

Condensed Consolidated Interim Financial Statements
(In euros)

Topicus.com Inc.

For the three months ended March 31, 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

	March 31, 2023	December 31, 2022	March 31, 2022
Assets			
Current assets:			
Cash	197,265	136,772	217,049
Accounts receivable	143,923	95,790	89,916
Unbilled revenue	47,210	41,036	35,124
Inventories	1,481	1,419	687
Other assets (note 5)	49,574	34,778	35,068
	439,453	309,795	377,844
Non-current assets:			
Property and equipment	19,685	19,579	15,776
Right of use assets	53,933	54,412	54,203
Deferred income taxes	21,133	19,978	7,064
Other assets (note 5)	17,021	17,030	8,250
Intangible assets (note 6)	878,286	874,000	741,528
	990,057	984,999	826,820
Total assets	1,429,510	1,294,794	1,204,665
Liabilities and Shareholders' Equity			
Current liabilities:			
Topicus Revolving Credit Facility and current portion of term and other loans (note 7 and 8)	123,871	201,275	101,688
Loan from CSI (note 17)	30,361	30,867	-
Accounts payable and accrued liabilities	190,889	174,824	153,174
Deferred revenue	288,188	116,989	223,851
Provisions (note 9)	1,081	1,884	1,444
Acquisition holdback payables	10,293	14,009	11,365
Lease obligations	18,384	18,824	16,747
Income taxes payable	14,041	11,467	12,687
	677,109	570,141	520,957
Non-current liabilities:			
Term and other loans (note 8)	44,935	41,280	95,446
Loan from CSI (note 17)	-	-	29,713
Deferred income taxes	154,430	150,521	125,378
Acquisition holdback payables	1,958	2,316	1,531
Lease obligations	36,635	36,634	38,279
Other liabilities (note 5)	26,300	26,118	16,185
	264,258	256,869	306,532
Total liabilities	941,367	827,009	827,490
Shareholders' Equity:			
Capital stock (note 11)	39,412	39,412	39,412
Accumulated other comprehensive income (loss)	(469)	(232)	261
Retained earnings (deficit)	240,820	226,919	179,646
Non-controlling interests (note 18)	208,380	201,685	157,855
	488,143	467,784	377,175
Subsequent events (note 19)			
Total liabilities and shareholders' equity	1,429,510	1,294,794	1,204,665

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 March 31,	
	2023	2022
Revenue		
License	6,977	5,467
Professional services	69,340	50,108
Hardware and other	2,680	2,242
Maintenance and other recurring	185,432	145,949
	264,430	203,767
Expenses		
Staff	150,108	111,895
Hardware	1,578	719
Third party license, maintenance and professional services	20,548	17,475
Occupancy	2,466	1,537
Travel, telecommunications, supplies, software and equipment	9,564	6,098
Professional fees	4,280	3,797
Other, net	6,214	4,419
Depreciation	7,296	6,195
Amortization of intangible assets (note 6)	27,960	22,978
	230,014	175,112
Finance and other expenses (income) (note 12)	4,950	1,731
	4,950	1,731
Income (loss) before income taxes	29,467	26,924
Current income tax expense (recovery) (note 10)	12,328	11,222
Deferred income tax expense (recovery) (note 10)	(3,989)	(4,657)
Income tax expense (recovery)	8,338	6,565
Net income (loss)	21,128	20,359
Net income (loss) attributable to:		
Equity holders of Topicus (note 18)	13,900	11,571
Non-controlling interests (note 18)	7,229	8,788
Net income (loss)	21,128	20,359
Weighted average shares (note 13)		
Basic shares outstanding	81,889,764	79,924,764
Diluted shares outstanding	129,841,819	129,841,819
Earnings (loss) per common share of Topicus (note 13)		
Basic	0.17	0.14
Diluted	0.17	0.14

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 March 31,	
	2023	2022
Net income (loss)	21,128	20,359
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other	(796)	1,427
Other comprehensive (loss) income for the period, net of income tax	(796)	1,427
Total comprehensive income (loss) for the period	20,332	21,786
Total other comprehensive income (loss) attributable to:		
Equity holders of Topicus	(237)	631
Non-controlling interests	(559)	796
Total other comprehensive income (loss)	(796)	1,427
Total comprehensive income (loss) attributable to:		
Equity holders of Topicus	13,663	12,202
Non-controlling interests	6,669	9,584
Total comprehensive income (loss)	20,332	21,786

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

Three months ended March 31, 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)	-	-	-	-	13,900	13,900	7,229	21,128
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other, net of income tax	-	-	-	(237)	-	(237)	(559)	(796)
Total other comprehensive income (loss) for the period	-	-	-	(237)	-	(237)	(559)	(796)
Total comprehensive income (loss) for the period	-	-	-	(237)	13,900	13,663	6,669	20,332
Transactions with owners, recorded directly in equity								
Other movements in non-controlling interests and equity	-	-	-	-	1	1	25	26
Balance at March 31, 2023	-	39,412	-	(469)	240,820	279,763	208,380	488,143

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

Three months ended March 31, 2022

	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, 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)	-	-	-	-	11,571	11,571	8,788	20,359
<i>Other comprehensive income (loss)</i>								
Foreign currency translation differences from foreign operations and other	-	-	-	631	-	631	796	1,427
Total other comprehensive income (loss) for the period	-	-	-	631	-	631	796	1,427
Total comprehensive income (loss) for the period	-	-	-	631	11,571	12,202	9,584	21,786
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 comt	-	-	(23)	10	(53)	(66)	(177)	(243)
Reclassification of other equity to retained earnings (deficit)	-	-	(1,950,242)	-	1,950,242	-	-	-
Balance at March 31, 2022	-	39,412	-	261	179,646	219,320	157,855	377,175

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 March 31,	
	2023	2022
Cash flows from (used in) operating activities:		
Net income (loss)	21,128	20,359
Adjustments for:		
Depreciation	7,296	6,195
Amortization of intangible assets	27,960	22,978
Finance and other expenses (income)	4,950	1,731
Income tax expense (recovery)	8,338	6,565
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 16)	116,599	128,627
Income taxes (paid) received	(12,279)	(10,418)
Net cash flows from (used in) operating activities	173,993	176,037
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(306)	(280)
Interest paid on other facilities	(3,060)	(1,555)
Net increase (decrease) in Topicus Revolving Credit Facility	(10,000)	55,000
Proceeds from issuance of term and other loans	4,277	346
Increase (decrease) in loan from Vela Software Group (note 17)	-	(1,817)
Repayments of term and other loans	(68,445)	(617)
Credit facility transaction costs	(63)	-
Payments of lease obligations	(5,263)	(4,511)
Dividends paid to redeemable preferred securities holders	-	(66,614)
Net cash flows from (used in) in financing activities	(82,860)	(20,048)
Cash flows from (used in) investing activities:		
Acquisition of businesses (note 4)	(24,796)	(13,158)
Cash obtained with acquired businesses (note 4)	972	2,677
Post-acquisition settlement payments, net of receipts	(4,487)	(1,760)
Property and equipment purchased	(1,981)	(2,026)
Net cash flows from (used in) investing activities	(30,292)	(14,267)
Effect of foreign currency on cash and cash equivalents	(348)	(0)
Increase (decrease) in cash	60,493	141,722
Cash, beginning of period	136,772	75,326
Cash, end of period	197,265	217,049

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 months ended March 31, 2023 and 2022

(Unaudited)

Notes to the condensed consolidated interim financial statements

- | | |
|---|--|
| 1. Reporting entity | 11. Shareholders' equity |
| 2. Basis of presentation | 12. Finance and other expense (income) |
| 3. Material accounting policies | 13. Earnings (loss) per share |
| 4. Business acquisitions | 14. Financial instruments |
| 5. Other assets and other non-current liabilities | 15. Contingencies |
| 6. Intangible assets | 16. Changes in non-cash operating assets and liabilities |
| 7. Revolving credit facility | 17. Related parties |
| 8. Term and other loans | 18. Non-controlling interests |
| 9. Provisions | 19. Subsequent events |
| 10. Income taxes | |

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 months ended March 31, 2023 and 2022

(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 March 31, 2023 and March 31, 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 May 4, 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)

Three months ended March 31, 2023 and 2022

(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 three-month period ended March 31, 2023, the Company completed acquisitions for aggregate cash consideration of EUR 24,796 less expected vendor holdback receivables of EUR 2,082 and contingent consideration with an estimated acquisition date fair value of EUR 1,049 resulting in total consideration of EUR 23,763. The obligation for contingent consideration for acquisitions during the three months ended March 31, 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 1,800. Aggregate contingent consideration liability at March 31, 2023 of EUR 21,698 (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. An expense of EUR 807 has been recorded for the three months ended March 31, 2023, as a result of such changes (expense of EUR 1,810 for the three months ended March 31, 2022).

None of the acquisitions completed during the three-month period ended March 31, 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 three-month period ended March 31, 2023 include software companies catering to the insurance vertical, 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)

Three months ended March 31, 2023 and 2022

(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 4,835 however, the Company has recorded an allowance of EUR nil 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 three quarters of 2022 and the first quarter 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 165,466.

The aggregate impact of acquisition accounting applied in connection with the business acquisitions in the three-month period ended March 31, 2023 is as follows:

Assets acquired:	
Cash	972
Accounts receivable	4,835
Other current assets	1,644
Property and equipment	335
Right of use assets	195
Other non-current assets	224
Deferred income taxes	527
Technology assets	15,000
Customer assets	13,900
	<hr/>
	37,633
Liabilities assumed:	
Current liabilities	6,423
Deferred revenue	2,703
Deferred income taxes	7,225
Long-term lease obligations	130
Other non-current liabilities	500
	<hr/>
	16,980
Non-controlling interest	-
Goodwill	3,110
	<hr/>
Total consideration	23,762

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 months ended March 31, 2023 and 2022

(Unaudited)

The 2023 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income (loss) for the three months ended March 31, 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.

5. Other assets and other non-current liabilities

(a) Other assets

	March 31, 2023	December 31, 2022
Prepaid expenses and other current assets	33,410	26,565
Sales tax receivable	3,118	1,466
Equity securities held for trading	2	2
Other receivables	13,044	6,746
Total other current assets	49,574	34,778
Costs to obtain a contract	76	92
Non-current trade and other receivables and other assets	14,822	14,808
Equity accounted investees	2,122	2,130
Total other non-current assets	17,021	17,030

(b) Other non-current liabilities

	March 31, 2023	December 31, 2022
Contingent consideration	15,195	15,062
Deferred revenue	2,289	2,686
Other non-current liabilities	8,815	8,370
Total other non-current liabilities	26,300	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 months ended March 31, 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	15,000	13,900	-	4,337	33,237
Effect of movements in foreign exchange and other	(536)	(365)	-	(89)	(991)
Balance at March 31, 2023	513,882	606,318	25,406	226,596	1,372,202
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	13,941	13,702	317	-	27,960
Impairment charge	-	-	-	-	-
Balance at March 31, 2023	287,277	201,542	5,080	18	493,917
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 March 31, 2023	226,605	404,776	20,326	226,579	878,286

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 months ended March 31, 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 March 31, 2023, EUR 120,000 (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 117,184 (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 March 31, 2023, the carrying amount of costs relating to this Topicus Revolving Credit Facility totaled EUR 2,816 (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	
	March 31, 2023	December 31, 2022
Principal outstanding (and equal to fair value)	52,617	116,650
Deduct: Carrying value of transaction costs included in debt balance	(995)	(1,187)
Carrying value	51,622	115,463
Current portion	6,687	74,182
Non-current portion	44,935	41,280

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

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 months ended March 31, 2023 and 2022

(Unaudited)

Year	Term Debt Facilities
2023	3,026
2024	5,571
2025	35,290
2026	6,724
2027	1,852
2028	63
2029	63
2030	31
	<u>52,617</u>

9. Provisions

At January 1, 2023	1,884
Reversal	(88)
Provisions recorded during the period	418
Provisions used during the period	(1,135)
Effect of movements in foreign exchange and other	1
At March 31, 2023	<u>1,081</u>
Provisions classified as current liabilities	1,081
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 months ended March 31, 2023 was 28% (24% for the three months ended March 31, 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

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 months ended March 31, 2023 and 2022

(Unaudited)

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.

11. Shareholders' Equity

	Common Stock	
	Number	Amount
March 31, 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 March 31, 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 expense (income)

	Three months ended March 31,	
	2023	2022
Interest expense on debt	3,195	2,235
Interest expense on lease obligations	306	280
Amortization of debt related transaction costs	346	162
Share in net (income) loss of equity investee	0	2
Foreign exchange loss (gain)	632	155
Other finance costs (income)	471	(1,103)
Finance costs and other	4,950	1,731

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 months ended March 31, 2023 and 2022

(Unaudited)

13. Earnings (loss) per share

Basic and diluted earnings (loss) per share

	Three months ended March 31,	
	2023	2022
Basic earnings (loss) per share:		
Numerator:		
Net income (loss) attributable to equity holders of Topicus	13,900	11,571
Denominator:		
Weighted average basic shares outstanding	81,889,764	79,924,764
Earnings (loss) per share		
Basic	0.17	0.14
Diluted earnings (loss) per share:		
Numerator:		
Net income (loss) attributable to the ordinary equity holders of Topicus	13,900	11,571
Add: Net income (loss) attributable to the non-controlling interest holders of Topicus Coop	8,139	9,292
Net income (loss) to be used for diluted earnings per share	22,039	20,863
Denominator:		
Weighted average basic shares outstanding	81,889,764	79,924,764
Add: Effect of dilutive shares	47,952,055	49,917,055
Weighted average diluted shares outstanding	129,841,819	129,841,819
Earnings (loss) per share		
Diluted	0.17	0.14

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).

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 months ended March 31, 2023 and 2022

(Unaudited)

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 March 31, 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.

	March 31, 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	-	-	21,698	21,698	-	-	20,034	20,034
	<u>-</u>	<u>-</u>	<u>21,698</u>	<u>21,698</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 March 31, 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.

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 months ended March 31, 2023 and 2022
(Unaudited)

Contingent Consideration

Balance at January 1, 2023	20,034
Increase from business acquisitions	1,049
Cash recoveries (payments)	(186)
Charges (recoveries) through profit or loss	807
Foreign exchange and other movements	(6)
Balance at March 31, 2023	21,698
Contingent consideration classified as current liabilities	6,502
Contingent consideration classified as other non-current liabilities	15,195

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.

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 months ended March 31, 2023 and 2022

(Unaudited)

16. Changes in non-cash operating assets and liabilities

	Three months ended	
	March 31,	
	2023	2022
Decrease (increase) in current accounts receivable	(44,310)	(16,236)
Decrease (increase) in current unbilled revenue	(5,294)	(2,294)
Decrease (increase) in other current assets	(9,734)	(6,889)
Decrease (increase) in inventories	(61)	(107)
Decrease (increase) in other non-current assets	(447)	(1,660)
Increase (decrease) in other non-current liabilities	(347)	2,436
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	9,025	15,229
Increase (decrease) in current deferred revenue	168,650	138,616
Increase (decrease) in current provisions	(883)	(468)
Change in non-cash operating working capital	116,599	128,627

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 months ended March 31, 2023 was EUR 634 (March 31, 2022 - EUR 1,130 for the three months ended). During the period, the Company expensed management fees of EUR 501 for the three months ended March 31, 2023 (March 31, 2022 – EUR 498 for the three months ended).

The ending payable balance to CSI (included within "Accounts payable and accrued liabilities") as at March 31, 2023 was EUR 6,041 (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 months ended March 31, 2023 (included within "Professional services revenue") relating to such arrangements was EUR 1,985 (March 31, 2022 – EUR 1,349 for the three months ended). The ending receivable balance (included within "Accounts receivable") as at March 31, 2023 relating to these arrangements was EUR 1,019 (December 31, 2022 – EUR 821).

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 months ended March 31, 2023 and 2022

(Unaudited)

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

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 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 December 31, 2022, the loan agreement was amended. The loan is now due on July 1, 2023, with the loan becoming interest-bearing at an annual rate of 2% starting July 1, 2022. The loan can be repaid by the Company at any time. During the three months ended March 31, 2023, the Company recognized interest expense of EUR 152 relating to this loan. The interest payable as at March 31, 2023 is EUR 456 (December 31, 2022 – EUR 311) and has been included within “Accounts payable and accrued liabilities”

During the three months ended March 31, 2023, the Company repaid, net of advancements, EUR nil (March 31, 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 March 31, 2023 was EUR 390 (included within “Accounts payable and accrued liabilities”) (December 31, 2022 - EUR 390). The amount is non-interest bearing and is due on demand.

During the three months ended March 31, 2023, Geosoftware reimbursed Vela and CSI for certain expenses incurred by Vela and CSI on behalf of Geosoftware. The amount payable as at March 31, 2023 relating to these amounts was EUR 2,206 (included within “Accounts payable and accrued liabilities”) (December 31, 2022 – EUR 1,840).

18. Non-controlling interests

The Company’s non-controlling interest at March 31, 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 March 31, 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 Subsurface/GeoActive, the remaining 40% is owned by the Vela Software Group. Subsurface/GeoActive is domiciled in Scotland.

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 months ended March 31, 2023 and 2022

(Unaudited)

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

As at March 31, 2023

	Topicus Coop (excluding Geosoftware, GeoActive and Sygnity)	Geosoftware	GeoActive	Sygnity	Topicus Coop
Current assets	382,111	25,707	11,231	20,396	439,445
Non-current assets	818,254	80,346	21,723	69,735	990,057
Total assets	1,200,365	106,053	32,954	90,130	1,429,502
Current liabilities	594,839	53,956	9,831	18,425	677,051
Non-current liabilities	243,864	1,182	4,767	14,445	264,258
Total liabilities	838,703	55,138	14,598	32,871	941,310
Less: Non-controlling interest of Topicus Coop subsidiaries	1,217	20,357	7,342	15,643	44,560
Net assets	360,444	30,558	11,014	41,616	443,633
Net assets allocated to the Ordinary Units of Topicus Coop classified as non-controlling interest					163,820
Add: Non-controlling interest of Topicus Coop subsidiaries					44,560
Total non-controlling interest					208,380

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 March 31, 2023

	Topicus Coop (excluding Geosoftware, GeoActive and Sygnity)	Geosoftware	GeoActive	Sygnity	Topicus Coop
Revenue	240,476	9,812	3,032	11,111	264,430
Expenses	209,300	10,740	3,247	11,677	234,964
Income (loss) before income taxes	31,176	(928)	(215)	(566)	29,466
Income tax expense	7,546	(222)	1,102	(87)	8,339
Net income (loss) prior to non-controlling interest allocation	23,630	(706)	(1,317)	(479)	21,128
Less: Non-controlling interest of Topicus Coop subsidiaries	30	(282)	(527)	(131)	(911)
Net income (loss) after allocation of non-controlling interest of Topicus Coop subsidiaries	23,600	(424)	(790)	(348)	22,038
Net income (loss) allocated to Ordinary Units of Topicus Coop classified as non-controlling interest					8,139
Add: Non-controlling interest of Topicus Coop subsidiaries					(911)
Total non-controlling interest					7,229

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 months ended March 31, 2023 and 2022

(Unaudited)

Financial information on the statement of cash flows for Topicus Coop is as follows for the three months ended March 31, 2023:

	Three months ended March 31, 2023				
	Topicus Coop (excluding Geosoftware, GeoActive and Sygnity)	Geosoftware	GeoActive	Sygnity	Topicus Coop
Cash flows from (used in) operating activities	166,393	5,536	2,086	(23)	173,993
Cash flows from (used in) in financing activities	(80,330)	(96)	(22)	(2,411)	(82,860)
Cash flows from (used in) investing activities	(29,947)	(319)	-	(26)	(30,292)

19. Subsequent events

Subsequent to March 31, 2023, the Company entered into or completed agreements to acquire certain businesses for aggregate cash consideration of EUR 35,487 on closing plus total estimated deferred payments of EUR 4,871 for total consideration of EUR 40,358. The business acquisitions operate in the horticulture, healthcare, vehicle tracking and financial services verticals.