company's subsidiaries.

4. Business acquisitions

During the six-month period ended June 30, 2023, the Company completed acquisitions for aggregate cash consideration of EUR 88,048 plus expected cash holdback payables of EUR 1,290 and contingent consideration with an estimated acquisition date fair value of EUR 5,364 resulting in total consideration of EUR 94,702. The obligation for contingent consideration for acquisitions during the six months ended June 30, 2023 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. For these arrangements, the estimated increase to the initial consideration is not expected to exceed EUR 6,465. Aggregate contingent consideration liability at June 30, 2023 of EUR 19,546 (December 31, 2022 – EUR 20,034) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in "Other, net" in the condensed consolidated interim statements of income. Income of EUR 2,086 and EUR 1,280 has been recorded for the three and six months ended June 30, 2023, as a result of such changes (expense of EUR 271 and EUR 2,081 for the three and six months ended June 30, 2022).

None of the acquisitions completed during the six-month period ended June 30, 2023 were deemed to be individually significant. All of the businesses acquired during the period were acquisitions of shares. The cash holdbacks are generally payable within a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the purchase and sale agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the six-month period ended June 30, 2023 include software companies catering to the insurance, horticulture, healthcare, transit, financial services, energy, fashion retail, construction and agribusiness verticals all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of the Company's best practices to improve the operations of the companies acquired, other intangible assets that do not

TOPICUS.COM INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of euros, except per share amounts and as otherwise indicated)

(Due to rounding, numbers presented may not foot)

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(Unaudited)

qualify for separate recognition including assembled workforce, and synergies with existing businesses of the Company. The goodwill is not expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was EUR 16,742 however, the Company has recorded an allowance of EUR 208 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during the last two quarters of 2022 and the first two quarters of 2023. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The cash consideration associated with these provisional estimates totals EUR 134,216.

The aggregate impact of acquisition accounting applied in connection with the business acquisitions in the six-month period ended June 30, 2023 is as follows:

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(Due to rounding, numbers presented may not foot)
Three and six months ended June 30, 2023 and 2022
(Unaudited)

Assets acquired:	
Cash	5,583
Accounts receivable	16,534
Other current assets	10,743
Property and equipment	1,283
Right of use assets	6,288
Other non-current assets	388
Technology assets	51,200
Customer assets	58,800
	<hr/>
	150,819
Liabilities assumed:	
Current liabilities	25,792
Deferred revenue	13,071
Deferred income taxes	20,097
Long-term lease obligations	4,189
Other non-current liabilities	3,858
	<hr/>
	67,007
Goodwill	11,524
	<hr/>
Aggregate purchase price	95,336
Non-cash consideration:	
Fair value of investment in affiliate in which control was acquired	(634)
	<hr/>
Total consideration	94,703

The 2023 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income (loss) for the six months ended June 30, 2023. The materiality threshold is reviewed on a regular basis taking into account the quantitative (contribution to revenue and net income) and qualitative (size and comparability with other Topicus businesses) factors of current period acquisitions on both an individual and aggregate basis.

TOPICUS.COM INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Due to rounding, numbers presented may not foot)

Three and six months ended June 30, 2023 and 2022

(Unaudited)

5. Other assets and other non-current liabilities

(a) Other assets

	June 30, 2023	December 31, 2022
Prepaid expenses and other current assets	33,852	26,565
Sales tax receivable	3,020	1,466
Equity securities held for trading	2	2
Other receivables	17,783	6,746
Total other current assets	54,657	34,778
Costs to obtain a contract	63	92
Non-current trade and other receivables and other assets	9,926	14,808
Equity accounted investees	2,173	2,130
Total other non-current assets	12,161	17,030

(b) Other non-current liabilities

	June 30, 2023	December 31, 2022
Contingent consideration	12,797	15,062
Deferred revenue	2,546	2,686
Other non-current liabilities	10,930	8,370
Total other non-current liabilities	26,273	26,118

TOPICUS.COM INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of euros, except per share amounts and as otherwise indicated)

(Due to rounding, numbers presented may not foot)

Three and six months ended June 30, 2023 and 2022

(Unaudited)

6. Intangible Assets

	Technology Assets	Customer Assets	Trademarks	Goodwill	Total
Cost					
Balance at January 1, 2022	426,005	460,225	25,700	191,085	1,103,015
Acquisitions through business combinations	72,944	133,548	-	32,540	239,033
Effect of movements in foreign exchange and other	470	(990)	(294)	(1,276)	(2,091)
Balance at December 31, 2022	499,419	592,783	25,406	222,349	1,339,956
Balance at January 1, 2023	499,419	592,783	25,406	222,349	1,339,956
Acquisitions through business combinations	51,200	58,800	-	13,316	123,316
Effect of movements in foreign exchange and other	256	2,351	-	319	2,925
Balance at June 30, 2023	550,875	653,934	25,406	235,984	1,466,198
Accumulated amortization and impairment losses					
Balance at January 1, 2022	216,439	138,931	3,490	18	358,879
Amortization for the period	56,897	48,908	1,272	-	107,078
Impairment charge	-	-	-	-	-
Balance at December 31, 2022	273,336	187,840	4,762	18	465,956
Balance at January 1, 2023	273,336	187,840	4,762	18	465,956
Amortization for the period	29,073	28,238	635	-	57,946
Impairment charge	-	-	-	-	-
Effect of movements in foreign exchange and other	(63)	62	(0)	-	(1)
Balance at June 30, 2023	302,346	216,140	5,397	18	523,901
Carrying amounts					
At January 1, 2022	209,566	321,294	22,210	191,067	744,136
At December 31, 2022	226,082	404,943	20,644	222,331	874,000
At January 1, 2023	226,082	404,943	20,644	222,331	874,000
At June 30, 2023	248,528	437,794	20,009	235,966	942,297

TOPICUS.COM INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of euros, except per share amounts and as otherwise indicated)

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Three and six months ended June 30, 2023 and 2022

(Unaudited)

7. Revolving Credit Facility

On October 28, 2022, Topicus Coop amended the existing revolving credit facility (the “Topicus Revolving Credit Facility”) with a number of European financial institutions. Under the amended credit facility, the Company will be able to borrow up to EUR 550,000 under a multicurrency revolving loan facility and up to EUR 150,000 under an additional uncommitted incremental facility. The Topicus Revolving Credit Facility has an initial term of five years until October 28, 2027 with an extension option for two additional one year periods. The Topicus Revolving Credit Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The Topicus Revolving Credit Facility is collateralized by some of the more material assets owned by the Company and its subsidiaries, except for the entities securing amounts outstanding under the Term and Other Loans (note 8). The Topicus Revolving Credit Facility contains standard events of default which, if not remedied within a cure period, would trigger the repayment of any outstanding balance. As of June 30, 2023, EUR 165,000 (December 31, 2022 – EUR 130,000) had been drawn from this credit facility. Transaction costs associated with the Topicus Revolving Credit Facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. The carrying value of the debt amounts to EUR 162,309 (December 31, 2022 – EUR 127,092) and has been classified as a current liability in the consolidated statement of financial position. The Company’s intent is to repay the outstanding balance of the Topicus Revolving Credit Facility within the next 12 months. As at June 30, 2023, the carrying amount of costs relating to this Topicus Revolving Credit Facility totaled EUR 2,691 (December 31, 2022 – EUR 2,908).

8. Term and Other Loans

Certain of the Company’s subsidiaries have entered into term and other debt facilities (“Term and Other Loans”) with various financial institutions. Topicus does not guarantee the debt of these subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

The term and other loans comprise the following:

	Term and Other Debt Facilities	
	June 30, 2023	December 31, 2022
Principal outstanding (and equal to fair value)	72,770	116,650
Deduct: Carrying value of transaction costs included in debt balance	(1,044)	(1,187)
Carrying value	71,726	115,463
Current portion	5,919	74,182
Non-current portion	65,807	41,280

The annual minimum repayment requirements for the Term and Other Loans are as follows:

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Year	Term and Other Debt Facilities
2023	2,748
2024	5,358
2025	38,376
2026	7,004
2027	1,784
2028	8,500
2029	9,000
	<hr/>
	72,770

9. Provisions

At January 1, 2023	1,884
Reversal	(197)
Provisions recorded during the period	1,625
Provisions used during the period	(1,630)
Effect of movements in foreign exchange and other	(0)
At June 30, 2023	1,682
	<hr/>
Provisions classified as current liabilities	1,682
Provisions classified as other non-current liabilities	-

The provisions balance is comprised of various individual provisions for severance costs and other estimated liabilities of the Company of uncertain timing or amount.

10. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions, and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three and six months ended June 30, 2023 was 25% and 27% (19% and 22% for the three and six months ended June 30, 2022).

The Company is subject to tax audits in the countries in which the Company does business globally. These tax audits could result in additional tax expense in future periods relating to historical filings. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company's inter-company transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgement. If any of these tax authorities are successful with their challenges, the Company's income tax expense may be adversely affected and the Company could also be subject to interest and penalty charges.

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11. Shareholders' Equity

	Common Stock	
	Number	Amount
June 30, 2023	81,889,764	39,412
December 31, 2022	81,889,764	39,412

The Company's authorized share capital consists of an unlimited number of Subordinate Voting Shares and 1 Super Voting Share. As at June 30, 2023, there are 81,889,763 Subordinate Voting Shares and 1 Super Voting Share outstanding. The Super Voting Share is held by Constellation Software Inc. ("CSI"). The Super Voting Share entitles CSI to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Super Voting Shares and Subordinate Voting Shares.

12. Finance and other expenses (income)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Interest expense on debt	3,652	1,899	6,847	4,134
Interest expense on lease obligations	347	277	653	556
Amortization of debt related transaction costs	250	346	596	508
Share in net (income) loss of equity investee	(123)	(177)	(123)	(175)
Foreign exchange loss (gain)	398	307	1,030	462
Other finance costs (income)	(78)	(2,703)	392	(3,806)
Finance costs and other expenses (income)	4,447	(51)	9,396	1,680

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13. Earnings (loss) per share

Basic and diluted earnings (loss) per share

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Basic earnings (loss) per share:				
Numerator:				
Net income (loss) attributable to equity holders of Topicus	14,572	12,526	28,472	24,097
Denominator:				
Weighted average basic shares outstanding	81,889,764	80,097,017	81,889,764	80,011,366
Earnings (loss) per share				
Basic	0.18	0.16	0.35	0.30
Diluted earnings (loss) per share:				
Numerator:				
Net income (loss) attributable to the ordinary equity holders of Topicus	14,572	12,526	28,472	24,097
Add: Net income (loss) attributable to the non-controlling interest holders of Topicus Coop	8,533	7,753	16,672	17,045
Net income (loss) to be used for diluted earnings per share	23,106	20,279	45,144	41,141
Denominator:				
Weighted average basic shares outstanding	81,889,764	80,097,017	81,889,764	80,011,366
Add: Effect of dilutive shares	47,952,055	49,744,802	47,952,055	49,830,453
Weighted average diluted shares outstanding	129,841,819	129,841,819	129,841,819	129,841,819
Earnings (loss) per share				
Diluted	0.18	0.16	0.35	0.30

14. Financial instruments

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, the majority of acquisition holdbacks, and the Revolving Credit Facility, approximate their fair values due to the short-term nature of these instruments. The carrying value of the Term and Other Loans approximate their fair value as the bank debt is subject to market interest rates.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Financial assets and financial liabilities measured at fair value as of June 30, 2023 and December 31, 2022 in the condensed consolidated interim financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations.

	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	2	-	-	2	2	-	-	2
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Liabilities:								
Contingent consideration	-	-	19,546	19,546	-	-	20,034	20,034
	<u>-</u>	<u>-</u>	<u>19,546</u>	<u>19,546</u>	<u>-</u>	<u>-</u>	<u>20,034</u>	<u>20,034</u>

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended June 30, 2023 and December 31, 2022.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

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Contingent Consideration

Balance at January 1, 2023	20,034
Increase from business acquisitions	5,364
Cash recoveries (payments)	(4,590)
Charges (recoveries) through profit or loss	(1,280)
Foreign exchange and other movements	17
Balance at June 30, 2023	19,546
Contingent consideration classified as current liabilities	6,749
Contingent consideration classified as other non-current liabilities	12,797

Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis. Key unobservable inputs include revenue/profitability growth rates and the discount rates applied (8% to 11%). The estimated fair value increases as the annual revenue/profitability growth rate increases and as the discount rate decreases and vice versa.

15. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, income and sales tax, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

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16. Changes in non-cash operating assets and liabilities

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Decrease (increase) in current accounts receivable	25,341	7,678	(18,969)	(8,558)
Decrease (increase) in current unbilled revenue	1,031	(3,028)	(4,263)	(5,322)
Decrease (increase) in other current assets	2,238	(2,323)	(7,496)	(9,213)
Decrease (increase) in inventories	257	(215)	196	(321)
Decrease (increase) in other non-current assets	(1,039)	390	(1,486)	(1,270)
Increase (decrease) in other non-current liabilities	(6,414)	(1,951)	(6,761)	486
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	(39,556)	(33,384)	(30,531)	(18,154)
Increase (decrease) in current deferred revenue	(57,464)	(46,343)	111,187	92,273
Increase (decrease) in current provisions	139	(464)	(743)	(931)
Change in non-cash operating working capital	(75,465)	(79,639)	41,134	48,989

17. Related parties

Transactions with CSI

The Company pays management fees to CSI (included within "Other, net" expenses) and reimburses CSI for certain expenses paid on behalf of the Company. The aggregate payments made by the Company to CSI for management fees and reimbursements of expenses during the three and six months ended June 30, 2023 was EUR 6,056 and EUR 6,690 (June 30, 2022 - EUR 6,907 and EUR 8,037 for the three and six months ended). During the three and six months ended June 30, 2023, the Company expensed management fees of EUR 501 and EUR 1,002 (June 30, 2022 – EUR 498 and EUR 996 for the three and six months ended).

The ending payable balance to CSI (included within "Accounts payable and accrued liabilities") as at June 30, 2023 was EUR 1,140 (December 31, 2022 – EUR 624).

Transactions with entities under the control of CSI

The Company also provides professional services to other entities under the control of CSI. The total amount of revenue recognized during the three and six months ended June 30, 2023 (included within "Professional services revenue") relating to such arrangements was EUR 1,909 and 3,894 (June 30, 2022 – EUR 1,651 and EUR 3,000 for the three and six months ended). The ending receivable balance (included within "Accounts receivable") as at June 30, 2023 relating to these arrangements was EUR 787 (December 31, 2022 – EUR 821).

Transactions with Vela Software Group and CSI in conjunction with the acquisition of GeoSoftware and Geoactive:

On October 1, 2021, the Company acquired the assets of GeoSoftware and at that time, CSI provided a non-interest-bearing loan to the Company in the amount of USD \$33,023. The loan was provided in USD (the functional

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currency of GeoSoftware) and is temporary financing until permanent financing is arranged. The loan was originally due on December 31, 2022 and could be repaid by the Company at any time. During the period ended March 31, 2022, the loan agreement was amended to change the due date to July 1, 2023, with the loan becoming interest-bearing at an annual rate of 2% starting July 1, 2022. During the three and six months ended June 30, 2023, the Company recognized interest expense of EUR 152 and EUR 304 relating to this loan. The interest payable as at June 30, 2023 is EUR 607 (December 31, 2022 – EUR 311) and has been included within “Accounts payable and accrued liabilities”. The loan was repaid in July 2023.

During the six months ended June 30, 2023, the Company repaid, net of advancements, EUR 468 (June 30, 2022 - EUR 1,817) of the working capital loan which had previously been provided by the Vela Software Group, an operating group that is owned and controlled by CSI. The ending balance at June 30, 2023 was EUR NIL (included within “Accounts payable and accrued liabilities”) (December 31, 2022 - EUR 390).

During the six months ended June 30, 2023, GeoSoftware and Geoactive reimbursed Vela and CSI for certain expenses primarily related to salaries and benefits incurred by Vela and CSI on behalf of GeoSoftware and Geoactive. The total expenses reimbursed for the six months ended June 30, 2023 was EUR 2,328 (Six months ended June 30, 2022 – EUR 1,023). The amount payable as at June 30, 2023 relating to these amounts was EUR 384 (included within “Accounts payable and accrued liabilities”) (December 31, 2022 – EUR 1,840).

During the three months ended June 30, 2023, the Company paid a pro-rata dividend to the shareholders of Geoactive. A dividend of EUR 726 was paid to Vela.

18. Non-controlling interests

The Company's non-controlling interest at June 30, 2023 is associated with Topicus Coop, an entity domiciled in the Netherlands and certain subsidiaries of Topicus Coop. Topicus Coop's common equity consists of Topicus Coop Ordinary Units. As at June 30, 2023, there were 129,841,818 Topicus Coop Ordinary Units outstanding, which are held by Topicus Coop's unitholders, as follows:

- Topicus: 81,889,763 Topicus Coop Ordinary Units, representing 63.07% equity ownership.
- Joday Group: 39,331,284 Topicus Coop Ordinary Units, representing 30.29% equity ownership.
- Ijssel Group: 8,620,771 Topicus Coop Ordinary Units, representing 6.64% equity ownership

All of the Topicus Coop Ordinary Units held by the Joday Group and Ijssel Group (collectively the “Topicus Coop Exchangeable Units”) are exchangeable, directly or indirectly, for Subordinate Voting Shares. The Topicus Coop Exchangeable Units comprise non-controlling interests in Topicus Coop.

Topicus Coop also has certain subsidiaries that are not owned 100% by Topicus Coop and have a non-controlling interest. In 2021, the Company acquired a 60% interest in GeoSoftware, the remaining 40% is owned by the Vela Software Group. GeoSoftware is domiciled primarily in Europe and North America. On May 16, 2022, the Company also acquired a controlling interest of 72.68% in Sygnity S.A. (“Sygnity”), a company based in Poland. The remaining 27.32% represents non-controlling interest. On July 1, 2022, the Company acquired a controlling interest of 60% in Geoactive, the remaining 40% is owned by the Vela Software Group. Geoactive is domiciled in Scotland.

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The following tables summarize the information relating to the Company's non-controlling interests in Topicus Coop.

As at June 30, 2023

	Topicus Coop (excluding GeoSoftware, Geoactive and Sygnity)	GeoSoftware	Geoactive	Sygnity	Topicus Coop
Current assets	354,200	22,564	10,537	23,089	410,389
Non-current assets	869,989	79,083	21,332	69,388	1,039,793
Total assets	1,224,189	101,647	31,869	92,477	1,450,182
Current liabilities	578,986	49,552	9,743	17,300	655,581
Non-current liabilities	259,683	1,190	4,561	15,000	280,434
Total liabilities	838,669	50,742	14,304	32,300	936,014
Less: Non-controlling interest of Topicus Coop subsidiaries	1,233	20,355	7,024	16,440	45,052
Net assets	384,287	30,550	10,541	43,737	469,115
Net assets allocated to the Ordinary Units of Topicus Coop classified as non-controlling interest					173,205
Add: Non-controlling interest of Topicus Coop subsidiaries					45,052
Total non-controlling interest					218,258

The following tables summarize the information on the condensed consolidated interim statement of income (loss) relating to the Company's non-controlling interests in Topicus Coop.

Three months ended June 30, 2023

	Topicus Coop (excluding GeoSoftware, Geoactive and Sygnity)	GeoSoftware	Geoactive	Sygnity	Topicus Coop
Revenue	247,859	8,018	4,804	11,401	272,083
Expenses	218,053	7,342	3,406	11,834	240,636
Income (loss) before income taxes	29,806	676	1,398	(433)	31,447
Income tax expense	7,089	621	344	(61)	7,993
Net income (loss) prior to non-controlling interest allocation	22,717	55	1,054	(372)	23,454
Less: Non-controlling interest of Topicus Coop subsidiaries	4	22	422	(102)	347
Net income (loss) after allocation of non-controlling interest of Topicus Coop subsidiaries	22,713	33	632	(270)	23,107
Net income (loss) allocated to Ordinary Units of Topicus Coop classified as non-controlling interest					8,533
Add: Non-controlling interest of Topicus Coop subsidiaries					347
Total non-controlling interest					8,880

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	Six months ended June 30, 2023				
	Topicus Coop (excluding GeoSoftware, Geoactive and Sygnity)	GeoSoftware	Geoactive	Sygnity	Topicus Coop
Revenue	488,335	17,830	7,836	22,512	536,513
Expenses	427,353	18,082	6,653	23,511	475,600
Income (loss) before income taxes	<u>60,982</u>	<u>(252)</u>	<u>1,183</u>	<u>(999)</u>	<u>60,913</u>
Income tax expense	14,635	399	1,446	(148)	16,332
Net income (loss) prior to non-controlling interest allocation	<u>46,347</u>	<u>(651)</u>	<u>(263)</u>	<u>(851)</u>	<u>44,581</u>
Less: Non-controlling interest of Topicus Coop subsidiaries	34	(260)	(105)	(233)	(564)
Net income (loss) after allocation of non-controlling interest of Topicus Coop subsidiaries	<u>46,313</u>	<u>(391)</u>	<u>(158)</u>	<u>(619)</u>	<u>45,145</u>
Net income (loss) allocated to Ordinary Units of Topicus Coop classified as non-controlling interest					16,672
Add: Non-controlling interest of Topicus Coop subsidiaries					<u>(564)</u>
Total non-controlling interest					<u>16,108</u>

Financial information on the statement of cash flows for Topicus Coop is as follows for the three and six months ended June 30, 2023:

	Three months ended June 30, 2023				
	Topicus Coop (excluding GeoSoftware, Geoactive and Sygnity)	GeoSoftware	Geoactive	Sygnity	Topicus Coop
Cash flows from (used in) operating activities	(16,513)	(1,528)	1,103	1,572	(15,367)
Cash flows from (used in) in financing activities	59,580	(591)	(1,854)	61	57,197
Cash flows from (used in) investing activities	(66,841)	(188)	-	(67)	(67,096)

	Six months ended June 30, 2023				
	Topicus Coop (excluding GeoSoftware, Geoactive and Sygnity)	GeoSoftware	Geoactive	Sygnity	Topicus Coop
Cash flows from (used in) operating activities	149,880	4,008	3,189	1,549	158,626
Cash flows from (used in) in financing activities	(20,750)	(687)	(1,876)	(2,350)	(25,663)
Cash flows from (used in) investing activities	(96,788)	(507)	-	(93)	(97,388)

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19. Subsequent events

In July 2023 the Company repaid the loan to CSI in the amount of USD \$33,023 (note 17).