European company with a capital of 3,440,698.53 €
Registered office: 46 Colebrooke Row, London

Condensed consolidated financial statements for the six-month period ended June 30,2017

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2017

CONSOLIDATED STATEMENT OF INCOME

(in thousands of euros)	2016 6 months	2017 6 months	Notes
Revenue	102 214	113 934	
Other revenue	381	14	
Total revenue	**102 595**	**113 948**	Note 7
Cost of sales	(68 235)	(75 949)	
Gross margin	**34 360**	**37 999**	
Commercial costs	(6 965)	(8 071)	
Administrative costs	(22 191)	(25 153)	
Restructuring costs	(655)	(557)	
Other income and operating expenses	(276)	(893)	Note 14
Operating result	**4 273**	**3 325**	
Cost of gross financial debt	(195)	(948)	
Interest income on cash and cash equivalents	395	39	
Other financial income and expenses, net	(261)	(840)	
Net income before tax from continuing business	**4 212**	**1 576**	
Income tax expense	(1 812)	(1 805)	Note 8
Income (loss) from discontinued operations (*)	(2 526)	(475)	
Net income (loss) attributable to equity holders of the parent	**(126)**	**(704)**	
Average number of basic shares	*26 573*	*27 025*	Note 9
Average number of fully diluted shares	*29 869*	*29 629*	
Earnings per basic share (in euros)	(0,00)	(0,01)	Note 9
Earnings per diluted share (in euros)	(0,00)	(0,01)	

(*) On January 1, 2016, Valtech disposed of its business assets which were held by Valtech Services. The share in net loss from discontinued operations related to this disposal for the half year ended June 30th 2017 and 2016 amounts to €475 thousand and €2.526 thousand respectively, presented separately on the face of the income statement as required by IFRS 5 - Noncurrent assets held for sale and discontinued operations. The share in net loss from discontinued operations 2017 refers to legal fees related to the sold business.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	2016 6 months	2017 6 months
Net Income for the period	(126)	*(704)*
Foreign currency translation adjustments	(1 220)	*(894)*
Items that will not be reclassified to the statement of income	***(1 346)***	**(1 598)**
Actuarial gains/losses on retirement allowances	-	-
Items that will be reclassified to the statement of income	-	-
Total comprehensive income (loss) attributable to equity holders of the parent	**(1 346)**	**(1 598)**
Total comprehensive income (loss) attributable to non-controlling interests	**-**	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousand euros)	December 31st 2016	June 30th 2017	Notes
Goodwill	28 247	45 452	Note 10
Intangible assets, net	11 111	18 374	
Tangible assets, net	7 411	8 090	
Non-current financial assets, net	2 754	3 035	
Deferred tax assets	3 559	3 294	
Non-current assets	**53 082**	**78 245**	
Account receivables and related accounts	57 950	64 842	
Other current assets	10 838	13 806	
Cash and cash equivalents	48 577	27 887	
Current assets	**117 365**	**106 535**	
TOTAL ASSETS	**170 447**	**184 780**	

	December 31st 2016	June 30th 2017	Notes
Capital	3 333	3 440	Note 11
Reserves	56 014	61 012	
Net income attributable to equity holders of the parent	4 182	(704)	
Equity attributable to equity holders of the parent	**63 529**	**63 748**	
Equity	**63 529**	**63 748**	
Provision for risk and expenses - non-current portion	563	529	Note 13
Pensions and serverance pay on retirement	1 009	986	Note 13
Borrowings from credit institutions - non-current portion	42 506	42 558	
Other financial debt (*)	3 287	16 290	
Other debt	-	74	
Deferred tax liabilities	3 013	4 841	
Non-current liabilities	**50 378**	**65 278**	
Provision for risk and expenses - current portion	1 456	1 277	Note 13
Borrowings from credit institutions - current portion	777	1 680	Note 15
Overdraft from credit institutions - current portion	-	1 616	
Accounts payable and related accounts	19 676	23 427	
Financial liabilities - current portion (*)	34 631	27 754	
Current liabilities	**56 540**	**55 754**	
TOTAL LIABILITIES	**170 447**	**184 780**	

(*) €3.287 thousand December 31st 2016, referring to debt related to acquisitions, reported as Financial liabilities – current portion in the financial statement for the full year 2016 has been moved to Other financial debt.

CONSOLIDATED STATEMENT OF CASH-FLOW

(in thousand euros)	June 30th 2016	June 30th 2017
Net income	(126)	(704)
- Depreciation and amortization, net	1 448	2 827
- Increase (decrease) in provision for loss	1 323	(229)
- Capital losses (gains) on disposal of assets	943	2
- Share-based compensation expense	611	518
Financial expenses	13	909
Change in income tax for the period	1 951	713
Change in deferred tax for the period	(139)	(221)
Income tax paid	(1 951)	87
Net change in working capital	(6 946)	(10 933)
Net cash provided (used) by operating activities	**(2 873)**	**(7 031)**
Acquisition of tangible assets	(2 118)	(1 630)
Acquisition of intangible assets	(364)	(3 361)
Proceeds from sale on non-current assets	-	116
Payment for acquired businesses, net of cash acquired	(440)	(21 718)
Increase (decrease) of the financial investments	167	(204)
Net cash provided (used) by investing activities	**(2 755)**	**(26 797)**
Interest paid	(13)	(909)
Cash received from capital increase	(0)	11 699
Cash received from exercise of share-based options	-	392
Issuance (repayment) of financial liabilities	4 915	947
Cash paid to redeem shares	-	-
Net cash provided (used) by financing activities	**4 902**	**12 129**
Impact of changes in foreign exchange rates	(89)	(132)
Increase (decrease) in cash and cash equivalent	**(815)**	**(21 831)**
Cash flow from operations being discontinued	(490)	(475)
Overall net cash flow	(1 305)	**(22 306)**
Cash and cash equivalents at the beginning of the period (*)	17 577	48 577
Cash and cash equivalents at the end of the period (*)	16 272	26 271

(*) Cash and cash equivalents in the cash-flow equals the net of Cash and cash equivalents and Overdraft from credit institutes – current portion, reported in the consolidated statement of financial position.

Cash and cash equivalents in the table of consolidated cash flows, include cash (cash on hand and demand deposits) as well as cash equivalents (short-term, highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value).

(in thousand euros)	June 30th 2016	June 30th 2017
Cash and cash equivalent	17 417	27 887
Overdraft	(1 145)	(1 616)
Total	**16 272**	**26 271**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

The change in equity in the first half of 2016 and 2017 can be presented as follows:

(in thousand euros)	Number of shares	Capital	Additional paid-in capital	Reserves	Deferred share-based compensation	Net income	Treasury shares	Translation difference	Total group share	Minority interests	Total
On 31 December 2015	**27 503 262**	**3 331**	**102 437**	**(48 736)**	**4 395**	**5 418**	**(6 877)**	**(810)**	**59 158**	**-**	**59 158**
Appropriation of income		-	-	5 418	-	(5 418)	-	-	-	-	-
Net income for the period		-	-	-	-	(126)	-	-	(126)	-	(126)
Gains and losses recognized in equity		-	-	-	-	-	-	(1 220)	(1 220)	-	(1 220)
		-									
Overall result		**-**	**-**	**-**	**-**	**(126)**	**-**	**(1 220)**	**(1 346)**	**-**	**(1 346)**
Share based compensation		-	-	-	610	-	-	-	610	-	610
Increase in capital	(929 721)	-	(6 912)	-	-	-	6 877	-	(35)	-	(35)
Purchase of treasury shares									-	-	-
Dividends paid		-		-	-	-	-	-	-	-	-
Total of transactions with the shareholders	**(929 721)**	**-**	**(6 912)**	**-**	**610**	**-**	**6 877**	**-**	**575**	**-**	**575**
On 30 June 2016	**26 573 541**	**3 331**	**95 525**	**(43 318)**	**5 005**	**(126)**	**-**	**(2 030)**	**58 387**	**-**	**58 387**
On 31 December 2016	**26 591 970**	**3 331**	**102 437**	**(43 318)**	**5 435**	**4 182**	**(6 877)**	**(1 661)**	**63 529**	**-**	**63 529**
Appropriation of income		-	-	4 182	-	(4 182)	-	-	-	-	-
Net income for the period		-	-	-	-	(704)	-	-	(704)	-	(704)
Gains and losses recognized in equity		-	-	-	-	-	-	(894)	(894)	-	(894)
Overall result	-	-	-	4 182	-	(4 886)	-	(894)	(1 598)		(1 598)
Share based compensation		-	-	-	518	-	-	-	518	-	518
Increase in capital	857 339	109	11 982	-	-	-	-	-	12 091	-	12 091
Put on treasury shares		-	-	-	-	-	(10 792)	-	(10 792)	-	(10 792)
Dividends paid		-	-	-	-	-	-	-	-	-	-
Total of transactions with the shareholders	**857 339**	**109**	**11 982**	**-**	**518**	**-**	**(10 792)**	**-**	**1 817**	**-**	**1 817**
On 30 June 2017	**27 449 309**	**3 440**	**114 419**	**(39 136)**	**5 953**	**(704)**	**(17 669)**	**(2 555)**	**63 748**	**-**	**63 748**

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the consolidated financial statements form an integral part of such consolidated financial statements (notes 5 to 9 primarily relate to the statement of income and notes 10 to 17 primarily relate to the consolidated statement of financial position), which are herein referred to as the "Consolidated Financial Statements".

NOTE 1 – Basis of preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the six month period ended June 30, 2017 are prepared in accordance with IAS 34 relating to the preparation of interim financial statements in addition to international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and in force on June 30,2017.

The term “IFRS” refers collectively to international accounting and financial reporting standards (IASs and IFRSs) and to interpretations of the interpretations committees (International Financial Reporting Interpretations Committee: IFRIC and Standing Interpretations Committee: SIC),

The interim condensed consolidated financial statements should be read in conjunction with the Group’s 2016 annual consolidated financial statements.
The interim condensed consolidated financial statements are prepared in accordance with the same accounting policies and methods as for December 31, 2016, subject to the specifics of IAS 34, which requires the disclosure of selected explanatory notes only.

NEW STANDARDS, AMENDMENTS AND INTERPRETATION IMPLEMENTED IN THE INTERIM CONDENSED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017

The application from January 1, 2017 of news standards have no material impact on the Group’s consolidated financial statement:

- Amendments to IAS 7 – *Statement of cash flows;*
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses;
- Amendments to IFRS 2 – *Classification and measurement of share-based payment transactions;*
- Amendments to IFRS 4 – *Applying IFRS 9 with IFRS 4;*
- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration;*
- IFRIC 23 – *Uncertainty over Income Tax Treatment;*
- Annual improvement cycle 2014-2016

The Group elected not to early adopt any new standard that may impact the Group’s consolidated financial statements

1. IFRS 15 - *Revenue from Contracts with Customers* (January 1, 2018): published in May 2014, provides a new framework for recognizing revenue. IFRS 15 will replace the current standards on revenue recognition, in particular IAS 18 - Revenue, IAS 11 - Construction Contracts and the associated interpretations when it becomes applicable.

The standard will be applicable to annual periods beginning on or after January 1, 2018 and is permitted to be applied retrospectively using one of two methods: either by calculating the cumulative effect of the new method at the opening date of initial application, or by restating the comparative periods presented.

The new standard will primarily impact the recognition of revenues from fixed price projects that include milestones. As this time, the Group is currently assessing the potential impact of the standard.

2. IFRS 9 - Financial Instruments (January 1, 2018): modifies the recognition and measurement for hedging operations and the major accounting categories of financial assets and liabilities. IFRS 9 also modifies the recognition of credit risk on financial assets by considering expected losses versus the losses incurred. Given the nature of the Group’s transactions, no significant impact is expected.

3. IFRS 16 - Leases (January 1, 2019): this standard on the accounting for leases will be applicable for reporting periods beginning January 1, 2019. It is to be applied retrospectively either on the first application date or on the opening date of the comparative year presented. This standard mainly changes the accounting for leases of tenants with the recognition of an asset and a liability representing the right to use upon delivery of the leased asset by the lessor. The standard thus introduces a new basis of separation between contracts with suppliers, based on a new accounting definition of a lease and a service contract.

The group has not applied in advance any of the standards, interpretations and amendments adopted or being adopted by the European Union and whose mandatory application is subsequent to June 30, 2017. The impact of these standards on the Group’s results and financial situation is being evaluated.

USE OF ESTIMATES AND JUDGEMENTS

Assumptions on which key estimates are based are the same as those described in Note 1.5 - *Use of estimates* of the consolidated financial statements for the year ended December 31, 2016.

Seasonal, cyclical or occasional income of the Group are anticipated or deferred in the half-yearly consolidated financial statements only if such an adjustment would be made in the yearly financial statements.

For the condensed interim consolidated statements, the income tax expense (current and deferred) is calculated by applying the estimated average annual tax rate to the accounting income of the period, for the current fiscal year for each entity or tax group.

To prepare the Group's financial statements, Valtech's management must make estimates and assumptions that may affect the financial statements of future fiscal years. The group revises its estimates and assessments on a regular basis to take into account past experience and other factors deemed relevant in light of the economic environment. Depending on the evolution of these assumptions and environment, the amounts in future financial statements may differ from current estimates.

The main sections of the financial statements that may be subject to estimates are the following:

- Allowance of uncollectible accounts receivable;
- impairment of goodwill, subject to impairment testing which is based primarily on assumptions of future cash flows, discount rates and terminal values based on rates of long-term growth,
- Evaluation of earn-out payments to be made,
- Deferred taxes and tax expenses,
- valuation of assets and liabilities related to pension obligations through the recognition of actuarial assumptions in effect as of the closing date (discount rate, wage evolution rate, inflation rate and mortality rate),
- valuation of financial instruments,
- recognition of deferred tax assets related to tax loss carry forwards
- provisions for litigation and related assumptions underlying the assessment of the legal position and the measurement of risks

Note 2 – Change in scope

Since June 30th 2016 the following new entities have entered the consolidation:

- eFocus (Valtech B.V.) - Netherlands
- People Interactive - Germany
- El Chalten – Ukraine
- Non Linear group of companies – Canada, US, Brazil and United Kingdom
- Valtech Inside - Ukraine
- Valtech China - China

Note 3 – Significant events of the first half of 2017

SIMPLIFIED TENDER OFFER

On January 9, 2017, Valtech S.E's controlling shareholder, SiegCo, which held, in conjunction with the group Verlinvest, 91,40% of the capital, presented a project for a simplified tender offer for Valtech shares, at a price of €12.50 per share, to Valtech's Board of Directors, which approved it.

In accordance with the applicable regulations, SiegCo, via Oddo & Cie, filed with the French Financial Markets Authority (Autorité des Marchés Financiers) on January 10, 2017, a simplified tender offer for the existing shares not held by SiegCo or Verlinvest.

When the Offer was actually open on February 2, 2017, Siegco and Verlinvest held together 93.79% of the capital. Therefore, the Offer covered a maximum of (i) 1,653,104 existing shares, representing 6,3% of the capital and theoretical voting rights of Valtech and (ii) 308,056 shares which might be issued upon exercise of warrants, i.e. a maximum number of 1,961,160 shares.

In compliance with Section 75 of Valtech's statutes, the Offer allowed the possibility for Siegco to ask for the issuance of a Remainder Sale Notice, pursuant to which the remaining minority shareholders could be requested to sell their shares to Siegco at the price of the Offer, i.e. at €12.50 per share.

After the Offer which was open from February 2 to 15, 2017 and the enforcement of the Compulsory Transfer Clause, Siegco and Verlinvest held 100% of Valtech S.E.'s capital.

The Company has been unlisted on March 8, 2017 from the Euronext Stock Exchange.

ACQUISITION OF PEOPLE INTERACTIVE

On January 30, 2017, Valtech acquired the German company People Interactive. Founded in 1999, in Cologne, Germany, People Interactive is a digital creative agency, employing 80 employees and generating €10 million in sales.

People Interactive is consolidated in the Valtech accounts as of February 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €6.5 million upon closing with a €0.7 million holdback payment and subsequently paid them €3.6 million in shares of Valtech S.E. Subject to certain exceptions and the achievement of certain targets, the sellers are also entitled to receive €3.6 million in cash in December 2017. The total consideration is €14.8. The determination of the fair value of assets acquired and liabilities assumed is ongoing. The fair value of net assets acquired is estimated to amount to €4,772 thousand, out of which 4,237 relate to intangible assets identified when performing the purchase price allocation analysis. The goodwill resulting from this transaction is estimated to be €10.0 million, see note 10 to our consolidated financial statement.

ACQUISITION OF EL CHALTEN

On March 31, 2017, Valtech acquired the British company El Chalten Ltd, a leader in ecommerce platform development with around 100 employees in Ukraine. El Chalten Ltd is consolidated in the Valtech accounts as of April 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €0.9 million upon closing with a €0.5 million holdback payment. An additional €1.2 million will be paid in shares of Valtech S.E on or before December 31st 2017. The determination of the fair value of assets acquired and liabilities assumed is ongoing, and when performing the purchase price allocation analysis no value related to intangible assets has been identified. The preliminary goodwill resulting from this transaction is estimated at €2.6 million, see note 10 to our consolidated financial statement.

ACQUISITION OF NONLINEAR

On June 1st, 2017, Valtech acquired the company Nonlinear, with offices in three countries, Canada, Brazil and United Kingdom. This digital agency has 80 employees with digital experience around Sitecore solutions and Microsoft. Nonlinear is consolidated in the Valtech accounts as of June 1st, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €4.5 million upon closing with a €0.4 million holdback payment. An additional €3.3 million will be paid in shares of Valtech S.E on or before December 31st, 2019. The sellers are also entitled to receive €3.6 million in cash in December 2017. The total consideration is €8.3 million. The determination of the fair value of assets acquired and liabilities assumed is ongoing. The fair value of net assets acquired is estimated to amount to €3,162 thousand, out of which 2,387 relate to intangible assets identified when performing the purchase price allocation analysis The goodwill resulting from this transaction is estimated to be €5.3 million, see note 10 to our consolidated financial statement.

Apart from these, no other significant event occurred during the first half of the year, likely to have had an impact on the interim financial statements.

INCREASE IN CAPITAL

On April 27th the board of Valtech decided to issue 784.264 new shares, as part of the payment for the acquisitions of Neon, Graion, Efocus, People Interactive and El Chalten. The issue of new shares meant an increase in capital with €11.763.960

Note 4 – Employees

Number of full time employees on June 30, 2017 is 1.936 employees against 1,698 employees on 31 December 2016 and 1.520 employees on 30th June 2016.

Note 5 – Events subsequent to June 30th 2017

LISTING OF BONDS

Bonds of a total nominal amount of €42,5 million bearing interest at 4,25% per annum and maturing on 27 July 2022 were issued by Valtech SE on 27 July 2016.

On 24 July 2017 the Bonds have been listed on the Luxembourg Stock Exchange for listing on the Euro MTF market. The Euro MTF market is not a regulated market within the meaning of Directive 2004/39 / EC on markets in financial instruments. The listing has not impact on the interim statements.

NEW ISSUE OF BONDS

On October 17th Valtech issued bonds in principal amount of € 33 million The bond carries a fixed annual interest rate of 4.5% with a maturity period of 7 years. The purpose of the issue is to support Valtech´s future growth. The notes will be listed on the Euro MTF maintained by the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF.

The issue has no impact on the interim statements.

ACQUISITION OF CODEHOUSE A/S

On November 1st, 2017, Valtech acquired the company Codehouse A/S in Denmark. Codehouse has a team of 21 people working on Sitecore, with office in Copenhagen. Codehouse is consolidated in the Valtech accounts as of November 1st, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €0.8 million upon closing with a €0.5 million holdback payment and a €0.9 million escrow payment. An additional €1.0 million will be paid in shares of Valtech S.E on March 30st 2018. The total consideration is €3.2 million. The determination of the fair value of assets acquired and liabilities assumed is ongoing.

The acquisition of Codehouse has no impact on the interim statements.

No other significant event occurred after the closing date of June 30, 2017 affecting the interim financial statements.

NOTE 6 – Business segment information

The Group's business segment information on June 30, 2017 and 2016 is presented as follows:

30/06/2016														
	Corp.	FR	SW	DK	UK	GE	NL	USA	AU	CA	IN	Others	Interco elim.	Total
Revenue with third parties	-	15 594	18 751	7 128	16 691	20 342	-	14 778	2 646	3 861	1 646	1 158	-	**102 595**
Intercompany revenue	-	1 094	279	456	117	249		594	125	143	4 325	339	-	**7 721**
Total of revenue	-	**16 688**	**19 030**	**7 584**	**16 808**	**20 591**	-	**15 372**	**2 771**	**4 004**	**5 971**	**1 497**	-	**110 316**
Operating income	**(2 932)**	**(740)**	**1 998**	**761**	**1 233**	**2 973**		**396**	**(260)**	**342**	**737**	**(235)**	-	**4 273**
Interest income and (expense), net	**(16)**	-	**3**	**(44)**	**(22)**	-	-	-	**(2)**	-	-	-	-	**(81)**
Income tax income and (expense), net	**(12)**	**(9)**	**(466)**	**(175)**	**(257)**	**(1 034)**	-	**187**	-	**(90)**	**44**	-	-	**(1 812)**
Goodwill (net value)		**2 037**	**753**	**445**	-	**2 042**	-	**4 779**	**1 095**	**1 785**	**2 735**	**743**	-	**16 414**
Fixed assets (net value)	**1 209**	**959**	**542**	**787**	**549**	**874**	-	**2 502**	**66**	**297**	**1 220**	**201**	-	**9 206**
Average workforce		**265**	**233**	**98**	**106**	**165**	-	**134**	**35**	**58**	**492**	**18**	-	**1 604**

30/06/2017														
	Corp.	FR	SW	DK	UK	GE	NL (1)	USA	AU	CA	IN	Others(*)	Interco elim.	Total
Revenue with third parties	-	14 499	16 300	7 886	14 184	26 016	12 197	11 844	1 990	3 836	652	4 544	-	**113 948**
Intercompany revenue	70	1 225	269	1 210	93	463	901	831	83	140	4 734	1 973	(11 992)	-
Total of revenue	**70**	**15 724**	**16 569**	**9 096**	**14 277**	**26 479**	**13 098**	**12 675**	**2 073**	**3 976**	**5 386**	**6 517**	**(11 992)**	**113 948**
Operating income	**(1 208)**	**236**	**1 289**	**1 094**	**1 199**	**2 256**	**704**	**(696)**	**(930)**	**217**	**175**	**(1 011)**	-	**3 325**
Interest income and (expense), net	-	**(11)**	**4**	**(22)**	**(4)**	-	**(1)**	-	-	-	-	-	**(5)**	**(39)**
Income tax income and (expense), net	**(10)**	**(6)**	**(319)**	**(248)**	**(207)**	**(769)**	**(115)**	**(15)**	-	**(88)**	**(9)**	**(19)**	-	**(1 805)**
Goodwill (net value)	-	**2 037**	**735**	**446**	-	**12 070**	**11 415**	**4 648**	**1 101**	**7 016**	**2 780**	**3 204**	-	**45 452**
Fixed assets (net value)	**3 414**	**198**	**857**	**879**	**2 730**	**5 145**	**8 519**	**3 293**	**101**	**1 828**	**1 459**	**1 076**	-	**29 499**
Average workforce	-	**185**	**234**	**95**	**95**	**247**	**196**	**116**	**36**	**72**	**488**	**172**	-	**1 936**

(*) Operating income for Valtech Services US (business sold on January 1st 2016) is included in Others

NOTE 7 – Revenue recognition

The revenue corresponds to the amount of the services provided by the Group and the income from sale of licenses. The method of recognition of revenue depends on the nature of services:

• Time and materials service

The revenue of 'time and materials' services is recognized as and when services are provided under IAS 18 – *Revenue*

• Fixed price projects

In cases where contracts are concluded in fixed price project mode with a contractual obligation to deliver a specific outcome, revenues and expenses are recorded in accordance with IAS 18 – *Revenue* using the method of progress defined by the IAS 11- *Construction Contracts* standard with the following features:

- when the result of a contract can be estimated reliably, income and expenses are recorded depending on the stage of completion of the contract at the closing date,
- when the result of a contract cannot be estimated reliably, revenue is recorded to the extent of the costs incurred if it is likely that these costs will be recovered,
- when the projected cost price of a contract exceeds the contractual revenue, a provision for onerous contract is recorded for the extent of the difference.

NOTE 8 – Income tax expense

As part of the interim financial statements, the income tax expense was estimated using an average effective rate prevailing in each country before consideration of tax losses which can be carried-forward and tax credits attributable to the fiscal year. The reconciliation between the theoretical tax calculated on the basis of the statutory tax rate in United Kingdom 2017 and Luxemburg 2016 and the effective tax is as follows:

(in thousand euros)	2016 6 months	2017 6 months
Net income	(126)	(704)
Tax expenses	1 812	1 805
Income before taxes	**1 686**	**1 101**
Theoretical tax income (expenses)	**(493)**	**(198)**
Other permanent differences	190	130
Recognition of tax loss carry forwards	226	-
Use of tax receivables on earlier deficits	436	-
Tax receivables not recognized on the period	(2 197)	(2 072)
Tax rate variations between different countries	26	335
Actual tax income (expenses)	**(1 812)**	**(1 805)**

Loss carry-forwards constituted during the year, notably by the French, US and Australian entities, were not recognized.

NOTE 9 – Basic earnings and diluted earnings per share

The reconciliation between basic and diluted earnings per share may be presented as follows:

	Net earnings	Mean number of shares	Earnings per share
1st half of 2016			
Basic earnings per share	(126)	26 573 541	(0,00)
Diluted earnings per share	(126)	29 868 865	(0,00)
1st half of 2017			
Basic earnings per share	(229)	27 024 933	(0,01)
Diluted earnings per share	(220)	26 629 261	(0,01)

Stock options granted as of June 30, 2017 are non-dilutive due to the change in share price between the grant date and the balance sheet date, and the valuation of the plans.

NOTE 10 – Goodwill

The goodwill generated during a business combination is allocated, on the acquisition date, to the corresponding cash-generating units (CGU).

These entities correspond to subsidiaries or geographical areas in which the Group operates, whose continued business generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The change in goodwill over the period is presented as follows (amounts in thousands euros):

	Country	**On December 31st 2016**	Goodwill recognized on acquisitions of the period and other increases	Disposals	Depreciation over the period	Translation difference	**On June 30th 2017**
ADEA	US + India	**5 032**	-	-	-	(384)	**4 648**
Synaris AG	Germany	**2 042**	-	-	-	-	**2 042**
Valtech Systems P	India	**2 864**	-	-	-	(83)	**2 781**
Valtech A/S	Denmark	**446**	-	-	-	(1)	**445**
ACDSI	France	**2 037**	-	-	-	-	**2 037**
Kiara	Sweden	**742**	-	-	-	(9)	**733**
Neon	Australia	**1 120**	-	-	-	(19)	**1 101**
W.ill.iam	Canada	**1 811**	-	-	-	(73)	**1 738**
Graion	Argentina	**735**	-	-	-	(88)	**647**
eFocus	Netherlands	**11 418**	-	-	-	-	**11 418**
People interactive	Germany	**-**	10 027	-	-	-	**10 027**
El Chalten	Ukraine	**-**	2 557	-	-	-	**2 557**
Non Linear	Canada	**-**	5 278	-	-	-	**5 278**
Total Goodwill		**28 247**	**17 862**	**-**	**-**	**(657)**	**45 452**

According to revised IFRS 3 (business combinations), goodwill is not amortized and must be tested for impairment at least once annually or more frequently if specific events or circumstances indicate a potential impairment.

People Interactive was acquired on January 30th 2017. The determination of the fair value of assets acquired and liabilities is ongoing. The fair value of net assets acquired is estimated to amount to €4,772 thousand, out of which 4,237 relate to intangible assets identified when performing the purchase price allocation analysis. The useful lives of customer relationships have been determined to be 7 years. The asset is amortized from the date of acquisition over 7 years.

Total consideration for this acquisition is €14.8 million. As a result, the goodwill arising out of this acquisition is estimated to be €10.0 million.

El Chalten was acquired on March 31th 2017. The determination of the fair value of assets acquired and liabilities assumed is ongoing. Neither assets nor liabilities have been identified. The total consideration for the assets of El Chalten is €2.6 million and the estimated goodwill is €2.6 million.

Non Linear was acquired on June 1st 2017. The determination of the fair value of assets acquired and liabilities assumed is ongoing. The fair value of net assets acquired is estimated to amount to €3,162 thousand, out of which 2,387 relate to intangible assets identified when performing the purchase price allocation analysis. The useful lives of customer relationships and of the technology have been determined to be 4 years and 3 years respectively. These assets are amortized from the date of acquisition over 4 and 3 years respectively.

Total consideration for this acquisition is €8.3 million. As a result, the goodwill arising out of this acquisition is estimated to be €5.3 million.

In case of difference between the recoverable amount of the CGU and its book value, an impairment loss is recognized. It is allocated primarily to the goodwill.

The CGUs are determined in accordance with operational reporting and their recoverable amounts are determined based on a calculation of value in use. The values in use are calculated by discounting, at a discount rate per country, the pre-tax operating cash-flow forecasts (operating income + amortization +/- change in non-current provisions – operating investments +/- changes in working capital requirements on the business).

Cash-flow projections are made, generally for a period of 5 years from the management forecasts. A terminal value is then determined on the basis of the capitalization to perpetuity of the cash-flow projections of the past.

On June 30th 2017 a trigger event has been identified concerning ADEA and Neon. The goodwill value of these CGUs has been tested, and the tests revealed no necessary impairment.

The test carried out for Neon (Australia) showed that if the discount rate would increase by 1% then an impairment of €106 thousand would be made. If the gross margin ratio would be 1% lower over the period of the business plan, then an impairment of €428 thousand would be made.

NOTE 11 – Capital

On 30th June 2017, VALTECH S.E.'s capital amounts to 3,440,698.53 euros. Changes in the number of shares are as follows:

Number of shares	December 31st 2016	June 30th 2017
Start of period	**27 503 262**	**26 573 541**
Increase in capital	-	784 264
Cancellation of shares	(929 721)	-
Options exercised	-	91 504
End of period	**26 573 541**	**27 449 309**

NOTE 12 – Redeemable equity warrants reserved for certain managers and employees

2013 Plan

On October 10, 2012, the Board of Directors of Valtech SE making use of the authorization which was granted by the Combined General Meeting of Shareholders of May 14, 2012, approved the terms of a redeemable equity warrant (REW) plan, whose beneficiaries are corporate officers and members of the Executive Committee and certain executives of the Company or its subsidiaries.

The provisions of the plan, in particular the subscription price of the warrants, were confirmed by the same Board of Directors on November 6, 2012 and May 7, 2013. The issue of warrants, which has been the subject of a transaction note on which the Financial Markets Authority has affixed its approval on May 10, 2013, can be presented as follows:

The warrants issued have an entitlement, on their exercise date for new shares of the Company, at the rate of one Valtech share for one warrant. Because of the vote by the Extraordinary General Assembly of April 26, 2013, on the consolidation operation, the exercise of eight warrants will entitle holders to one new consolidated Valtech share.

Maximum number of warrants to be issued: 23,153,666

Subscription price: €0.03

Exercise price: €0.27

The warrants are non-transferable and not available for:

the first 3 years (until July 12, 2016) - all warrants

the first 4 years for 50% of warrants

Exercise periods:
The 4th year (from July 12, 2016 to July 11, 2017) for a minimum 25 % and maximum of 50% of warrants

The 5th year (from July 12, 2017 to July 12, 2018) for the remaining warrants.

Advance redemption at €0.01 at the Company's warrant to be considered from the beginning of the third year, or from July 12, 2015 until maturity, i.e. July 12, 2018, provided that the market value (average of the opening prices on 10 sessions chosen from 20 which precede the date of dispatch of the early redemption notice) represents 274 % of the exercise price before consolidation (or €0.74 before consolidation and €5.92 after consolidation). In the event the Company implements the redemption of the warrants at a price of €0.01 (before consolidation), the title holders may avoid such redemption by exercising their warrants. The purchased warrants will be cancelled.

In case of departure from the Company, as applicable:

(i) if a warrant holder took the initiative to leave for a reason that is not attributable to the Company or (ii) if the Company has initiated the departure and it was based on a real and serious reason or just cause, provided that the termination of work contract for inability, dismissal for incapacity and start of retirement are not considered 'Bad Leaver' situations, the Company shall reimburse, within three months after departure from the Company (end of notice if notice served) the warrants at a subscription price to which the EURIBOR rate will be applied.

(iii) In case of death, termination of work contract for incapacity, dismissal for incapacity, departure for retirement, the concerned warrant holder or his representative can either retain the warrants until the exercise periods and then exercise them before maturity, or exercise them early within 6 months following the effective departure from the company, or request at any time for reimbursement subject to conditions of (i).

All 23,153,666 warrants were subscribed; the result is an amount of €694 thousand in the company's favour in fiscal year 2013.

The underlying share is the Valtech share. Shares will be created on exercise of the warrants. Three managers will receive 67% of the warrants, the remaining 33% being distributed among the other managers. One of the three managers, Sebastian Lombardo, is beneficiary to the extent of 42% of the warrants.

If all 23,153,666 subscribed should be exercised, this will result in the issuance and admission of 2,894,208 new consolidated shares representing 12% of the Company's capital (or 13.62% before capital increase).

2014 plan

The Extraordinary General Meeting of October 22, 2014 decided to issue a maximum of 6,499,320 redeemable share subscription warrants in favour of the existing warrant holders who had subscribed under the previous issue which occurred in 2013, stating that:

- eight warrants will lead to the exercise of a (new consolidated) Valtech share;
- the issue price of eight warrants will be €0.40;
- the subscription price of eight warrants will be €3.90;
- these warrants may be exercised, in part (between 25% and 50% of the subscribed warrants) between July 12, 2016 and July 11, 2017, and partly (the balance) between July 12, 2017 and July 12, 2018;
- the maturity of these warrants will be for a part (25%) July 12, 2017, and for the balance (75%), July 12, 2018;
- these securities may be redeemed early at an amount of €0.20 for eight warrants, from July 12 2015, and until July 12, 2018, provided the share price (opening average on 10 sessions selected from 20 preceding the date of dispatch of the early redemption notice) represents 274% of the exercise price i.e. €10.96; if the Company implements the redemption of the warrants at a price of €0.20 for eight warrants, the warrant holders can avoid such redemption by exercising their warrants. The warrants so redeemed will be cancelled;
- the warrants will not be transferable;
- the warrants, in case of departure of the Holder from the Company, shall be repaid or maintained, in accordance with the application forms of the warrant holders who have subscribed to warrants issued on July 12, 2013.
-

The number of subscribed warrants is 6,485,155 and leads to an encashment of €324 thousand for the company. If all 6,485,155 subscribed warrants are exercised, this would lead to the issue and admission of

810,644 new consolidated shares, representing 2.95% of the share capital of the company. The issue proceeds would amount to €3,162 thousand.

2015 plan

The Board of Directors of April 21, 2015 made use of the authorization granted by the General Meeting of October 22, 2014 and delegated to its Chairman the task of defining the features of the warrants offered for subscription to key personnel of the company:

- Number of REWs subscribed and issued: 492,625
- one warrant will lead to the exercise of a (new consolidated) Valtech share;
- the issue price of one REW will be €0.80;
- the subscription price of one REW will be €0.32 (except for 70,000 REWs, subscription at €7.55)
- these warrants may be exercised, in part (between 25% and 50% of the subscribed warrants) between June 1, 2018 and May 31, 2019, and partly (the balance) between June 1, 2019 and May 31, 2020;
- the maturity of these warrants will be for a part (25%) May 31, 2019, and for the balance (75%), May 31, 2020;
- these securities may be redeemed early at an amount of €0.50 for one warrant, from June 1, 2017, and until maturity, provided the share price (opening average on 10 sessions selected from 20 preceding the date of dispatch of the early redemption notice) represents 274% of the exercise price i.e. €20.06; if the Company implements the redemption of the warrants at a price of €0.50 for one warrant, the warrant holders can avoid such redemption by exercising their warrants. The warrants so redeemed will be cancelled;
- the warrants will not be transferable;
- the warrants, in case of departure of the Holder from the Company, shall be repaid or maintained, in accordance with the application forms of the warrant holders. The warrants thus reimbursed will be cancelled.

492,625 warrants were subscribed and the result is a collection of €394 thousand by the company. If all subscribed warrants are exercised, it would result in the issuance and admission of 492,625 shares, representing 1.79% of the company's share capital. The proceeds of the issue would amount to €3,622 thousand.

2017 Plan

The Board of Directors of 24th March 2017 made use of the authorization granted by the General Meeting of June 30th 2016 and delegated to its Chairman the task of defining the features of the warrants offered for subscription to key personnel of the company:

- Number of REWs subscribed and issued: 120,400
- one warrant will lead to the exercise of a (new consolidated) Valtech share;
- the issue price of one REW will be €1,25;
- the subscription price of one REW will be €12,25
- these warrants may be exercised, in part (between 25% and 50% of the subscribed warrants) between April 10th 2020 and April 9th 2021 and partly (the balance) between April 10 2021 and April 9th 2022;
- the maturity of these warrants will be for a part (25%) April 9th 2021, and for the balance (75%), April 9th 2022;
- these securities may be redeemed early at an amount of €1 for one warrant, from June 1, 2017, and until maturity, provided the share price (opening average on 10 sessions selected from 20 preceding the date of dispatch of the early redemption notice) represents 274% of the exercise price i.e. 33,57 EUR per share; if the Company implements the redemption of the warrants at a price of €1 for one warrant, the warrant holders can avoid such redemption by exercising their warrants. The warrants so redeemed will be cancelled;
- the warrants will not be transferable;
- the warrants, in case of departure of the Holder from the Company, shall be repaid or maintained, in accordance with the application forms of the warrant holders. The warrants thus reimbursed will be cancelled.

120,400 warrants were subscribed and the result is a collection of €150,5 thousand by the company. If all subscribed warrants are exercised, it would result in the issuance and admission of 120,400 shares, representing 0.44% of the company's share capital. The proceeds of the issue would amount to €1,474 thousand.

Cancellation of REWs during H1 2017

The REWs cancelled and redeemed following the departure of the group's employees in H1 2017 amount to 35.000 warrants for a redemption amount of €1.500.

Expenses linked to the REW plans

By applying IFRS 2 « share based payment », the expenses linked to the REW plans amounted to €519 thousand for the period ending June 30, 2017.

NOTE 13 – Provision for risks and expenses

(in thousand euros)	Litigations	Rent for unused premises	Retirement obligations	Others	Total
On 31 December 2016					
Current	552	123	53	728	1 456
Non-current	489	-	1 009	74	1 572
Net values on 31 December 2016	**1 041**	**123**	**1 062**	**802**	**3 028**
Increase	270		32	44	346
Recovery	(330)			(31)	(361)
Recovery (use)		(121)	(41)	(40)	(202)
Change of scope					-
Translation adjustment		(2)	(15)	(2)	(19)
Other changes					-
On 30 June 2017	981	-	1 038	773	
Current	492	-	52	733	1 277
Non-current	489	-	986	40	1 515
Net values on 30 June 2017	**981**	**-**	**1 038**	**773**	**2 792**

In the normal course of business, the Group's companies may be involved in a number of legal, arbitrative and administrative procedures. Expenses that may result from these procedures are not recognized until they are probable and the amount can be quantified or estimated within a reasonable range.

A tax audit took place in France which covered fiscal years 2010 and 2011 and the research tax credit recognized or paid during these two years. A re-assessment from the tax authorities was proposed in December 2013 on the research tax credit that had been recognized as income in 2010 for €2,228 thousand and collected in cash. Discussions with the tax authorities have led the latter to restrict the scope of its rectification proposal to a part of the research tax credit corresponding to an amount of €1,033 thousand in 2010. In addition, the control of other charges resulted in a notification to the Company in July 2014. After discussions with the tax authorities, the latter sent, during the first half of 2014, a notice to pay €1,273 thousand in relation to the 2010 research tax credit and other charges. The Company paid such amount in 2014, however it intends to dispute.

Costs regarding labour litigation with former employees has also been provided by appropriate entities.

NOTE 14 – Other operating income and expenses

Other operating income and expenses recognized in the first half of 2017 are as follows:

(in thousand euros)	2016 6 months	2017 6 months
Gains and losses on disposal of assets	1	(5)
Adjustments of previous periods	17	(757)
Other non-recurring cost on Neon acquisition	(294)	(131)
Total of other operating income and expenses	**(276)**	**(893)**

The non-recurring cost on acquisition of €131 thousands in the first half of the year 2017 and €294 thousands in the first half of the year 2016 results from a modification of the terms of the remaining share-based payment of the company Neon (Valtech Digital Australia), acquired in 2014.

Adjustment of previous periods mainly refers to correction of assets and liabilities in the US.

NOTE 15 – Financial debt

The working capital requirements of the French, German and Danish companies of the group are partially met through factoring contracts without recourse for a total authorized amount of 6,600 thousand euros.

Financial liabilities are presented as follows:

(in thousand euros)	December 31st 2016	June 30th 2017
Borrowings	42 500	42 500
Deposits and securities received	6	58
Put option on own shares	-	10 792
Debt related to acquisitions	3 287	5 498
Financial liabilites - non-current portion	**45 793**	**58 848**
Borrowings	777	1 680
Financial leases	-	-
Bank overdrafts	-	1 616
Financial liabilites - current portion	**777**	**3 296**

The non-current portion of financial liabilities totalling €1.680 thousand on the statement of financial position corresponds mainly to bonds issued in July 2016, which mature in full in July. For more information, see details in Note 5 to our consolidated financial statements.

The put options on our own shares for €10.792 thousand refers to payments in shares for the acquisitions of eFocus, People Interactive and El Chalten, where the sellers have a put option to sell all or a portion of the shares back to Valtech at the initial share price.

Debt related to acquisitions refers to eFocus and Non Linear.

The term of financial debt is structured as follows:

(in thousand euros)	December 31st 2016	June 30th 2017
Maturity less than 1 year	783	3 296
Maturity between 1 and 5 years	3 287	16 348
Maturity greater than 5 years	42 500	42 500
Total financial debt	**46 570**	**62 144**

NOTE 16 – Main transactions with related parties

Transactions concluded with normal market conditions between the group and related parties, are as follows:

(in thousand euros)

Company	Services	Link	2016 6 months	2017 6 months
Revenues				
NetWerk Group	Other revenues	Management in eFocus	-	29
Medicor B.V	Consulting	Management in eFocus	-	10
Pulsar Four GmGH	Consulting	Sergei Ostapenko	-	251
Pulsar Four LCC	Consulting	Sergei Ostapenko	-	43
Digital Pelican - Jop Inc.	Consulting	Sebastian Lombardo	-	77
		Total revenues	**-**	**410**
Costs				
A3 Investissements	Consulting	Sebastian Lombardo	581	135
Executive Technologies Partner Twenty Plus Consulting	Consulting	Tomas Nores	916	191
The Three Tress B.V	Office rental	Management in eFocus	-	297
NetWerk Group	Group costs	Management in eFocus	-	897
Digital Tribes	Other expenses	Management in eFocus	-	209
A van Urk Management B.V	Consulting	Management in eFocus	-	96
Brandt Management B.V	Consulting	Management in eFocus	-	96
Arnoud B.V	Consulting	Management in eFocus	-	96
ShopWorks B.V.	Other expenses	Management in eFocus	-	16
Ingo Kriescher Consulting	Consulting	Ingo Kriescher	-	97
Pulsar Four GmBH	Other expenses	Sergei Ostapenko	-	4
Pulsar Four LLC	Other expenses	Sergei Ostapenko	-	2
		Total cost	**1 497**	**2 136**

NOTE 17 – Off-balance sheet commitments

Off-balance sheet commitments, such as contractual obligations and guarantees, are primarily related to rental commitments and may change in the normal cause of business, for example when an entity changes premises. During the first half year 2017 there is no significant change in the off-balance sheet commitments of the company.