VALTECH SE

Consolidated financial statements

Year ended December 31st 2017

Registered number: SE 106

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Strategic Report

Principal activities

Valtech is a next-generation digital transformation services provider focused on helping medium and large organizations as they embrace the digital age. Valtech provides a streamlined portfolio of integrated offerings, encompassing strategy, design, technology integration and data analytics through which it builds and operates its clients' critical customer engagement and e-commerce platforms, while maintaining brand consistency. Valtech defines "digital transformation" as a new approach for envisioning, creating, selling, delivering, servicing, and consuming products and services with increased agility, time-to-market, reliability and scalability. This new approach impacts many aspects of clients' operating models, from the way investment decisions are made, measured and managed to the sales experience and engagement offered to the customers.

Valtech's clients primarily consist of medium and large corporations located across Europe, North America, South America, Asia and Australia. 79.2% of 2017 revenues were generated from our operations in Europe, 14.0% from operations located in North America and 6.8% from operations located in the rest of the world.

Valtech has become one of the leading independent digital transformation services providers in the world, with 2,266 employees as of December 31, 2017, and with broad geographic and industry diversification. Revenues have grown from €207.8 million in 2016 to €233.7 million in 2017, representing a growth rate of 12.5%.

Key Performance Indicators

The Company's main challenges and opportunities will be linked to analysis using key performance indicators set by the Board of Directors. The primary KPI's relate to:

- Growth in revenue
- Business growth in key markets, such as North America
- Improvement of profit margins, measured by the adjusted EBITDA

Factors

The most significant factors affecting results of operations include:

- *Market demand for digital transformation services and related market trends.* The demand for digital transformation services has grown significantly in recent periods in Europe and North America, which are the regions in which most of our clients operate. The growth in demand has and may continue to positively impact our revenue and results of operations. Conversely, if the growth in demand for digital transformation services slows or declines in key regions in which we operate, our revenue and results of operations may be negatively affected.
- *Economic conditions in the industries and countries in which our clients operate and their impact on our clients' spending on digital transformation services.* A substantial majority of our clients are concentrated in seven specific industry verticals (retail, automotive, government, financial services, travel and hospitality, media and healthcare), which accounted for 81.8% of our revenue for the year ended December 31, 2015, 83.7% of our revenue for the year ended December 31, 2016 and 82.1% of our revenue for the year ended December 31, 2017. In addition, most of our revenue is derived from clients located in Europe or the United States. Changing economic conditions in any of our targeted industries or in the countries where our clients operate may affect the amount and

timing of our clients' spending on digital transformation services, which could affect our results of operations.

- *Increases in wage rates of, and competition for, IT professionals in countries where we operate.* Wage rates of IT professionals in several of the countries in which we operate have increased in recent years, driven, among other factors, by increased competition for such professionals' services. Salaries are our most significant operating expense, and if wage costs for IT professionals increase at unanticipated rates, it may reduce our profitability. The impact of wage inflation is mitigated to a limited extent by several factors, including our ability to rely on subcontractors for short-term staffing needs and our ability to pass some costs to our clients through specific contractual provisions. Additionally, increased worldwide competition for skilled technology professionals, particularly in Europe and in the United States, may lead to a shortage in the availability of qualified personnel in the locations where we operate and hire.

Business Performance

Major Events of the Year

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 the company People Interactive (Germany)

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 an additional €1.1 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 €2.9 million in cash, of which €2.2 million was paid in December 2017 and the remaining €0.7 million in March 2018. .

The correction of the estimated earn-out has generated an income of €720 thousand in "other income and expense" of the statement of income, . The total consideration is €14.1 million.

The determination of the fair value of assets acquired and liabilities assumed has been finalized. The fair value of net assets acquired amounts to €4.446 thousand, out of which €3.766 thousand relate to intangible assets identified when performing the purchase price allocation analysis. The goodwill resulting from this transaction is €10.4 million (see note 13 to our consolidated financial statements).

People Interactive has merged with Valtech GmbH as of July 1st 2017.

Acquisition of the company El Chalten (United Kingdom)

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 an additional €0.5 million holdback payment. An additional €1.2 million has been paid in shares of Valtech S.E. The determination of the fair value of assets acquired and liabilities assumed is finalized, and when performing the purchase price allocation analyzis no value related to intangible assets has been identified. The goodwill resulting from this transaction amounts to €2.6 million (see note 13 to our consolidated financial statements).

Acquisition of Non Linear Group

On June 1st, 2017, Valtech acquired the company Nonlinear, with offices in three countries, Canada, Brazil and United Kingdom. NonLinearis a digital agencywith 80 employees and 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 an additional €0.5 million holdback payment. An additional €3.3 million will be paid in shares of Valtech S.E on or before December 31st, 2019. 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 €3.086 thousand, out of which €2.388 thousand relates 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 13 to our consolidated financial statement.

Acquisition of the company Codehouse A/S (Denmark)

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 an additional €0.9 million escrow payment. An additional €1.0 million was paid in shares of Valtech S.E in January 2018. The total consideration is €3.2 million. The determination of the fair value of assets acquired and liabilities assumed is ongoing. The fair value of net assets acquired is estimated at €913 thousand, out of which €684 thousand relate to intangible assets identified when performing the purchase price allocation analysis. The goodwill resulting from this transaction is estimated at €2.2 million, see note 13 to our consolidated financial statement.

Increase in capital

On April 27th the board of Valtech issued 784.264 new shares (€15 per share), as part of the payment for the acquisitions of Neon, Graion, Efocus, People Interactive and El Chalten. The issue of new shares meant a capital increase of €11.763.960.

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On December 20th 2017, the board of Valtech decided to issue 14.906 new shares (€16 per share) as payment for the acquisition of El Chalten, resulting in a capital increase of €238.496.

Total capital increase regarding issue of new shares amounts to €12.002 thousand, of which €100 thousand has increased the capital and €11.902 increased additional paid in capital. Net increase in additional paid in capital amounts to €1.110 thousand, and corresponds to €11.902 thousand minus the put options given to the sellers in the business combinations at €10.792 thousand, net €1.110 thousand.

Warrants converted to shares has increased the capital with €13 thousand. Total increase in capital including capital increase for debt related investments amounts to €113 thousand, see details in consolidated statement of changes in shareholders' equity.

Listing of bonds

On 24 July 2017, he Bonds (issued on 27 July 2016 for a total nominal amount of €42.5 million) have been listed 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.

New issue and listing of bonds

On October 17th 2017 Valtech issued bonds in principal amount of € 33 million. The bonds bear a fixed annual interest rate of 4.5% and matures in October 2024. The purpose of the issue is to support Valtech´s future growth. On March 20th 2018 the notes were admitted to trading on the Luxembourg Stock Exchange's Euro MTF.

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Key financials

The financial statements are presented in Euros as this is the functional currency of the primary economic environment in which the Group operates.

The following table summarizes our results of operations for the years ended December 31, 2016 and 2017:

(€in thousands and as a% of)	Year ended December 31			
	2016		2017	
Consolidated statement of income:				
Revenue	€204,589	98.5%	€233,414	99.9%
Other revenue	3,212	1.5%	281	0.1%
Total revenue	207,801	100.0%	233,695	100.0%
Cost of sales	-135,872	(65.3)%	-154,368	(66.1)%
Gross margin	71,929	34.6%	79,327	33.9%
Commercial costs	-13,9	(6.7)%	-16,523	(7.1)%
Administrative costs	-43,259	(20.8)%	-50,625	(21.7)%
Restructuring costs	-1,36	(0.7)%	-1,627	(0.7)%
Other income and operating expenses	-214	(0.1)%	-126	(0.1)%
Goodwill impairment	-	0%	-1,141	(0.5)
Operating result	13,196	6.4%	9,285	(4.0)%
Cost of gross financial debt	-804	(0.4)%	-2,378	(1.0)%
Interest income on cash and cash equivalents	51	0.0%	127	0.1%
Other financial income and expenses, net	-143	0.1%	-1219	(0.5)%
Income before tax from continuing business	12,301	5.9%	5,815	2.5%
Income tax expense	-3,416	(1.6)%	-5,583	(2.4)%
Net income from continuing operations	8,885	4,3%	232	0,1%
Income (loss) from discontinued operations	-4,703	(2.3)%	-1,684	(0.7)%
Net income loss attributable to equity holders of the parent	4,182	2.0%	-1,452	(0.6)%

Financial performance

Revenue

Revenue grew from €204.6 million in 2016 to €233.4 million in 2017, representing an increase of €28.8 million, or 14.1%. The increase was primarily attributable to:

• The growth of the revenue from our existing activities in Germany from €41.3 million in 2016 to €50.0million in 2016, which is mainly attributable to the development of our business in the automotive sector; the growth in revenue in Denmark from €14.2 million in 2016 to €15.8 million in 2017, an increase of €1.6 million, of which €0.5 million is due to the acquisition of Codehouse; and the increase in the revenue of our Global Delivery business from €0.1 million in 2016 to €4.9 million in 2017, which is primarily attributable to the development of our business with one of our top 10 clients.

• The acquisitions of People Interactive, El Chalten, Non-Linear and Codehouse, which added €11.9 million of revenue in 2017.

• The full-year impact of the acquisition of Graion in June 2016 and eFocus in July 2016, which added €12.3 million of revenue in 2017.

These positive contributors to our revenue in 2017 were partially offset by:

• The decrease of the revenue in France from €28.9 million in 2016 to €23.7 million in 2017, which is primarily due to the winding down of the non-strategic professional training business in that country, which accounted for €2.4 million of the €5.2 million decrease in our revenue in France, and to our focus on higher-margin projects in that market.

• The decrease of the revenue in the United States from €27.1 million in 2016 to €23.2 million in 2017, due to the €0.7 million negative impact of the variation of the exchange rate of the U.S. dollar against the Euro and to the negative impact of the internal reorganization that occurred at several of our top 10 clients in the United States.

We experienced significant growth of our business with clients in the following industries:

• *Retail*: Revenue from retail grew €19.5 million, from €49.9 million in 2016 to €69.4 million in 2017. The increase in revenue in this industry vertical was primarily attributable to the development of our business with one of our top 10 clients and to the development of our business with a few of our top 10 clients that grew significantly and the impact of the recent acquisitions in which the retail sector was a strong vertical.

• *Automotive*: Revenue from automotive grew €8.4 million, from €27.2 million in 2016 to €35.6 million in 2017. The increase in revenue in this industry vertical was primarily attributable to our top clients as to the impact of our recent acquisitions providing additional automotive clients.

• *Healthcare*: Revenue from healthcare grew €2.2 million, from €12.7 million in 2016 to €14.9 million in 2017. The increase in revenue in this industry vertical was primarily attributable to two clients with projects reaching a peak.

Other revenue

Other revenue declined from €3.2 million in 2016 to €0.3 million in 2017, representing a decrease of €2.9 million, or -90.6%. The decrease was primarily attributable to the non-recurring impact in 2016 of the proceeds of a settlement agreement resolving a dispute between one of our competitors and us in the United States.

Cost of sales
Cost of sales increased from €135.9 million in 2016 to €154.4 million in 2017, representing an increase of €18.5 million, or 13.6%. The increase was primarily attributable to an increase in staff costs, which grew by €16.7 million, or 17.5%, from €95.3 million in 2016 to €112.0 million in 2017, mainly due to an increase in our average headcount from 1,574 in 2016 to 1,936 in 2017, to an increase in subcontractor costs, which grew by €0.7 million, or 1.9%, to an increase in the cost of software used for the delivery of projects and associated costs, which grew by €1.5 million, or 47.5%, from €3.2 million in 2016 to €4.7 million in 2017 mostly due to the development of our business and the addition of new information systems for our delivery teams, and to the positive impact of the increase of internally-generated assets, which grew by €1.2 million, or 109.3%, from €1.1 million in 2016 to €2.3 million in 2017, as a result of our policy to develop innovative services for our customers as well as internal tools to foster operational efficiency.

Consolidation with the businesses we acquired in 2017 added €14.8 million to our cost of sales in 2017.

Commercial costs
Commercial costs increased from €13.9 million in 2016 to €16.5 million in 2017, representing an increase of €2.6 million, or 18.7%. The cost of our sales and marketing staff increased by €0.7 million, or 6.8%, from €10.3 million in 2016 to €11.0 million in 2017, of which €0.6 million is due to the consolidation of businesses acquired in 2017. Our marketing expenses increased by €0.3 million, or 13.0%, from €2.3 million to €2.6 million. Other commercial costs increased from €0.5 million in 2016 to €2.7 million in 2017, an increase of €2.2 million, or 340%, which is primarily due to the increase of the depreciation of acquired intangibles from €0.4 million in 2016 to €2.0 million in 2017.

Commercial costs of recently acquired business had a negative impact of €2.8 million on commercial costs in 2017.

Administrative costs
Administrative costs increased from €43.3 million in 2016 to €50.6 million in 2017, representing an increase of €7.3 million, or 16.9%. The increase was primarily attributable to the €7.4 million increase in our administrative costs due to companies that became financially consolidated with us, partially offset by containment of the administrative costs of our existing businesses. The cost of our management and administrative staff increased from €19.1 million in 2016 to €23.0 million in 2017, an increase of €3.9 million, or 20.4%, of which €2.7 million is due to the consolidation of recently acquired companies. The cost of our offices increased from €13.7 million in 2016 to €14.4 million in 2017, an increase of €0.7 million, or 5.1%, primarily due to the full-year effect of new office space that we began leasing in London in July 2016.

Restructuring costs
Restructuring costs increased from €1.4 million in 2016 to €1.6 million in 2017, representing an increase of €0.2 million, or 14.3%. We recorded in 2016 and 2017 a similar amount of restructuring costs of our French business as well as a similar amount of provision for onerous office lease agreements. The increase in restructuring costs was primarily attributable to a one-off cost related to the merger of the German entities.

Other income and expenses
Other income and expenses decreased from a loss of €0.2 million in 2016 to a loss of €0.1 million in 2017, representing a net decrease of 50%. Other income and expenses in both years was primarily attributable to the modification of the payment terms for the acquisition of the company Neon Stingray (now Valtech Digital Australia) in 2014.

Goodwill impairment
In 2017, an expense of €1.1 million was recorded as a result of the impairment of the goodwill associated with our business in Australia, as a result of our decision to change the organization of our subsidiary in Australia.

Cost of gross financial debt
Cost of gross financial debt increased from €0.8 million in 2016 to €2.4 million in 2017, representing an increase of €1.6 million, or 200%. The increase was primarily attributable to the full-year impact of the July 2016 issuance and to the new notes issued in October 2017.

Other financial income and expenses, net
Other financial income and expenses produced a loss of €0.1 million in 2016 and a loss of €1.2 million in 2017. The variation is due to the impact of the movements of currency exchange rates.

Income tax expenses
Income tax expense increased from €3.4 million in 2016 to €5.6 millon in 2017, representing an increase of €2.2 million, or 64.7%. The increase was primarily attributable to the loss of a €1.2 million deferred tax asset in the United States as a result of the 2017 Tax Cuts and Jobs Act, to the non-recurring impact in 2016 of reduced income tax expense in India due to the settlement of several tax audits in our favor and to the full-year impact in 2017 of the acquisition of eFocus in July 2016.

Income (loss) from discontinued operations
We had a loss from discontinued operations of €4.7 million in 2016 and a loss of €1.7 million in 2017, representing a decrease of €3.0 million, or 63.8%. The decrease was primarily attributable to the non recurring impact in 2016 of the settlement of a legal dispute with a former customer of our disposed subsidiary in the United States, a legacy IT staffing firm that was deemed to be inconsistent with Valtech's strategy.

Net income (loss) attributable to equity holders of the parent
As a result of the foregoing, our net income attributable to equity holders of the parent decreased from €4.2 million in 2016 to a loss of €1.5 million in 2017, representing a decrease of€5.7 million, or 135.7%.

Consolidated statement of financial position

	For the years ended December 31,	
	2016	2017
	Euros (in thousands)	
Consolidated statement of financial position:		
Goodwill	€ 28,247	€ 46,417
Intangible assets, net	11,111	20,045
Tangible assets, net	7,411	8,339
Non-current financial assets, net	2,754	2,825
Deferred taxes assets	3,559	2,008
Accounts receivable and related accounts	57,950	66,059
Other current assets	10,838	13,234
Cash and cash equivalents	48,577	61,703
Total assets	€ 170,447	€ 220,630
Equity	€ 63,529	€ 62,884
Provisions - non current portion	1,572	2,854
Long-term Borrowings	42,506	74,438
Other financial debt - non current portion	3,287	16,671
Deferred taxes liabilities	3,013	4,884
Non-current liabilities	50,378	98,847
Provisions- current portion	1,456	779
Shorr-term Borrowings and bank overdrafts	777	3,139
Accounts payable and related accounts	19,676	24,001
Other financial debt - current portion	7,404	4,456
Other current liabilities	27,227	26,524
Current liabilities	56,540	58,899
Liabilities (current and non-current)	106,918	157,746
Total equity and liabilities	€ 170,447	€ 222,630

Valtech SE
Strategic report

Principal risks and uncertainties

The directors of Valtech SE confirm that a robust assessment of the principal risks facing the company has been carried out, including those that would threaten its business model, future performance, solvency or liquidity.

Our revenue is highly dependent on clients located in Europe and North America. Any weakening of economic conditions in these markets may adversely affect our business, results of operations and financial condition.

In the year ended December 31, 2017, 79.2% of our revenue was derived from clients located in Europe and 14.0% of our revenue was derived from clients located in North America. Any weakening of economic conditions in European economies or in North America could depress the pricing for our services and cause our clients in these markets to reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our business, results of operations and financial condition. Additionally, if we are unable to successfully anticipate changing economic and other conditions affecting the markets in which we operate, in particular in Europe and in North America, we may be unable to effectively plan for or respond to those changes and our business, results of operations and financial condition could be negatively affected.

We may not be able to achieve anticipated growth, which could materially adversely affect our business, results of operations and financial condition.

We intend to continue our expansion in the foreseeable future to pursue existing and potential market opportunities. As we engage with new clients, introduce new services, enter into new markets and acquire new businesses, we may face new market, technological and operational risks and challenges with which we are unfamiliar, and we may not be able to mitigate these risks and challenges to successfully expand our business. We may not be able to achieve our anticipated growth, which could materially adversely affect our business, results of operations and financial condition.

Rapid growth may strain our limited resources, and a failure to manage this growth could have a material adverse effect on the quality of our services and client support.

We have recently experienced rapid growth and significantly expanded our business. Our total revenue has grown from €184.9 million ($200.8 million) in the year ended December 31, 2015 to €207.8 million ($219.3 million) in the year ended December 31, 2016 and to €233.7 million ($280.9 million) in the year ended December 31, 2017, representing year-over-year annual growth rates of 12.4% and 12.5%, respectively. As of December 31, 2015, we had 1,590 employees, as compared to 1,836 employees as of December 31, 2016 and 2,266 employees as of December 31, 2017. We have also expanded geographically, broadening our operations from nine countries in 2014 to 16 countries in 2017. Our rapid growth has placed, and we expect it to continue to place, significant demands on our management and our administrative, operational and financial infrastructure. Continued expansion increases the challenges we face in offering our services in the following areas:

- recruiting and retaining sufficiently skilled IT professionals, as well as marketing and management personnel;

- training and supervision of our personnel to maintain our high quality standards;

- the need for additional financing to fund our rapid growth;

- developing financial and management controls; and

- preserving our culture, values and entrepreneurial environment.

If we are unable to manage our rapid growth effectively, it may strain our limited resources and have a material adverse effect on the quality of our services and client support.

Our revenue depends to a large extent on a limited number of clients, and our revenue could decline if we lose a major client.

We have derived, and believe that in the foreseeable future we will continue to derive, a significant portion of our revenue from a small number of clients. In 2015, our largest client was

- accounting for 7.0% of our revenue in that year; in 2016 our largest client was
- accounting for 8.0% of our revenue in that year; and in 2017 our largest client was
- accounting for 7.7% of our revenue in that year.

In 2015, 2016 and 2017, our top 10 clients accounted for 31.9%, 28.9% and 28.0% of our revenue, respectively.

Our ability to maintain close relationships with these and other major clients is essential to the growth and profitability of our business. However, the volume of work performed for a specific client is likely to vary from year to year, especially since we generally are not our clients' exclusive business transformation services provider and we do not have long-term commitments from any clients to purchase our services. A major client in one year may not provide the same level of revenue for us in any subsequent year. The business transformation services we provide to our clients, and the revenue and net income from those services, may decline or vary as the type and quantity of business transformation services we provide change over time. We may, for example, generate significant revenue from a client for services provided during the "build" phase of our engagement, when we design and implement our tailored offering for the client, which may decrease during the "run" phase, when we operate and improve the offering. Furthermore, our reliance on any individual client for a significant portion of our revenue may give that client a certain degree of pricing leverage against us when negotiating contracts and terms of service.

In addition, a number of factors other than our performance could cause the loss of or reduction in business or revenue from a client, and these factors are not predictable. For example, a client may decide to reduce spending on business transformation services from us due to a challenging economic environment or other factors, both internal and external, relating to its business. These factors, among others, may include corporate restructuring, pricing pressure, changes to an outsourcing strategy, switching to another business transformation services provider or bringing work in-house.

The loss of any of our major clients, or a significant decrease in the volume of work they outsource to us or the price at which we sell our services to them, could materially adversely affect our revenue and our results of operations.

Our revenue is highly dependent on a limited number of industries, and any decrease in demand for outsourced services in these industries could reduce our revenue and adversely affect our results of operations.

A substantial portion of our clients are concentrated in seven specific industry verticals: retail, automotive, government, financial services, travel and hospitality, media and healthcare. In the year ended December 31, 2017, we derived 29.7%, 15.3%, 8.8%, 9.9%, 6.4%, 5.8% and 6.4% of our revenue, respectively, from clients operating in these seven industries. Our business growth largely depends on continued demand for our services from clients in these seven industry verticals.

A downturn in any of our targeted industries, a slowdown or reversal of the trend to outsource business transformation services in any of these industries or the introduction of regulations that restrict or discourage companies from outsourcing business transformation services, could result in a decrease in the demand for our services and materially adversely affect our business, results of operations and financial condition. For example, a worsening of economic conditions in the financial services industry and significant consolidation in that industry may reduce the demand for our services and negatively affect our revenue and profitability.

Other developments in the industries in which we operate may also lead to a decline in the demand for our services in these industries, and we may not be able to successfully anticipate and prepare for any such changes. For example, consolidation in any of these industries or acquisitions, particularly involving our clients, may decrease the potential number of buyers of our services. Our clients in a

particular industry may experience rapid changes in their prospects, substantial price competition and pressure on their profitability. This, in turn, may result in increasing pressure on us from clients in these key industries to lower our prices, which could adversely affect our results of operations.

We face intense competition from next-generation IT services providers, digital agencies and design firms, large global consulting and outsourcing firms and traditional technology outsourcing IT services providers, and an increase in competition, our inability to compete successfully, pricing pressures or loss of market share could materially adversely affect our business, results of operations and financial condition.

The market for technology and IT services is intensely competitive, highly fragmented and subject to rapid change and evolving industry standards and we expect competition to intensify. We face competition primarily from next-generation IT services providers, digital agencies and design firms, large global consulting and outsourcing firms and traditional technology outsourcing IT services providers. Many of our competitors have substantially greater financial, technical and marketing resources and greater name recognition than we do. As a result, they may be able to compete more aggressively on pricing or devote greater resources to the development and promotion of technology and IT services. Competitors based in some emerging markets also present significant price competition due to their more favorable local cost structures and tax advantages.

In addition, as the technology services industry is not capital intensive or highly regulated compared to other industries, there are relatively few barriers to entry into our markets and we have faced, and expect to continue to face, competition from new digitall business transformation services providers. Further, there is a risk that our clients may elect to increase their internal resources to satisfy their service needs as opposed to relying on a third-party vendor, such as our company. The technology services industry is also undergoing consolidation, which may result in increased competition from larger firms that may have substantially greater financial, marketing or technical resources, may be able to respond more quickly to new technologies or processes and changes in client demands, and may be able to devote greater resources to the development, promotion and sale of their services than we can. Increased competition could also result in price reductions, reduced operating margins and loss of our market share. We cannot assure you that we will be able to compete successfully with existing or new competitors or that competitive pressures will not materially adversely affect our business, results of operations and financial condition.

If we do not continue to innovate and remain at the forefront of emerging technologies and related market trends, we may lose clients and we may not remain competitive, which could cause our business, results of operations and financial condition to suffer.

Our success depends on delivering innovative software solutions that leverage emerging technologies and emerging market trends to drive increased revenue. Technological advances and innovation are constant in the technology services industry. As a result, we must continue to invest resources in designing and structuring new offerings and services for our clients, as well as in research and development to stay abreast of technology developments so that we may continue to deliver solutions that our clients will wish to purchase. If we are unable to anticipate technology developments, enhance our existing services or develop and introduce new services to keep pace with such changes and meet changing client needs, we may lose clients and our revenue and results of operations could suffer. Our results of operations would also suffer if our innovations are not responsive to the needs of our clients, are not appropriately timed with market opportunities or are not effectively brought to market. Our competitors may be able to offer engineering, design and innovation services that are, or that are perceived to be, substantially similar or better than those we offer. This may force us to expend significant resources in order to remain competitive, which we may be unable to do.

Our business, results of operations and financial condition may be affected by the rate of growth in the use of digital marketing and technology in business and the type and level of spending in these areas by our clients and prospective clients.

Our business depends, in part, upon continued growth in the use of digital marketing and technology in business by our clients and prospective clients. In challenging economic environments, our clients

or prospective clients may reduce or defer their spending on new marketing initiatives or technologies in order to focus on other priorities, or may choose to use their own internal resources rather than engage an outside firm to perform the types of services and solutions we provide. Downturns may be particularly pronounced in the area of marketing and communication because some companies react to a slowdown in economic activity by reducing their budgets in these areas to avoid missing performance targets. In addition, many companies have already invested substantial resources in their current digital platforms and marketing operations, and they may be reluctant or slow to adopt new approaches that could disrupt existing personnel, processes and infrastructures. If the growth of digital marketing and technology usage or our clients' spending on technology declines, or if we cannot convince our clients or potential clients to embrace new technological solutions, our business, results of operations and financial condition could be adversely affected.

We may not be able to successfully identify and acquire target companies or integrate acquired companies into our company, and we may become subject to certain liabilities assumed or incurred in connection with our acquisitions that could harm our business, results of operations and financial condition.

Strategic acquisitions to complement and expand our business have been and will likely remain an important part of our competitive strategy. If we are unable to identify and complete acquisitions, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability or competitive position in specific markets or services. The process of integrating an acquired company has created, and will continue to create, operating difficulties.

The risks we face include:

- diversion of management time and focus from operating our core business to acquisition integration challenges;
- excessive costs of deploying our business support and financial management tools in acquired companies;
- failure to successfully integrate the acquired business into our operations, including cultural challenges associated with integrating and retaining employees;
- failure to achieve anticipated efficiencies and/or benefits, including through the loss of key clients or personnel at the acquired business; and
- failure to realize our strategic objectives for the acquired business or further develop the acquired business.

Although we conduct due diligence in connection with each of our acquisitions, there may be liabilities that we fail to discover, that we inadequately assess or that are not properly disclosed to us. In particular, to the extent that any acquired business (i) failed to comply with or otherwise violated applicable laws or regulations, (ii) failed to fulfill contractual obligations to clients or (iii) incurred material liabilities or obligations to clients that are not identified during the diligence process, we, as the successor owner, may be financially responsible for these violations, failures and liabilities and may suffer financial and/or reputational harm or otherwise be adversely affected. In addition, as part of an acquisition, we may assume responsibilities and obligations of the acquired business pursuant to the terms and conditions of agreements entered by the acquired entity that are not consistent with the terms and conditions that we typically accept and require. We also may be subject to litigation or other claims in connection with an acquired business, including claims from employees, clients, shareholders or other third parties. Any material liabilities we incur that are associated with our acquisitions could harm our business, results of operations and financial condition.

We cannot predict or guarantee that we will successfully identify suitable acquisition candidates, consummate any acquisition or integrate any acquired business. Any failure to do so could have an adverse impact on our business, results of operations and financial condition.

See "Management discussion and analysis of financial condition and results of operations Acquisitions" for further discussion of our strategic acquisitions.

Goodwill and acquisition-related intangibles that we carry on our balance sheet could give rise to significant impairment charges in the future.

The amount of goodwill and intangible assets in our consolidated financial statements has increased significantly in recent years, primarily due to acquisitions. As of December 31, 2017, the amount of goodwill and intangible assets in our consolidated financial statements was €66.5 million, representing 29.9% of total assets. Goodwill and acquisition-related intangibles are subject to impairment review at least annually. Impairment testing under IFRS may lead to impairment charges in the future. Any significant impairment charges could have a material adverse effect on our results of operations.

If we cause disruptions in our clients' businesses or provide inadequate service, our clients may have claims for damages against us, which could cause us to lose clients, have a negative effect on our corporate reputation and adversely affect our business, results of operations and financial condition.

If our employees make errors in the course of delivering services to our clients or fail to consistently meet service requirements of a client, these errors or failures could disrupt the client's business, which could result in a reduction in our revenue or a claim for damages against us. In addition, a failure or inability to meet a contractual requirement could seriously damage our corporate reputation and limit our ability to attract new business. The services we provide are often critical to our clients' businesses. Certain of our client contracts require us to comply with security obligations including maintaining network security and backup data, ensuring our network is virus-free, maintaining business continuity planning procedures and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in a client's system or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for damages, which may be substantial, against us. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients and adversely affect our results of operations.

Under our client contracts, our liability for breach of our obligations is in some cases limited pursuant to the terms of the contract. Such limitations may be unenforceable or otherwise may not protect us from liability for damages. The successful assertion of one or more large claims against us in amounts greater than those covered by our current insurance policies could materially adversely affect our business, results of operations and financial condition. Even if such assertions against us are unsuccessful, we may incur reputational harm and substantial legal fees.

Our business, results of operations and financial condition could be negatively affected if we incur legal liability in connection with providing our services and solutions.

If we fail to meet our contractual obligations or otherwise breach obligations to our clients, we could be subject to legal liability. We may enter into non-standard agreements because we perceive an important financial opportunity by doing so or because our personnel did not adequately adhere to our guidelines. In addition, the contracting practices of our competitors may cause contract terms and conditions that are unfavorable to us to become standard in the marketplace. If we cannot, or do not, meet our contractual obligations to provide services and solutions, and if our exposure is not adequately limited through the enforceable terms of our agreements, we might face significant legal liability and our business, results of operations and financial condition could be adversely affected.

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients or other parties with whom we conduct business with respect to certain matters. These arrangements can include provisions whereby we agree to hold the indemnified party and certain of their affiliates harmless with respect to third-party claims, including matters such as our breach of certain representations or covenants, our infringement of the intellectual property of others or our gross negligence or willful misconduct. Payments by us under any of these arrangements are generally conditioned on the client making a claim and providing us with full control over the defense and settlement of such claim. It is

not possible to determine our maximum potential exposure under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. If events arise requiring us to make payment for indemnification claims under our contractual indemnification obligations, such payments could have a material impact on our business, results of operations and financial condition.

Additionally, some clients may perform audits or require us to perform audits and provide audit reports with respect to the controls and procedures that we use in the performance of services for such clients, especially when we process data belonging to them. Our ability to acquire new clients and retain existing clients may be adversely affected and our reputation could be harmed if we receive a qualified opinion, or if we cannot obtain an unqualified opinion, with respect to our controls and procedures in connection with any such audit in a timely manner. We could also incur liability if our controls and procedures, or the controls and procedures we manage for a client, were to result in an internal control failure or impair our client’s ability to comply with its own internal control requirements.

Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business, results of operations and financial condition.

Our insurance policies cover physical loss or damage to the premises and equipment we use arising from a number of specified risks and certain consequential losses, including business interruption, arising from the occurrence of an insured event under the policies. We also maintain various other types of insurance, such as insurance covering our employees in their professional activities, but we are not fully insured against all risks. Notwithstanding the insurance coverage that we carry, the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events not covered by insurance policies, could materially harm our financial condition and future operating results. There can be no assurance that any claims filed under our insurance policies will be honored fully or timely. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage.

If we are unable to attract and retain highly-skilled IT professionals, or adapt the size of our teams in response to changes in demand, we may not be able to maintain client relationships and grow effectively, which may adversely affect our business, results of operations and financial condition.

Our business is labor intensive and, accordingly, our success depends upon our ability to attract, develop, motivate, retain and effectively utilize highly-skilled IT professionals. We believe that there is significant competition for technology professionals in Europe, the United States an elsewhere who possess the technical skills and experience necessary to deliver our services, and that such competition is likely to continue for the foreseeable future. As a result, the technology industry generally experiences a significant rate of turnover of its workforce. Our business plan is based on hiring and training a significant number of additional technology professionals each year in order to meet anticipated turnover and increased staffing needs. Our ability to properly staff projects, to maintain and renew existing engagements and to win new business depends, in large part, on our ability to hire and retain qualified IT professionals. In addition, the competition for highly-skilled IT professionals may prevent us from being able to effectively increase the size of our teams in response to client requests or increases in demand. At the same time, concern over losing employees that may be difficult to replace may make it difficult to scale down the size of our teams should demand decrease.

We cannot assure you that we will be able to recruit and train a sufficient number of qualified professionals or that we will be successful in retaining current or future employees. Increased worldwide competition for skilled technology professionals, particularly in Europe and in the United States, may lead to a shortage in the availability of qualified personnel in the locations where we operate and hire. Failure to hire and train or retain qualified technology professionals in sufficient numbers could have a material adverse effect on our business, results of operation and financial condition.

Increases in wages and other compensation expense for our IT professionals could prevent us from sustaining our competitive advantage.

Wage costs for IT professionals may increase at a faster rate than in the past, driven by increased competition for their services or other factors, which ultimately may make us less competitive unless we are able to increase the efficiency and productivity of our IT professionals as well as the prices we can charge for our services. Wages are our most significant operating expense and increases in wage costs may reduce our profitability. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive, and we may not be able to pass on these increased costs to our clients. In addition, the issuance of equity-based compensation to our IT professionals would also result in additional dilution to our shareholders. Unless we are able to continue to increase the efficiency and productivity of our employees as well as the prices we can charge for our services, wage inflation and increased wages may materially adversely affect our financial condition and results of operation.

Restrictions on immigration may affect our ability to compete for and provide services to clients, which could hamper our growth and cause our revenue to decline.

Our future success continues to depend on our ability to attract and retain employees with technical and project management skills, including those from developing countries. The ability of foreign nationals to work in the United States, Europe, Asia, Australia, Latin America and other regions in which we have clients depends on their and our ability to obtain the necessary visas and work permits for our personnel who need to travel internationally. If we are unable to obtain such visas or work permits, or if their issuance is delayed or if their length is shortened, we may not be able to provide services to our clients or to continue to provide services on a timely and cost-effective basis, receive revenue as early as expected or manage our business as efficiently as we otherwise could, any of which could have a material adverse effect on our results of operations and financial condition.

Immigration and work permit laws and regulations in the countries in which we have clients are subject to legislative and administrative changes as well as changes in the application of standards and enforcement. For example, President Donald Trump and members of his administration have indicated that they intend to re-examine immigration laws and regulations and President Trump has signed executive orders to restrict immigration into the United States from certain countries. In addition, the U.S. Congress has recently considered and may consider in the future extensive changes to U.S. immigration laws regarding the admission of high-skilled temporary and permanent workers. If such provisions are signed into law, our ability to attract and retain talent would be constrained and our cost of doing business in the United States would increase and that may discourage clients from seeking our services. Our international expansion strategy and our business, results of operations and financial condition may be materially adversely affected if changes in immigration and work permit laws and regulations or the administration or enforcement of such laws or regulations impair our ability to staff projects with professionals who are not citizens of the country where the work is to be performed.

Our profitability will suffer if we are not able to maintain our resource utilization levels and productivity levels.

Our profitability is significantly impacted by our utilization levels of fixed-cost resources, including human resources as well as other resources such as computers and office space, and our ability to increase our productivity levels. We have expanded our operations significantly in recent years through organic growth and strategic acquisitions, which has resulted in a significant increase in our headcount and fixed overhead costs.

Some of our IT professionals are trained to work for specific clients or on specific projects and some of our facilities are dedicated to specific clients or specific projects. Our ability to manage our utilization levels depends significantly on our ability to hire and train high-performing IT professionals and to staff projects appropriately. Our ability to manage our utilization levels also depends on the general economy and its effect on our clients and their business decisions regarding the use of our services. If we experience a slowdown or stoppage of work for any client. or on any project for which we have dedicated IT professionals or facilities, we may not be able to efficiently reallocate these IT

professionals and facilities to other clients and projects to keep their utilization and productivity levels high. If we are not able to maintain optimal resource utilization levels without corresponding cost reductions or price increases, our profitability will suffer.

Our results of operations could be materially adversely affected by fluctuations in foreign currency exchange rates.

Although we report our results of operations in Euros, a majority of our total revenue is denominated in currencies other than the Euro. Unfavorable fluctuations in foreign currency exchange rates, particularly with respect to the U.S. Dollar, the Swedish Krona, the British Pound, the Canadian Dollar and the Indian Rupee, could have a material adverse effect on our results of operations.

Because our consolidated financial statements are presented in Euros, we must translate revenue, expenses and income, as well as assets and liabilities, into Euros at exchange rates in effect during or at the end of each reporting period. Therefore, changes in the value of the Euro against other currencies will affect the value of balance-sheet items originally denominated in other currencies. These changes will also cause our results of operations stated in Euros to be higher or lower than our results of operations in local currency when compared against other periods.

As we continue to leverage our global delivery model, more of our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies against the Euro could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in local currency. There can be no assurance that our contractual provisions will offset their impact.

Our competitive position and future prospects depend on our senior management's expertise, and our business operations may be severely disrupted if we lose their services.

Our business is dependent on retaining the services of certain key members of the management team who have extensive experience in the technology services industry, in particular, Sebastian Lombardo, our Chief Executive Officer, and Olivier Padiou and Tomas Nores, our Chief Operating Officers. If a key member of the management team is unable or unwilling to continue in his or her present position, it could disrupt our business operations, and we may not be able to replace such a person easily, or at all. Competition for the services of such persons in our industry is intense, and our industry is characterized by the high mobility of its professionals. While we have entered into employment contracts or service agreements with our senior managers and have provided incentives for them to remain with us, including the issuance of warrants, we cannot guarantee the retention of their services. We currently do not maintain insurance against any damage that may be incurred in case of the loss or dismissal of our key specialists or managers. The loss of any key management may have an adverse effect on our business, results of operations and financial condition.

If any of our senior management or key personnel joins a competitor or forms a competing company, we may lose clients, suppliers, know-how and key technology professionals and staff members to them. Also, if any of our business development managers, who generally keep a close relationship with our clients, joins a competitor or forms a competing company, we may lose clients and our sales may be materially adversely affected. Additionally, such movement by senior management could result in unauthorized disclosure or use of our technical knowledge, practices or procedures, which may materially adversely affect our competitive position and, consequently, our business, results of operations and financial condition.

Our business depends on a strong brand and corporate reputation, and if we are not able to maintain and enhance our brand, our ability to expand our client portfolio will be impaired and our business, results of operations and financial condition will be adversely affected.

Our corporate reputation is a significant factor in our clients' and prospective clients' determination of whether to engage us. We believe the Valtech brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented IT professionals. However, our corporate reputation is susceptible

to damage by actions or statements made by current or former employees or clients, competitors, vendors, adversaries in legal proceedings and government regulators, as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely affect our business, results of operations and financial condition. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the Valtech brand name and could reduce investor confidence in us and result in a decline in the price of our Class A ordinary shares.

Most of our contracts with our clients are short-term and our business, results of operations and financial condition could be adversely affected if our clients terminate their contracts on short notice.
Consistent with industry practice, most of our contracts with our clients are short-term. A majority of our contracts can be terminated by our clients on short notice and without significant early termination cost. See “A majority of our client contracts contain provisions under which the client may terminate our services prior to the completion of the agreement on short notice and without significant early termination costs.” When contracts are terminated, we lose the anticipated revenue and might not be able to eliminate our associated costs in a timely manner. Consequently, our operating margins in subsequent periods could be lower than expected. If we are unable to replace the lost revenue with other work on terms we find acceptable or effectively eliminate costs, our business, results of operations and financial condition could be adversely affected.

There are a number of factors relating to our clients that are outside of our control which might lead them to terminate a contract or project with us, including:

• changes in the business and financial condition of our clients, such as financial difficulties;
• changes in ownership or management of our clients;
• changes in economic or market conditions in general or specific to a client’s industry;
• a change in strategic priorities, resulting in elimination of the impetus for the project or a reduced level of technology spending;
• a change in outsourcing strategy resulting in moving more work to the client’s in-house technology department or to our competitors;
• the replacement by our clients of existing software with packaged software supported by licensors; and
• mergers and acquisitions or significant corporate restructurings.

Failure to perform or observe any contractual obligations could result in cancellation or non-renewal of a contract, which could cause us to experience a higher than expected number of unassigned employees and an increase in our cost of revenue as a percentage of revenue, until we are able to reduce or reallocate our headcount. The ability of our clients to terminate agreements makes our future revenue uncertain. We may not be able to replace any client that elects to terminate or not renew its contract with us, which could materially adversely affect our revenue and thus our results of operations.

In addition, some of our agreements specify that if a change of control of our company occurs during the term of the agreement, the client has the right to terminate the agreement. If any future event, such as the sale of our shares by one of our principal shareholders, triggers any change-of-control provision in our client contracts, these agreements may be terminated, which would result in loss of revenue.

A majority of our client contracts contain provisions under which the client may terminate our services prior to the completion of the agreement on short notice and without significant early termination costs.

A majority of our client contracts provide that the client may terminate the contract without cause prior to the end of the term of the agreement by providing us with relatively short prior written notice of the termination and without significant early termination costs. As a result, the existence of contractual

relationships with our clients is not an assurance that we will continue to provide services for our clients through the entire term of their respective agreements. If clients representing a significant portion of our revenue terminated their agreements unexpectedly, we may not be able to replace the revenue and income from such contracts, which would adversely affect our business, results of operations and financial condition. In the event of contract termination on short notice, we may be unable to reassign our IT professionals to new engagements without delay. The cancellation of an engagement could, therefore, reduce the utilization rate of our IT professionals, which would have a negative impact on our business, results of operations and financial condition. In addition, client contract terminations could harm our reputation which could negatively impact our ability to obtain new clients.

If the pricing structures that we use for our client contracts are based on inaccurate expectations and assumptions regarding the cost and complexity of performing our work, our contracts could be unprofitable, which could adversely affect our business, results of operations and financial condition from operation.

We perform our services primarily under time-and-materials contracts (where materials costs consist of travel and out-of-pocket expenses). We charge out the services performed by our employees under these contracts at daily or hourly rates that are agreed to at the time the contract is entered into. The daily or hourly rates and other pricing terms negotiated with our clients are highly dependent on the complexity of the project, the mix of staffing we anticipate using on it, internal forecasts of our operating costs and predictions of increases in those costs influenced by wage inflation and other marketplace factors. Our predictions are based on limited data and could turn out to be inaccurate. Typically, we do not have the ability to increase the daily or hourly rates established at the outset of a client project in order to pass through to our client increases in salary costs driven by wage inflation and other marketplace factors.

In addition to our time-and-materials contracts, we undertake some engagements on a fixed-price basis. Revenue from our fixed-price contracts represented 15.6%, 20.3% and 25.1% of total revenue for the years ended December 31, 2015, 2016 and 2017, respectively. In the future, the share of total revenue which will be derived from fixed-price contracts may increase if we secure large fixed-price engagements. Our pricing in a fixed-price contract is highly dependent on our assumptions and forecasts about the costs we will incur to complete the related project, which are based on limited data and could turn out to be inaccurate. Any failure by us accurately to estimate the resources and time required to complete a fixed-price contract on time and on budget or any unexpected increase in the cost of our employees assigned to the related project, office space or materials could expose us to risks associated with cost overruns and could have a material adverse effect on our business, results of operations and financial condition. In addition, any unexpected changes in economic conditions that affect any of the foregoing assumptions and predictions could render contracts that would have been favorable to us when signed unfavorable.

If we are not successful in managing increasingly large and complex projects, we may not achieve our financial goals and our results of operations could be adversely affected.

To successfully market our service offerings and obtain larger and more complex projects, we need to establish close relationships with our clients and develop a thorough understanding of their operations. In addition, we may face a number of challenges managing larger and more complex projects, including:

- maintaining high-quality control and process execution standards;
- maintaining planned resource utilization rates on a consistent basis;
- maintaining productivity levels and implementing necessary process improvements;
- controlling costs; and
- maintaining close client contact and high levels of client satisfaction.

Our ability to successfully manage large and complex projects depends significantly on the skills of our management personnel and IT professionals, some of whom do not have experience managing large-scale or complex projects. In addition, large and complex projects may involve multiple engagements

or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. Such cancellations or delays may make it difficult to plan our project resource requirements. If we fail to successfully obtain engagements for large and complex projects, we may not achieve our revenue growth and other financial goals. Even if we are successful in obtaining such engagements, a failure by us to effectively manage these large and complex projects could damage our reputation, cause us to lose business, impact our margins and adversely affect our business, results of operations and financial condition.

Our profitability could suffer if we are not able to maintain favorable pricing rates.

Our profitability and operating results are dependent on the rates we are able to charge for our services. Our rates are affected by a number of factors, including:

• our clients' perception of our ability to add value through our services;
• our competitors' pricing policies;
• bid practices of clients and their use of third-party advisors;
• the mix of onsite and offshore staffing;
• employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases;
• our ability to charge premium prices when justified by market demand or the type of service; and
• general economic conditions.

If we are not able to maintain favorable pricing for our services, our profitability could suffer.

If we are unable to collect our receivables from, or invoice our unbilled services to, our clients, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payments from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain provisions against receivables and unbilled services based on our assessment of the risk of non-collection. Actual losses on client balances could differ from those that we currently anticipate and as a result we might need to adjust our provisions. There is no guarantee that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions, such as a potential credit crisis in the global financial system, could also result in financial difficulties for our clients, including limited access to the credit markets, insolvency or bankruptcy. Such conditions could cause clients to delay payment, request modifications of their payment terms or default on their payment obligations to us, all of which could increase our receivables. Timely collection of fees for client services also depends on our ability to complete our contractual commitments and subsequently bill for and collect our contractual service fees. If we are unable to meet our contractual obligations, we might experience delays in the collection of or be unable to collect our client balances, and if this occurs, our results of operations and cash flows could be adversely affected. In addition, if we experience delays in billing and collection for our services, our cash flows could be adversely affected.

Our revenue, operating results or profitability may experience significant variability and our past results may not be indicative of our future performance.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance.

Factors that are likely to cause variations include:

• the number, timing, scope and contractual terms of business transformation projects in which we are engaged;
• delays in project commencement or staffing delays due to difficulty in assigning appropriately skilled or experienced IT professionals;

• the accuracy of estimates of resources, time and fees required to complete fixed-price projects and costs incurred in the performance of each project;
• changes in pricing in response to client demands and competitive pressures;
• changes in the allocation of onsite and offshore staffing;
• the business decisions of our clients regarding the use of our services;
• the ability to further grow revenue from existing clients;
• the available leadership and senior technical resources compared to junior engineering resources staffed on each project;
• seasonal trends, primarily our hiring cycle and the budget and work cycles of our clients;
• delays or difficulties in expanding our operational facilities or infrastructure;
• the ratio of fixed-price contracts to time-and-materials contracts in process;
• employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases;
• unexpected changes in the utilization rate of our IT professionals;
• unanticipated contract or project terminations;
• the timing of collection of accounts receivable;
• the continuing financial stability of our clients; and
• general economic conditions.

In addition, such variability could make it difficult to make accurate financial forecasts, which could materially adversely affect our business, financial condition and results of operations.

We have incurred, and may continue to incur, share-based incentive expenses which could adversely impact our net income.

We have issued warrants under our equity incentive plans and entered into certain other share-based incentive arrangements in the past, as a result of which we have recorded €1.1 million, €1.0 million and €0.7 million as share-based compensation expenses for each of the years ended December 31, 2015, 2016 and 2017, respectively.

IFRS prescribes how we account for share-based incentive arrangements, which could adversely or negatively impact our results of operations or the price of our Class A ordinary shares. IFRS requires us to recognize share-based payments as compensation expense in the statement of operations based on the fair value of equity awards on the date of the grant, with compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. The expenses associated with share-based incentives may reduce the attractiveness of issuing equity awards under our equity incentive plan. However, if we do not grant equity awards, or if we reduce the number of equity awards we grant, we may not be able to attract and retain key personnel. If we grant more equity awards to attract and retain key personnel, the expenses associated with such additional equity awards could materially adversely affect our results of operations. In addition, the issuance of equity-based compensation would result in additional dilution to our shareholders.

Our computer networks may be vulnerable to security risks that could disrupt our services, and we could be held liable for damages or our reputation could suffer from security breaches or disclosure of confidential information or personal data.

We are dependent on information technology networks and systems to process, transmit and securely store electronic information and to communicate among our locations around the world and with our clients. Our information technology networks may be vulnerable to unauthorized access, computer hackers, computer viruses, worms, malicious applications and other security problems caused by unauthorized access to, or improper use of, systems by third parties or employees. A hacker who circumvents security measures could misappropriate proprietary information, including personally identifiable information, or cause interruptions or malfunctions in our operations. In addition, many of our engagements involve projects that are critical to the operations of our clients' businesses. The theft and/or unauthorized use or publication of our, or our clients', confidential information or other proprietary business information as a result of such an incident could adversely affect our competitive position and reduce marketplace acceptance of our services. Although we intend to continue to

implement security measures, any failure, unauthorized access or breach of the networks or computer systems used by us or our clients could result in a claim for substantial damages against us and significant reputational harm, regardless of our responsibility for the failure, unauthorized access or breach.

In addition, we often have access to or are required to manage, utilize, collect and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to numerous U.S. and non-U.S. laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of personal data. To protect proprietary information and other intellectual property, we require our employees, independent contractors, vendors and clients to enter into written confidentiality agreements with us. If any person, including any of our employees, negligently disregards or intentionally breaches controls or procedures with which we are responsible for complying with respect to such data or otherwise mismanages or misappropriates that data, or if unauthorized access to or disclosure of data in our possession or control occurs, we could be subject to liability and penalties in connection with any violation of applicable privacy laws and/or criminal prosecution, as well as significant liability to our clients or our clients' customers for breaching contractual confidentiality and security provisions or privacy laws. These risks will increase as we continue to grow and to store and process increasingly large amounts of our clients' confidential information and data and host or manage parts of our clients' businesses, especially in industries involving particularly sensitive data such as the financial services industry and the healthcare industry.

As cybersecurity threats rapidly evolve in sophistication and become more prevalent across the industry globally, the associated risks described above may increase. Our (and our third party providers') information technology systems and networks likely will be subject to advanced computer viruses or other malicious codes, unauthorized access attempts, denial of service attacks, phishing and other cyber-attacks. Given that the techniques used in cyberattacks change frequently and may be difficult to detect for periods of time, we (and our third party providers) may face difficulties in anticipating and implementing adequate preventative measures or mitigating harms after such an attack. We cannot guarantee that our security efforts or the security efforts of our third-party providers will prevent breaches or failures of our or our third-party providers' databases or systems. Unauthorized disclosure of sensitive or confidential client or employee data, including personal data, whether through breach of computer systems, systems failure, employee negligence, fraud or misappropriation or otherwise, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems and networks or those we develop or manage for our clients, whether by our employees or third parties, could result in negative publicity, legal liability and damage to our reputation, which could in turn have a material adverse effect on our business, results of operations and financial condition.

Our international operations involve risks that could increase our expenses, adversely affect our results of operations and require increased time and attention from our management.

We have operations and serve clients across Europe and North America and in other jurisdictions around the world including China, India, Singapore, Australia, Argentina and Ukraine. As a result, we may be subject to risks inherently associated with international operations, including fluctuations in foreign exchange and inflation rates, international hostilities, natural disasters, security breaches, and failure to maintain compliance with our clients' control requirements. Our global operations also expose us to numerous and sometimes conflicting legal, tax and regulatory requirements, and violations or unfavorable interpretation by the respective authorities of these regulations could harm our business, results of operations and financial condition. In addition, emerging markets generally involve greater financial and operational risks than more mature markets such as the United States and Europe. Negative or uncertain political climates in countries or geographies where we operate could also adversely affect us.

On March 20, 2017, we executed a purchase and sale agreement to acquire certain business operations in Ukraine. In recent years, military activities in Ukraine and on its borders, including Russia asserting control over and declaring its annexation of the Crimean region, have combined with Ukraine's weak economic conditions to create uncertainty about the future of Ukraine. Deterioration of

Ukraine's political and economic conditions, including a further outbreak of open hostilities with Russia, could impair our business operations in Ukraine and adversely affect our results of operations and financial condition.

In addition, our operations in Argentina expose us to risks associated with the unpredictable and significant levels of inflation Argentina has experienced in recent years. Our operating costs in Argentina are denominated in Argentine Pesos. Inflation in Argentina, without a corresponding Peso devaluation, could result in an increase in our operating costs without a commensurate increase in our revenue, which could adversely affect our results of operations and financial condition.

Additional risks associated with international operations include difficulties in enforcing contractual rights, the burdens of complying with a wide variety of foreign laws and potentially adverse tax consequences, including permanent establishment and transfer pricing issues, tariffs, quotas and other barriers and potential difficulties in collecting accounts receivable. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations. Additionally, such companies may have long-standing or well-established relationships with desired clients, which may put us at a competitive disadvantage. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries. We cannot ensure that these and other factors will not impede the success of our international expansion plans or limit our ability to compete effectively in other countries.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violations of these regulations could harm our business, results of operations and financial condition.

Because we provide services to clients throughout the world, we are subject to numerous, and sometimes conflicting, legal rules on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy and labor relations. Violations of these laws or regulations in the conduct of our business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, damage to our reputation and other unintended consequences such as liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws might be insufficient to protect our rights. Our failure to comply with applicable legal and regulatory requirements could have a material adverse effect on our business, results of operations and financial condition.

Among other anti-corruption laws and regulations, we are subject to the Foreign Corrupt Practices Act, which prohibits improper payments or offers of improper payments to foreign officials to obtain business or any other benefit, and the U.K. Bribery Act. Violations of these laws or regulations could subject us to criminal or civil enforcement actions, including fines and suspension or disqualification from government contracting or contracting with private entities in certain highly regulated industries, any of which could have a material adverse effect on our business, results of operations and financial condition.

In addition, strict labor regulations in certain of the jurisdictions in which we operate, including France, may make it difficult for us to make changes to our workforce in response to changes in demand for our services, which could materially adversely affect our business, results of operations and financial condition. The terms of certain national collective bargaining agreements that apply to all businesses within specific industries are applicable to certain of our French employees. Certain of our French employees are also represented by an elected works council with which we have entered into collective bargaining agreements that provide, among other things, for terms of employment that are mandated under French law. These collective bargaining agreements may limit our ability to make

changes to the terms of employment of certain of our French employees, for example to reduce costs, which could materially adversely affect our business, results of operations and financial condition.

Our work with government clients exposes us to additional risks inherent in the government contracting environment.

Our clients include national, provincial, state and local governmental entities. Revenue from our government clients represent 16.0%, 12.7% and 8.8% of our total revenue for the years ended December 31, 2015, 2016 and 2017, respectively. Our government work carries various risks inherent in the government contracting process, which may affect our operating profitability.

These risks include, but are not limited to, the following:

• Government entities often reserve the right to audit our contract costs, including allocated indirect costs, and conduct inquiries and investigations of our business practices with respect to our government contracts. If the client finds that the costs are not chargeable, then we will not be allowed to bill for them or the cost must be refunded to the client if it has already been paid to us. Findings from an audit may also result in adjustments of previously agreed upon rates for our work and may affect our future margins.
• If a government client discovers improper or illegal activities in the course of audits or investigations, we may become subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or unilateral debarment from doing business with other agencies of that government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities, regardless of their adequacy, and therefore we can only mitigate, and not eliminate, this risk.
• Government contracts are often subject to more extensive scrutiny and publicity than contracts with commercial clients. Negative publicity related to our government contracts, regardless of its accuracy, may further damage our business by affecting our ability to compete for new contracts among commercial and governmental entities.
• Political and economic factors such as pending elections, changes in leadership among key governmental decision makers, revisions to governmental tax policies and reduced tax revenue can affect the number and terms of new government contracts signed.
• Terms and conditions of government contracts tend to be more onerous and are often more difficult to negotiate than those for commercial contracts. For example, many of our government contracts may be terminated for convenience, and our government clients may terminate or decide not to renew our contracts with little or no prior notice.
• Government contracts may not include a cap on direct or consequential damages, which could cause additional risk and expense in these contracts.

We may need additional capital, and a failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We believe that our available cash and cash equivalents, cash flows expected to be generated from operations, borrowings available to us and net proceeds from this offering will be sufficient to meet our projected operating and capital expenditure requirements for at least the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain another credit facility in addition to our existing credit lines related to assignment of receivables. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:
• investors' perception of, and demand for, securities of business transformation services companies;
• conditions of the United States and other capital markets in which we may seek to raise funds; and
• our future results of operations and financial condition.

Financing may not be available in amounts or on terms acceptable to us, or at all, which could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We face risks associated with having significant resource commitments to provide services prior to realizing sales for those services.

We have a long selling cycle for our services, which requires significant investment of human resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them on the value of our services and our ability to meet their requirements. Therefore, our selling cycle is subject to many risks and delays over which we have little or no control, including our clients' decision to choose alternatives to our services (such as other business transformation services providers or in-house resources) and the timing of our clients' budget cycles and approval processes. If our sales cycle unexpectedly lengthens for one or more large projects, it would negatively affect the timing of our revenue and hinder our revenue growth. For certain clients, we may begin work and incur costs prior to executing the contract. A delay in our ability to obtain a signed agreement or other persuasive evidence of an arrangement, to complete certain contract requirements in a particular quarter or to collect on work performed in a particular quarter could reduce our revenue in that quarter.

Implementing our services also involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may experience delays in obtaining internal approvals or delays associated with technology, thereby further delaying the implementation process. Our current and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources. Any significant failure to generate revenue or delays in recognizing revenue after incurring costs related to our sales or services process could materially adversely affect our business, results of operations and financial condition.

We may not be able to recognize revenue in the period in which our services are performed, which may cause our margins to fluctuate.

Our services are performed under both time-and-material and fixed-price contract arrangements. All revenue is recognized pursuant to applicable accounting standards. We recognize revenue when the following criteria are met: the amount of revenue can be measured reliably, it is probable that the economic benefit will flow to us, the stage of completion at the balance sheet date can be measured reliably and the costs incurred, or to be incurred, can be measured reliably. When the above criteria are not met, revenue arising from the rendering of services should be recognized only to the extent of the expenses recognized that are recoverable.

We recognize revenue from fixed-price contracts using the percentage of completion method of accounting, which involves calculating the actual costs incurred relative to estimated costs to complete in order to estimate the progress toward completion to determine the amount of revenue to recognize. In instances where final acceptance of the system or solution is specified by the client, revenue is deferred until all acceptance criteria have been met. In the absence of a sufficient basis to measure progress toward completion, revenue is recognized upon receipt of final acceptance from the client. Our failure to meet all the acceptance criteria, or otherwise meet a client's expectations, may result in our having to record the cost related to the performance of services in the period that services were rendered, but delay the timing of revenue recognition to a future period in which all acceptance criteria have been met.

Our effective tax rate could be materially adversely affected by a number of factors.

We conduct business globally and file income tax returns in multiple jurisdictions, including jurisdictions located in Europe, North America, Asia, Australia and Latin America. Our effective tax rate, results of operations and financial condition could be materially adversely affected by a number of factors, including changes in the amount of income taxed by or allocated to the various jurisdictions in which we operate that have different statutory tax rates; the resolution of issues arising from tax

audits or examinations and any related interest or penalties; and changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions. Certain jurisdictions, including France, are actively contemplating tax reform and tax policy changes, which could adversely affect our business, results of operations and financial condition.

On December 22, 2017, the Tax Cuts and Jobs Act, or the Tax Act, significantly revised U.S. federal corporate income tax law by, among other things, reducing the U.S. federal corporate income tax rate to 21%, limiting the tax deduction for interest expense to 30% of adjusted earnings, allowing immediate expensing for certain new investments, imposing an alternative “base erosion and anti-abuse tax,” or BEAT, on certain corporations that make deductible payments to foreign related persons in excess of specified amounts, and, effective for net operating losses arising in taxable years beginning after December 31, 2017, eliminating net operating loss carrybacks, permitting indefinite net operating loss carryforwards, and limiting the use of net operating loss carryforwards to 80% of current year taxable income. The reduction in the U.S. federal corporate income tax rate is expected to be beneficial to us in future years in which we have net income subject to U.S. federal income tax. However, the reduction in the U.S. federal corporate income tax rate also will result in a net downward adjustment of approximately $ 1.2 million to the amount of deferred tax assets and deferred tax liabilities reflected in our financial statements, and will adversely affect our overall effective tax rate for 2017.

There are a number of uncertainties and ambiguities as to the interpretation and application of many of the provisions in the Tax Act, including the provisions relating to the BEAT. In the absence of guidance on these issues, we will use what we believe are reasonable interpretations and assumptions in interpreting and applying the Tax Act for purposes of determining our cash tax liabilities and results of operations, which may change as we receive additional clarification and implementation guidance and as the interpretation of the Tax Act evolves over time. It is possible that the Internal Revenue Service, or the IRS, could issue subsequent guidance or take positions on audit that differ from the interpretations and assumptions that we previously made, which could have a material adverse effect on our cash tax liabilities, effective tax rate, results of operations and financial condition.

We report our results of operations based on our determination of the amount of taxes owed in the various jurisdictions in which we operate. We have certain intercompany arrangements among our subsidiaries in relation to various aspects of our business, including operations, marketing, sales and delivery functions that are subject to transfer pricing regulations of the respective jurisdiction.

We have significant tax benefits, the loss of which could materially adversely affect our results of operations, net income, cash flows and financial condition.

We enjoy tax incentives introduced by certain jurisdictions to partially offset the costs of research and development efforts by technology companies. In the past, we benefited from such tax benefits in Australia, Canada and France. We may try to benefit from similar tax incentives in other jurisdictions where we operate or will operate in the future. While we plan to continue our research and development effort in order to sustain our competitive advantage, there is a risk that currently existing tax benefits in the jurisdictions where we operate will be amended or withdrawn by the relevant jurisdictions, which would adversely impact our results of operations, net income, cash flows and financial condition. Tax attributes arising out of past research and development tax benefits may be challenged by tax authorities in the future, which could force us to pay additional taxes, interest and penalties and could adversely and materially impact our results of operations, net income, cash flows and financial condition.

In France and the United States, we have material tax losses that have been carried forward, some of which have been recognized as deferred tax assets. Should our net income be less favorable than what we anticipated when we determined the amount of deferred tax assets, we would be forced to impair the value of these deferred tax assets, which could adversely and materially impact our result of operations, net income, cash flows and financial condition.

Although we do not expect to be a "passive foreign investment company", or a PFIC, for U.S. federal income tax purposes in 2018 or in the immediately foreseeable future, if we were a PFIC, U.S. shareholders may be subject to adverse U.S. federal income tax consequences.

Under the Internal Revenue Code of 1986, as amended, or the Code, we will be a PFIC for any taxable year in which, after the application of certain look-through rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of passive income or (ii) 50% or more of the average quarterly value of our assets consists of assets that produce, or are held for the production of, passive income. Passive income generally includes dividends, interest, certain non-active rents and royalties, and capital gains. Based on our current operations, income, assets and certain estimates and projections, including as to the relative values of our assets, we do not expect to be a PFIC for our 2018 taxable year or in the immediately foreseeable future. However, there can be no assurance that the Internal Revenue Service, or IRS, will agree with our conclusion. In addition, whether we will be a PFIC in 2018 or any future years is uncertain because, among other things: (i) we will own after the completion of this offering a substantial amount of passive assets, including cash, and (ii) the valuation of our assets that generate non-passive income for PFIC purposes, including our intangible assets, is uncertain and may vary substantially over time. In particular, the calculation of the value of our intangible assets is based, in part, on the market value of our Class A ordinary shares, which is subject to change. Accordingly, there can be no assurance that we will not be a PFIC for any taxable year.

If we are a PFIC for any taxable year during which a U.S. investor holds Class A ordinary shares, we generally would continue to be treated as a PFIC with respect to that U.S. investor for all succeeding years during which the U.S. investor holds Class A ordinary shares, even if we ceased to meet the threshold requirements for PFIC status. Such a U.S. investor would be subject to adverse U.S. federal income tax consequences, including (i) the treatment of all or a portion of any gain on disposition as ordinary income, (ii) the application of a deferred interest charge on such gain and the receipt of certain dividends and (iii) compliance with certain reporting requirements. We do not intend to provide the information that would enable investors to take a qualified electing fund, or QEF, election that could mitigate the adverse U.S. federal income tax consequences should we be classified as a PFIC.

For further discussion, see "Taxation—Material U.S. federal income tax considerations for U.S. holders."

If we fail to maintain an effective system of disclosure controls and procedures and internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

We must maintain effective internal control over financial reporting in order to accurately and timely report our results of operations and financial condition. In addition, as a public company listed in the United States, the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, will require, among other things, that we assess the effectiveness of our internal control over financial reporting at the end of each fiscal year starting with the end of the first full fiscal year after the completion of the offering. However, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting for so long as we are an "emerging growth company," which may be up to five fiscal years following the date of this offering. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not.

Ensuring that we have adequate disclosure controls and procedures, including internal controls over financial reporting, in place so that we can produce accurate financial statements on a timely basis is costly, time-consuming and needs to be re-evaluated frequently. We are in the process of documenting, reviewing and improving our internal controls and procedures in anticipation of being a public company listed in the United States and eventually being subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act. We will be required to comply with the internal controls evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act. Our management may conclude that our internal controls over financial reporting are not effective due to our failure to cure any identified material weakness or otherwise.

Moreover, even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may not conclude that our internal controls over financial reporting are effective. As a result, our accounting firm may decline to attest to the effectiveness of our internal controls over financial reporting or may issue a qualified report.

In addition, during the course of the evaluation, documentation and testing of our internal controls over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the SEC for compliance with the requirements of Section 404. If we fail to achieve and maintain the adequacy of our internal controls over financial reporting, as these standards are modified, supplemented or amended from time to time, we may be unable to report our financial information on a timely basis, we may not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with the Sarbanes-Oxley Act and we may suffer adverse regulatory consequences or violations of listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in the reliability of our financial statements.

The rules governing the standards that must be met for our management to assess our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act are complex and require significant documentation, testing and possible remediation. These stringent standards require that our audit committee be advised and regularly updated on management’s review of internal control over financial reporting. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that will be applicable to us as a public company listed in the United States. If we fail to staff our accounting and finance function adequately or maintain internal control over financial reporting adequate to meet the demands that will be placed upon us as a public company listed in the United States, our business and reputation may be harmed and the price of our Class A ordinary shares may decline. In addition, undetected material weaknesses in our internal control over financial reporting could lead to restatements of financial statements and require us to incur the expense of remediation. Any of these developments could result in investor perceptions of us being adversely affected, which could cause a decline in the market price of our securities.

We have identified a material weakness related to the design and operation of our control environment. If we fail to improve and maintain our internal controls over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected, which could hurt our business, lessen investor confidence and depress the market price of our securities.

Prior to the completion of this offering, as a private company and, before that, as a public company listed outside of the United States, we have not been subject to the requirements of the Sarbanes-Oxley Act, including the obligation to formally evaluate the effectiveness of our internal controls. In connection with our preparation for this offering, we have identified a material weakness related to the design and operation of the control environment, as evidenced by:’

- inadequate segregation of duties with respect to internal control over financial reporting, due to limited personnel in many subsidiaries of the company with sufficient accounting expertise (in particular for performing independent reviews of journal entries); and
- insufficient written policies and control procedures that would limit discrepancies within our different subsidiaries worldwide in applying IFRS accounting standards, in performing control activities or in using the IT systems (in particular for revenue recognition).

A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

We have taken steps to remediate the material weakness noted above. We have initiated or plan to initiate the following series of measures:

- improve segregation of duties related to data entry and review of journal entries by hiring additional personnel with the adequate expertise; and

• implement a new enterprise resource planning framework worldwide with the appropriate documentation of control procedures.

However, if we do not successfully remediate these issues or if we fail to design and operate effective internal controls in the future, it could result in material misstatements in our financial statements, result in the loss of investor confidence in the reliability of our financial statements and subject us to regulatory scrutiny and sanctions, which in turn could harm the market value of our Class A ordinary shares.
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An exit by the United Kingdom from the European Union may have a negative effect on global economic conditions and financial markets and on our business, results of operations and financial condition.

In June 2016, a majority of those voting in a national referendum in the United Kingdom voted in favor of the United Kingdom's exit from the European Union, commonly referred to as "Brexit." On March 29, 2017, the United Kingdom gave formal notice under Article 50 of the European Treaty of its intention to leave the European Union. The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations and has created political and economic uncertainty about the future relationship between the United Kingdom and the European Union and as to whether any other European countries may similarly seek to exit the European Union. The on-going process of negotiations between the United Kingdom and the European Union will determine the future terms of the United Kingdom's relationship with the European Union, including access to European Union markets, either during a transitional period or more permanently. Brexit could lead to potentially divergent laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. We have material operations in the United Kingdom and the rest of Europe and our global operations serve many clients with significant operations in those regions.

In addition, we are currently an SE with our registered office in England. We may be required to change our corporate form or country of registration prior to or concurrently with the completion of Brexit. A change to our corporate form would likely deprive us of certain of the advantages of being an SE, including the ability to transfer our registered office to another European Union jurisdiction with

relatively few restrictions. A change to our country of registration would subject us to a new legal regime that may have disadvantages compared to English law. As a result of the foregoing factors, our financial condition and results of operation may be significantly impacted by the effects of Brexit and the uncertainties surrounding it.

For the year ended December 31, 2017, revenue from our clients in the United Kingdom and the rest of Europe represented 12.5% and 79.2%, respectively, of our consolidated revenue. A significant portion of our revenue from clients in the United Kingdom is denominated in British Pounds. This exposure subjects us to revenue risk with respect to our clients in the United Kingdom as well as to risk resulting from adverse movements in foreign currency exchange rates. In addition, for the year ended December 31, 2017, revenue from our financial services clients represented 9.9% of our consolidated revenue. Uncertainty regarding future U.K. financial laws and regulations, the withdrawal terms of the United Kingdom from the European Union and the future trade terms between the United Kingdom and the European Union could negatively impact the financial services sector globally, including our clients in such sector, and as a consequence adversely impact our financial condition and results of operations. Further, it is uncertain what impact the withdrawal of the United Kingdom from the European Union will have on general economic conditions in the United Kingdom, the European Union and globally. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Provisions in the U.K. City Code on Takeovers and Mergers may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our shareholders.

The U.K. City Code on Takeovers and Mergers, or the Takeover Code, applies, among other things, to an offer for an SE whose registered office is in the United Kingdom (or the Channel Islands or the Isle

of Man) and whose securities are not admitted to trading on a regulated market in the United Kingdom (or the Channel Islands or the Isle of Man) if the company is considered by the Panel on Takeovers and Mergers, or the Takeover Panel, to have its place of central management and control in the United Kingdom (or the Channel Islands or the Isle of Man). This is known as the “residency test.” The test for central management and control under the Takeover Code is different from that used by the U.K. tax authorities. Under the Takeover Code, the Takeover Panel will determine whether we have our place of central management and control in the United Kingdom by looking at various factors, including the structure of our board of directors, the functions of the directors and where they are resident.

If at the time of a takeover offer the Takeover Panel determines that we have our place of central management and control in the United Kingdom, we would be subject to a number of rules and restrictions, including but not limited to the following: (1) our ability to enter into deal protection arrangements with a bidder would be extremely limited; (2) we might not, without the approval of our shareholders, be able to perform certain actions that could have the effect of frustrating an offer, such as issuing shares or carrying out acquisitions or disposals; and (3) we would be obliged to provide equality of information to all bona fide competing bidders.

International hostilities, terrorist activities, other violence or war, natural disasters, global health risks, pandemics and infrastructure disruptions could delay or reduce the number of new service orders we receive and impair our ability to service our clients.

International hostilities and acts of terrorism, violence or war, natural disasters, global health risks or pandemics or the threat or perceived potential for these events could materially adversely affect our operations and our ability to provide services to our clients. We may be unable to protect our people, facilities and systems against any such occurrences. Such events may cause clients to delay their decisions on spending for business transformation services and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our clients, which could materially adversely affect our financial results. By disrupting communications and travel, giving rise to travel restrictions and increasing the difficulty of obtaining and retaining highly-skilled and qualified IT professionals, these events could make it difficult or

impossible for us to deliver services to some or all of our clients. Travel restrictions could cause us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled IT professionals we need for our operations. In addition, any extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients.

Certain factors relating to our intellectual property

Our services or solutions could infringe upon or otherwise violate the intellectual property rights of others and we may be subject to claims of infringement or other violation of third-party intellectual property rights that could be time-consuming and costly to defend and harm our ability to generate future revenue.

We cannot be sure that our products, services and solutions, or the solutions of others that we offer to our clients, do not infringe upon or otherwise violate the intellectual property rights of others. Third parties may assert against us or our clients claims alleging infringement or other violation of patent, copyright, trademark or other intellectual property rights in relation to technologies, processes or services that are important to our business. Any such claims may result in us initiating or defending potentially protracted and costly litigation on behalf of ourselves and our clients, regardless of the merits of these claims, and such claims are often not subject to liability limits or exclusion of consequential, indirect or punitive damages. Such claims could also harm our reputation and prevent us from offering certain products, services or solutions or utilizing certain technologies or processes. In our contracts, we generally agree to indemnify our clients for certain expenses or liabilities resulting from potential infringement of the intellectual property rights of third parties. In some instances, the amount of our liability under these indemnities could be substantial. Any claims that our products,

services or processes infringe or otherwise violate the intellectual property rights of others, regardless of the merit or resolution of such claims, may result in significant costs in defending and resolving such claims and may divert the efforts and attention of our management and technical personnel from our business. In addition, as a result of such claims, we could be required or otherwise decide that it is appropriate to:

- pay the third party making such claims (including to settle or otherwise resolve such claims);
- discontinue using, licensing or selling particular products, services or solutions subject to such claims;
- discontinue using the technology or processes subject to such claims;
- develop other technology or processes not subject to such claims, which could be costly or may not be possible; or
- license technology or processes from the third party claiming infringement or from other third parties, which license may not be available or may not be available on commercially reasonable terms.

The occurrence of any of the foregoing could result in unexpected expenses or require us to recognize an impairment of our assets, which would reduce the value of our assets and increase expenses. In addition, if we alter or discontinue our offering of affected products, solutions or services, our revenue could be affected. If any such claim were successful against us or our clients, an injunction might be ordered against our clients or our own services or operations, causing further damages.

We expect that the risk of infringement claims against us will increase if our competitors are able to obtain patents or other intellectual property rights for software products and methods, technological solutions and processes relevant to our business. We also may be subject to intellectual property infringement claims from certain individuals or companies (including non-practicing entities) that have acquired patent portfolios for the primary purpose of asserting such claims against other companies to obtain licensing revenue or other settlement payments. The risk of infringement claims against us may also increase as we continue to develop and license our intellectual property to our clients and other third parties. Any infringement claim or litigation against us could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and harm our business.

Our future success will depend, in part, on our ability to protect our proprietary methodologies and other valuable intellectual property. We rely upon a combination of copyright, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions and security measures to establish, maintain and protect our intellectual property rights. We intend to protect our intellectual property rights vigorously, however, there is no guarantee that these measures will, in all cases, be successful or that we will be able to obtain or maintain adequate protection or enforcement of our intellectual property rights. Additionally, we note that the laws of some foreign jurisdictions may not protect intellectual property rights to the same extent as the laws of Europe or the United States. The absence of internationally harmonized intellectual property laws may make it more difficult to ensure consistent protection and enforcement of our intellectual property rights.

We rely on our trademarks, trade names, service marks and brand names to distinguish our services and solutions from the services of our competitors, and have registered or applied to register several of these trademarks. We cannot guarantee that our trademark applications will be approved. Not all of the trademarks that we currently use have been registered in all of the countries in which we do business, and we may not seek such registrations in some of these countries. Some countries' laws do not protect unregistered trademarks at all, or make them difficult to enforce, and third parties may have filed for such trademarks or similar trademarks in countries where we have not registered, or will not register, our trademarks. Accordingly, we may not be able to adequately protect and enforce our trademarks in some countries in the world and our use of such trademarks may result in liability for trademark infringement, trademark dilution or unfair competition. Furthermore, third parties may oppose our trademark applications, or otherwise challenge our use or registration of our trademarks. In the event that our trademarks or our use thereof is successfully challenged, we could be forced to rebrand our services and solutions, which could result in loss of brand recognition, and could require

us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks in each such instance.

Although the laws, rules, regulations and treaties in effect in Europe, the United States and other countries in which we operate may provide meaningful protection from misappropriation, infringement or other unauthorized use of our intellectual property, there can be no assurance that these laws, rules, regulations and treaties will not change in ways that reduce such protection or otherwise prevent or restrict the transfer of software components, libraries, toolsets and other technology or data we use in the performance of our services. Furthermore, the existing laws of some countries in which we provide services may offer only limited protection of our intellectual property rights. There also can be no assurance that the steps we have taken toprotect our intellectual property rights will be adequate to deter misappropriation, infringement or other unauthorized use, or that we will be able to detect misappropriation, infringement or unauthorized use of our intellectual property.

Unauthorized use of our intellectual property may result in development of technology, products or services that compete with our products and services and unauthorized parties may infringe upon or misappropriate our products, services or proprietary information. If we are unable to protect our intellectual property, our business may be adversely affected and our ability to compete may be impaired.

Depending on the circumstances, we might need to grant a specific client greater rights in intellectual property developed or used in connection with a contract than we normally do. In certain situations, we might forego all rights to the use of intellectual property we create and intend to reuse across multiple client engagements, which would limit our ability to reuse that intellectual property for other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

We may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

Our ability to enforce our non-disclosure agreements, software license agreements, service agreements and other intellectual property rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our rights in various countries. To the extent that we seek to enforce our rights, we could be subject to claims that an intellectual property right is invalid, otherwise not enforceable or licensed to the party against whom we are pursuing a claim. In addition, our assertion of rights may result in the other party seeking to assert alleged intellectual property rights or other claims against us, which could harm our business and result in substantial costs and diversion of resources and management attention. If we are not successful in defending such claims in litigation, we may not be able to sell or license a particular product, service or solution due to an injunction, or we may have to pay damages that could, in turn, harm our results of operations. In addition, governments may adopt laws or regulations, or courts may render decisions, requiring compulsory licensing of intellectual property to others, or governments may require that products meet specified standards that serve to favor local companies. Our inability to enforce our rights under these circumstances may harm our competitive position and our business.

We may be liable to our clients for damages caused by violations of intellectual property rights and the disclosure of other confidential or proprietary information or systems failures or errors and our insurance policies may not be sufficient to cover these damages.

We often have access to sensitive or confidential client information, including personally identifiable information. Many of the jurisdictions in which we operate have laws and regulations relating to data privacy, security and protection of information. To protect suc
information, as well as other proprietary information and intellectual property, we have a practice of requiring our employees, independent contractors, vendors and clients to enter into written confidentiality agreements with us. We also employ certain measures intended to protect our

information technology systems from unauthorized access and disclosure of personally identifiable information and our and our client's other confidential and proprietary information. However, there is no guarantee that the measures we have implemented will prevent all such unauthorized access. Despite measures we take to protect the intellectual property and other confidential information, proprietary information and personally identifiable information of our clients, unauthorized parties, including our employees and subcontractors and third parties, may attempt to misappropriate (or otherwise access, use or disclose in an unauthorized manner) certain intellectual property rights and information that are proprietary to us or our clients or otherwise breach our or our clients' confidences. The agreements we enter into with employees, independent contractors, vendors and clients may not provide meaningful protection for trade secrets, know-how or other proprietary or confidential information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary or confidential information. Furthermore, policing unauthorized access and use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation (or other unauthorized access and use) of our and our clients' proprietary technology and information. Reverse engineering, unauthorized copying or other misappropriation of our and our clients' proprietary technologies, tools and applications could enable third parties to benefit from our or our clients' technologies, tools and applications without paying us or our clients for doing so. Unauthorized access or disclosure of sensitive or confidential client information, including personally identifiable information, or a violation of intellectual property rights, whether through employee misconduct, breach of our computer systems, systems failure or error or otherwise, may subject us to liabilities (including penalties, fines, litigation and other liabilities), damage our reputation and cause us to lose clients and harm our ability to obtain new clients. In addition, in the event we enforce our rights relating to such information through litigation, such litigation may not prove successful and might result in substantial costs and diversion of resources and management attention.

Our client contracts generally provide for indemnity for infringement of third party intellectual property rights that arise from our breach under such contracts. Although we attempt to limit our contractual liability for consequential damages in rendering our services, and provide limitation of liabilities for the amount of such liabilities, these limitations on liability may not apply in all circumstances, may be unenforceable in some cases or may otherwise be insufficient to protect us from liability for damages. There may be instances when liabilities for damages are greater than the insurance coverage we hold and we will have to internalize those losses,damages and liabilities not covered by our insurance. Furthermore, if any third party brings any claims against our clients, claiming that our work product or intellectual property transferred to our clients violates, or infringes upon, such third party's intellectual property rights, any such claims could result in claims by our clients against us, which could result in substantial liabilities, costs and diversion of resources and management attention and the loss of such client, and could seriously damage our reputation, result in other clients terminating their engagements with us and make it more difficult to obtain new clients.

Our business is subject to evolving U.S. and foreign regulations regarding privacy and data protection. Changes in regulations regarding privacy and protection of customer data, or any failure to comply with such regulations, could adversely affect our business.

The collection, use, retention, protection, disclosure, transfer, and other processing of personal data are subject to a number of state, national, foreign and international laws and regulations. These privacy- and data protection-related laws and regulations are actively evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Compliance with these laws and regulations can be costly and can delay or impede the development and offering of new products and services.

For example, in October 2015, the European Court of Justice invalidated the 2000 US-EU Safe Harbor program as a legitimate and legally authorized basis on which the companies could rely for the transfer of personal data from the European Union to the United States. Now that the European Union and the United States have implemented a successor privacy framework called the Privacy Shield, we are reviewing and documenting our practices under the Privacy Shield. However, this new framework also faces a number of legal challenges, is subject to an annual review that could result in changes to

our obligations, and also may be challenged by national regulators or private parties. In addition, the EU General Data Protection Regulation, or GDPR, which will be effective in May 2018, contains numerous requirements and changes, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. In addition, the GDPR will include significant penalties for non-compliance. Complying with the GDPR may cause us to incur substantial operational costs or require us to change our business practices. Despite our efforts to bring practices into compliance before the effective date of the GDPR, we may not be successful either due to internal or external factors such as resource allocation limitations or a lack of vendor cooperation. Furthermore, Brexit could require us to make additional changes to the way we conduct our business and transmit data between the United States, the United Kingdom, the European Union and the rest of the world.

If one or more of the legal bases for transferring personal data from the European Union to the United States is invalidated, or if we are unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services or adversely affect our business. Our failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement actions, significant penalties or other legal action against us or our clients, a loss of customer confidence, damage to our brand, and a loss of clients, which could potentially have an adverse effect on our business.

Likely future developments

Valtech will continue to develop its client and activity portfolio in the countries where the group has a presence. Valtech will also explore opportunities to acquire new businesses if and when opportunities arise to expand its activities in geographies, technologies and know-how that can contribute to its growth.

Research and development activities

Valtech continuously engage into research and development activities to sustain its ambition to be at the forefront of digital marketing technologies. In the year ended December 31, 2017, Valtech's research development activities have led to the internal generation of intangible assets (see note14 to the consolidated financial statements).

Corporate and social responsibility

The fabric of our day-to-day culture is stitched together by our strong focus on initiatives that make a difference. We craft programs that support our incredibly diverse and global workforce. We invest in strengthening the communities in which we live and work today, along with where we hope to be in the future. As part of our global mission, we educate and empower the future leaders of the tech industry. By bringing technology and people together, we enact change that inspires new paths forward for employees and communities around the globe

A Diverse World

We believe that celebrating different cultures, languages and experiences makes us stronger. There is power in our diversity. One of our most popular programs is the Valtech International Talent Program. Each year, we select a talented group of university students to join our team for an internship that we believe is unlike any other. The interns work and travel together to several of our offices, including Paris, Munich and Copenhagen, and manage high-level projects alongside Valtech web teams. At the end of the internship, they have improved their English and technical skills and gained invaluable work experience. Our interns often will have also secured a full-time offer upon leaving.
We have other professional exchange programs, including the Valtech Marketing Exchange, where marketing employees enjoy the opportunity to travel internationally for work in order to collaborate alongside different colleagues from around the globe. We specifically design our

professional exchange programs to serve dual purposes: combining work and social interaction to nurture well-rounded professionals with a more comprehensive view of the world and our clients.

A Strong Community

We depend on the communities that support us, and we strongly believe in investing in people. For example, we established our "Joy of Giving" committee in our India offices to promote philanthropic initiatives. Last year, the committee was able to donate funds to purchase a Cardiac Ambulance for the Sri Jayadeva Institute of Cardiovascular Sciences and Research. Similarly, we are committed to Arbusta, an Argentinean-based program aimed at increasing opportunities and providing training, education and job placement to citizens below the poverty line. Participants enjoy a multitude of job placement options in the tech industry, from quality control to content management support. We were Arbusta's first contributor four years ago and we remain its biggest one. The program has been successful and is now spreading to other countries in Latin America.

Education for the Future

We believe in educating, empowering and inspiring the future of technology. Through different

internships and vocational programs, Valtech educates and empowers students and professionals already aiming to work in the digital world. One of our favorite programs at Valtech is the Tech Girl program, where we aim to inspire young girls to develop coding skills and an interest in programming. The course is designed for girls by girls, run by an all-female Valtech teaching team, including some of our top developers and UX-engineers. Since 2014, we have run the program six times and have reached out to other companies to start their own Tech Girl programs.

Employee gender diversity

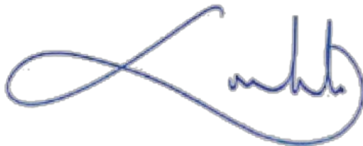
The following table shows the breakdown of key executive positions in the group by gender as of December 31, 2017.

	Male	Female
Directors of the company	4	0
Employees in other senior executive positions	6	1
Directors of subsidiary companies not included in above	15	3

Approval

This report was approved by the board of directors on May 28, 2018 and signed on its behalf by:

Sebastian Lombardo, Chief Executive Officer



Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31st December 2017. Details of significant events since the balance sheet date are contained in note 27 to the financial statements. An indication of likely future developments in the business of the company and details of research and development activities are included in the strategic report.

Neither the company nor its subsidiaries make any use of financial instruments.

Valtech SE was transformed in November 2014 into a European public limited liability company (*Societas Europaea*, or SE) pursuant to the laws of the European Union, as a successor company to Valtech S.A. Valtech moved its registered office from France to Luxembourg in October 2015 and from Luxembourg to England, where the Company is currently registered, in June 2016 under the number SE000106.

Our principal executive offices are located at 46 Colebrooke Row, London, N1 8AF, England, United Kingdom. Our telephone number at this address is +44 (0) 20 7014 0800.

The consolidated accounts of VALTECH S.E. and its subsidiaries on December 31st, 2017 include the statements of the companies listed in the table below:

Country	Scope	% of interest 2017	% of interest 2016	Acq. or creation date	Consolidation method
United Kingdom	Valtech S.E.			Parent company	
	Valtech Ltd.	100%	100%	1996	Full consolidation
	Valtech Inside	100%	100%	2016	Full consolidation
	El Chalten Ltd	100%		2017	Full consolidation
	Non Linear Creations UK Ltd	100%		2017	Full consolidation
Argentina	Valtech Digital SA	100%	100%	2016	Full consolidation
Australia	Valtech Holdings Australia	100%	100%	2014	Full consolidation
	Valtech Digital Australia (formerly Neon Stingray)	100%	100%	2014	Full consolidation
Brazil	Non Linear Brasil Technologica Ltda	100%		2017	Full consolidation
Canada	Valtech Canada (formerly W.illi.am)	100%	100%	2015	Full consolidation
	Valtech Digital Canada (formerly Non Linear Creat	100%		2017	Full consolidation
China	Valtech Digital China Co. Ltd.	100%	100%	2016	Full consolidation
Denmark	Codehouse A/S	100%		2017	Full consolidation
	Valtech A/S	100%	100%	2000	Full consolidation
France	Valtech Training	100%	100%	2002	Full consolidation
	Valtech Global Projects	100%	100%	2006	Full consolidation
Germany	People Interactive (1)			2017	Full consolidation
	Valtech AG (2)			2000	Full consolidation
	Valtech GmbH	100%	100%	1999	Full consolidation
Hong Kong	Valtech HK ltd (no operations)	100%	100%	2010	Full consolidation
India	Valtech India Systems Private Ltd	100%	100%	1997	Full consolidation
Netherlands	Valtech BV (formerly eFocus)	100%	100%	2016	Full consolidation
Singapore	Valtech Digital Singapore	100%	100%	2014	Full consolidation
Spain	Valtech Digital Spain (no operations)	100%	100%	2014	Full consolidation
Sweden	Valtech AB	100%	100%	1999	Full consolidation
	Kiara Scandinavia AB (3)		100%	2008	Full consolidation
	Neon Stingray Scandinavia AB	100%	100%	2014	Full consolidation
Switzerland	Valtech Digital Switzerland	100%	100%	2014	Full consolidation
Ukraine	Valtech LLC	100%		2017	Full consolidation
USA	Valtech Inc.	100%	100%	1997	Full consolidation
	Valtech Solutions	100%	100%	2010	Full consolidation
	Valtech Services (4)	100%	100%	2014	Full consolidation
	Non Linear Creations Inc	100%		2017	Full consolidation

(1) People Interactive was merged with Valtech GmbH on July 1st 2017
(2) Valtech AG was merged into Valtech GmbH in 2016
(3) Kiara Scandinavia AB was merged with Valtech AB in 2017
(4) Business activity in Valtech Services was sold in 2016

Dividends

The Group has not distributed dividends to its shareholders during fiscal years 2017 and 2016.

Capital Structure

The number of ordinary shares to be outstanding is based on 27,493,427 ordinary shares outstanding as of December 31st, 2017 and excludes 3,978.566 ordinary shares issuable upon the exercise of outstanding redeemable equity warrants, or warrants, as of December 31st, 2017.

On 31st December 2017, the capital of VALTECH S.E., of an amount of 3.446.229 euros is composed of 27,493,427 ordinary shares without par value. It is fully paid.

Each shareholder of Valtech SE is entitled to one vote for each ordinary share held by such shareholder in respect of all matters on which voting shares in the capital of Valtech SE have voting rights and shall form a single class with the other voting shares in the capital of Valtech SE for such purposes.

Details of the issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 18.

The company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

The company has an authorization of the Shareholders (June 30th 2016) to issue shares of a total nominal amount of 1,500,000 euros, i.e. 11,966,745 shares

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Statutes and prevailing legislation. Details of employee share schemes are set out in note 24.

No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the company is governed by its Statutes, the UK Corporate Governance Code, the Companies Act and related legislation. The statutes themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Statutes, copies of which are available on request.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the group as a whole.

Furthermore, the directors are not aware of any agreements between the company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Directors

The directors, who served throughout the year in our board of directors, are presented in the table below:

Name	Age	Position
Sebastian Lombardo	45	Chairman
Frédéric de Mevius	59	Director
Daniel Grossmann	46	Director
Laurent Schwarz	60	Director

The following is a brief summary of the business experience of our directors and director nominees. Unless otherwise indicated, the current business addresses for our directors is Valtech SE, 46 Colebrooke Row, London, N1 8AF, England, United Kingdom.

Sebastian Lombardo has served as Chairman of the Board and Chief Executive Officer of Valtech since March 9, 2010 and was first appointed as a director of Valtech on February 4, 2010. As a representative of Valtech SE. He is also a director of SiegCo SA. He has 19 years of experience in the IT sector and with innovative technologies. Over the past 10 years, he has founded, co-founded and invested in a dozen companies and helped create thousands of jobs in a variety of areas in IT. Mr. Lombardo holds an MBA from Grenoble School of Management.

Frédéric de Mevius has been a member of the board of directors of Valtech since December 21, 2012. Previously, Mr. de Mevius had been a member of the Board as a legal representative of Le Domaine de la Falize SA since April 22, 2010. He founded Verlinvest SA, or Verlinvest, in 1995 and was its Managing Director until his resignation in December 2012. He remains a director and Chairman of the board of directors of Verlinvest and is also a director of SiegCo pursuant to the shareholders' agreement described in "Related party transactions—Shareholders' agreement." Mr. de Mevius served as a director at Interbrew (now AB-Inbev) from 1991 to 2004 and of Spadel (Belgium) from 1993 to 2000. Before assuming those positions, he served as an investment banker at Lehman Brothers for eight years and as a manager at SG Warburg & Co for four years. Mr. de Mevius graduated with a degree in Finance and Economics from the University of Louvain-la-Neuve.

Daniel Grossmann has been a member of the board of directors of Valtech since since April 22, 2010. Previously, he had been a representative of Next Consulting SPRL and an administrator of the board of directors of Valtech in that capacity since April 22, 2010. He is also the co-founder and managing partner of Kharis Capital. Previously, Mr. Grossmann led direct investments and internal developments for Verlinvest and remains an advisor to Verlinvest. He is also a director of various companies, including ITWP (Toluna), BK SEE, QSR Belgium and Kharis Capital group companies. He began his career as a lawyer at Allen & Overy before joining private equity fund G Partners, which focused on investments in the retail domain. Mr. Grossmann holds a law degree from the Free University of Brussels (Université Libre de Bruxelles) and is a Stanford University SEP graduate.

Laurent Schwarz has been a member of the board of directors of Valtech since December 15, 2015. Previously, he had been a representative of Luckyway SPRL and an administrator of the board of directors of Valtech in that capacity since December 15, 2015. Before that, he had been a member of the board of directors as a representative of Astove Sprl since April 22, 2010. He is currently a director at Tevizz. Mr. Schwarz was also assistant professor at HEC and was appointed Chairman of the supervisory board of Novedia in July 2007 and resigned in February 2014. He is a founding partner of Alten, a company where he was a Managing Director until 2007, and was a member of Alten's board of directors

Directors' indemnities

In fiscal year 2017, no compensation was awarded to the directors of Valtech SE under their mandate.

Political contributions

No political donations were made by the company during the year.

Substantial shareholdings

On 31st December 2017, the capital of VALTECH S.E., of an amount of 3.446.229 euros is composed of 27,493,427 ordinary shares without par value. It is fully paid. Changes over the period are as follows:

Number of shares	31/12/2016	31/12/2017
On January 1st	**27 503 262**	**26 591 970**
Increase in capital	-	799 170
Reduction in capital	(929 721)	-
Exercise of warrant options	18 429	102 287
On December 31th	**26 591 970**	**27 493 427**

Acquisition of the company's own shares

On December 31, 2015, the number of shares held by the company under a share buyback program was 870,640 for a total purchase price of €6,167 thousand. Securities held under this program are deprived of voting rights. All treasury shares have been cancelled pursuant to a decision of the Board on February 5, 2016.

On December 31, 2016 there were no treasury shares outstanding.

On December 31, 2017 number of treasury shares amounted to 4.375 (€65 thousand)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Corporate and Social responsibility

Given the very light environmental impact of its business, Valtech does not yet have a definitive responsibility for the responsibility for the coordination of environmental management. A reflection is under way which could lead to a connection with the Group's General Secretariat.

Valtech has decided that environmental issues should be taken into account when choosing new premises, whether it concerns (i) their energy consumption and (ii) their location and thus their ease of access by public transportation.

A reporting is being put in place to allow the reporting of reliable and harmonized information: this process should lead to formal follow-up of the endorsed measures.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

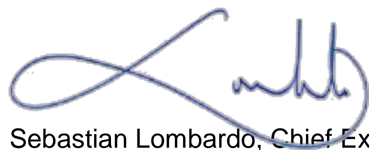
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

46 Colebrooke Row, London, N1 8AF, England, United Kingdom

By order of the Board,



Sebastian Lombardo, Chief Executive Officer

May 28, 2018

Valtech SE
Directors' responsibilities

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

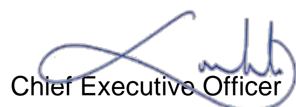
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

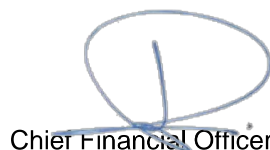
By order of the Board



Chief Executive Officer

Sebastian Lombardo

May 28, 2018



Chief Financial Officer

Laurent Pretet

May 28, 2018

Independent auditor's report

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Valtech SE (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

[Signature]
James Bates(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
May 29, 2018

Valtech SE
Company balance sheet
For the year ended 31 December 2017

Consolidated statement of income (loss)

(in thousands of euros)	2016	2017	Note
Revenue	204 589	233 414	4,5
Other revenue	3 212	281	4,5
Total revenue	**207 801**	**233 695**	
Cost of sales	(135 872)	(154 368)	6
Gross margin	**71 929**	**79 327**	
Commercial costs	(13 900)	(16 523)	6
Administrative costs	(43 259)	(50 625)	6
Restructuring costs	(1 360)	(1 627)	7
Other income and expenses	(214)	(126)	7
Goodwill impairment	-	(1 141)	7,13
Operating result	**13 196**	**9 285**	
Cost of gross financial debt	(804)	(2 378)	8
Interest income on cash and cash equivalents	51	127	8
Other financial income and expenses, net	(143)	(1 219)	8
Income before tax from continuing operations	**12 301**	**5 815**	
Income tax expense	(3 416)	(5 583)	9
Net income from continuing operations	**8 885**	**232**	
Income (loss) from discontinued operations (*)	(4 703)	(1 684)	
Net income loss attributable to equity holders of the parent	**4 182**	**(1 452)**	
Average number of basic shares (thousand)	*26 575*	*27 248*	18
Average number of fully diluted shares (thousand)	*29 443*	*29 747*	18
Earnings per basic share (from continuing operations)	0,33	0,01	18
Earnings per basic share (attributable to equity holders)	0,16	(0,05)	18
Earnings per diluted share (from continuing operations)	0,30	0,01	18
Earnings per diluted share (attributable to equity holders)	0,14	(0,05)	18

(*) On January 1, 2016, Valtech disposed of its business assets which were held by Valtech Services (see Note 3.1.4). In accordance with IFRS 5 – Noncurrent assets held for sale and discontinued operations, costs related to the disposal have been reclassified in “loss from discontinued operations” in the amounts of €1.684 thousand for the year ended 2017 and €4.703 thousand for the year ended 2016 .

Valtech SE
Company balance sheet
For the year ended 31 December 2017

Consolidated statement of comprehensive income (loss)

(in thousands of euros)	2016	2017
Net income loss for the period	**4 182**	**(1 452)**
Foreign currency translation adjustment	(897)	(1 637)
Items that will not be reclassified to the statement of income	***(897)***	***(1 637)***
Actuarial gains on employee benefits	-	210
Items that will be reclassified to the statements of income	***-***	***210***
Total comprehensive income loss attributable to equity holders of the parent	**3 285**	**(2 879)**
Total comprehensive income attributable to non-controlling interests	**-**	**-**

Valtech SE
Company balance sheet
For the year ended 31 December 2017

Consolidated statement of financial position

(in thousands of euros)	31/12/2016	31/12/2017	Notes
Goodwill	28 247	46 417	13
Intangible assets, net	11 111	20 045	14
Tangible assets, net	7 411	8 339	15
Non-current financial assets, net	2 754	2 825	16
Deferred taxes assets	3 559	2 008	9
Non-current assets	**53 082**	**79 634**	
Accounts receivable and related accounts	57 950	66 059	17
Other current assets	10 838	13 234	17
Cash and cash equivalents	48 577	61 703	21
Current assets	**117 365**	**140 996**	
Total Assets	**170 447**	**220 630**	

	31/12/2016	31/12/2017	Notes
Share Capital	3 333	3 446	18
Reserves	56 014	60 890	18
Net income attributable to equity holders of the parent	4 182	(1 452)	18
Total Equity	**63 529**	**62 884**	
Provisions - Non-current portion	1 572	2 854	19
Long-term Borrowings	42 500	74 438	22
Other financial debt - non current portion	3 298	16 671	22
Deferred taxes liabilities	3 013	4 884	9
Non-current liabilities	**50 383**	**98 847**	
Provisions - Current portion	1 456	779	19
Short-term Borrowings and bank overdrafts	777	4 218	21,22
Accounts payable and related accounts	19 676	24 001	20
Other financial debt - current portion	7 399	3 377	22
Other current liabilities	27 227	26 524	20
Current liabilities	**56 535**	**58 899**	
Total Liabilities	**106 918**	**157 746**	
Total Equity and Liabilities	**170 447**	**220 630**	

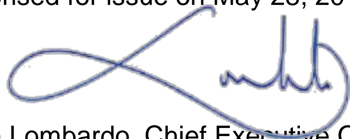
Valtech SE
Company balance sheet
For the year ended 31 December 2017

Company balance sheet

	Notes	2016	2017
		k€	k€
Non-current assets			
Other intangible assets		2 925	5 165
Fixed assets		629	584
Investment in subsidiaries	29	106 719	152 753
Loans and receivables		15 085	12 346
Other financial assets		374	441
		125 732	171 289
Current assets			
Trade and other receivables	30	25 375	18 634
Cash and bank balances		30 053	39 066
		55 428	57 700
Total assets		**181 160**	**228 989**
Current liabilities			
Trade and other payables	31	31 185	25 959
Bank overdrafts		6	3
Current tax and social liability		4 923	4 673
		36 114	30 635
Total assets less current liabilities		145 046	198 354
Non-current liabilities			
Loan notes	33	42 500	75 500
Other reserves	34	1 502	718
		44 002	76 218
Total liabilities		80 116	106 853
Net assets		101 044	122 136
Equity			
Share capital	35	3 333	3 446
Share premium account	35	95 967	97 390
Capital reserve	36	430	430
Retained earnings		1 315	20 870
Shareholder's equity		101 045	122 136

Valtech SE
Company balance sheet
For the year ended 31 December 2017

The Company reported a profit for the financial year ended 31 December 2018 of €19.555 thousand.
The financial statements of Valtech SE (registered number SE 106) were approved by the board of directors and authorised for issue on May 28, 2018. They were signed on its behalf by:



Sebastian Lombardo, Chief Executive Officer

May 28, 2018

Company statement of changes in equity

	Share capital k€	Share premium account k€	Equity reserve k€	Retained earnings k€	Profit & Loss account k€	Total Equity k€
Balance at 1 January 2017	3 333	95 965	430	-18 854	20 169	101 043
Profit for the past year				20 169	-20 169	0
Issue of share subscription redeemable	113					113
Purchase of treasury shares		-65				-65
Subscription of new warrants		150				150
Exercise of warrants		227				227
Increase in capital		1 113				1 113
Balance at 31 December 2017	3 446	97 390	430	1 315	0	102 581
Profit for the year					19 555	19 555
Other comprehensive income for the year						
Total comprehensive income for the year					19 555	19 555
Issue of share capital						
Dividends						
Balance at 31 ecember 2017	3 446	97 390	430	1 315	19 555	122 136

Valtech SE
Notes to the consolidated financial statements
For the year ended 31 December 2017

Consolidated statement of cash flows

(in thousands of euros)	2016	2017
Net income (loss)	4 182	(1 452)
- Depreciation and amortization, net	3 977	6 307
- Goodwill impairment	-	1 141
- Increase (decrease) in provision for loss	(225)	643
- Capital losses on disposal of assets	271	(7)
- Share-based compensation expense	1 040	699
Financial expenses	919	3 470
Change of income tax for the period	3 499	4 600
Change in deferred tax for the period	(83)	983
Income tax paid	(3 415)	(2 434)
Net change in working capital	4 738	(6 693)
Net cash provided by operating activities	**14 903**	**7 257**
Acquisition of tangible assets	(4 994)	(3 871)
Acquisition of intangible assets	(3 943)	(5 872)
Proceeds from the sale of non current assets	915	198
Payments for acquired businesses, net of cash acquired	(10 206)	(16 264)
Increase (decrease) of the financial investments	(1 803)	(89)
Net cash used in investing activities	**(20 031)**	**(25 898)**
Interest paid	(267)	(1 847)
Cash received from subscription of warrants	-	150
Cash received from exercise of warrants	46	240
Issuance (repayment) of financial liabilities	42 500	31 938
Purchase of treasury shares	-	(66)
Others	(21)	-
Net cash provided by (used in) financing activities	**42 258**	**30 415**
Impact of changes in foreign exchange rates	(4)	(465)
Increase (decrease) in cash and cash equivalents	**37 126**	**11 309**
Cash flows from operations being discontinued	**(6 126)**	**(1 322)**
Overall net cash flows	**31 000**	**9 987**
Cash and cash equivalents at the beginning of the fiscal year	17 577	48 577
Cash and cash equivalents at the end of the fiscal year	48 577	58 564
Reference note	21	21

Pursuant to IFRS 5 – Non-current assets held for sale and discontinued operations*, cash flows related to a business held by Valtech Services that has been sold in 2016 are presented separately in the statement of cash flows as discontinued operations.*

Valtech SE
Notes to the consolidated financial statements
For the year ended 31 December 2017

Consolidated statement of changes in shareholders' equity

The changes in shareholders' equity during the years ended December 31, 2016 and 2017 are as follows:

(in thousands of euros)	Number of shares	Capital	Additional paid-in capital	Reserves	Share-based compensation	Net income	Treasury shares	Translation difference	Total Group share	Minority interests	Total
December 31, 2015	**27 503 262**	**3 331**	**102 437**	**(48 013)**	**3 672**	**5 418**	**(6 877)**	**(810)**	**59 158**	**-**	**59 158**
Appropriation of income	-	-	-	5 418	-	(5 418)	-	-	-	-	-
Net income for the FY	-	-	-	-	-	4 182	-	-	4 182	-	4 182
Gains and losses recognized in Other Comprehensive Income	-	-	-	-	-	-	-	(897)	(897)	-	(897)
Overall result	**-**	**-**	**-**	**-**	**-**	**4 182**	**-**	**(897)**	**3 285**	**-**	**3 285**
Share-based compensation			-	-	1 040	-	-	-	1 040	-	1 040
Exercise of warrants	18 429	2	44	-	-	-	-	-	46	-	46
Cancellation of treasury shares	(929 721)	-	-	(6 877)	-	-	6 877	-	-	-	-
Total of transactions with the shareholders	**(911 292)**	**2**	**44**	**(6 877)**	**1 040**	**-**	**6 877**	**-**	**1 086**	**-**	**1 086**
December 31, 2016	**26 591 970**	**3 333**	**102 481**	**(49 472)**	**4 712**	**4 182**	**-**	**(1 707)**	**63 529**	**-**	**63 529**
Appropriation of income	-	-	-	4 182	-	(4 182)	-	-	-	-	-
Net income for the FY	-	-	-	-	-	(1 452)	-	-	(1 452)	-	(1 452)
Gains and losses recognized in Other Comprehensive Income	-	-	-	210	-	-	-	(1 637)	(1 427)	-	(1 427)
Overall result	**-**	**-**	**-**	**4 392**	**-**	**(5 634)**	**-**	**(1 637)**	**(2 879)**	**-**	**(2 879)**
Share-based compensation	-	-	-	-	699	-	-	-	699	-	699
Subscription of new warrants	-	-		150	-	-	-	-	150	-	150
Exercise of warrants	102 287	13	227	-	-	-	-	-	240		240
Increase in capital (1)	799 170	100	1 110	-	-	-	-	-	1 210	-	1 210
Purchase of treasury shares (2)	(4 375)	-	-	-	-	-	(66)	-	(66)	-	(66)
Total of transactions with the shareholders	**897 082**	**113**	**1 337**	**150**	**699**	**-**	**(66)**	**-**	**2 234**	**-**	**2 234**
December 31, 2017	**27 489 052**	**3 446**	**103 818**	**(44 930)**	**5 411**	**(1 452)**	**(66)**	**(3 344)**	**62 884**	**-**	**62 884**

(1) See details in note 3.3.6.
(2) See details in note 18.2.

Notes to the financial statements

The accompanying notes to the consolidated financial statements form an integral part of such consolidated financial statements (notes 4 to 12 primarily relate to the statement of income and notes 13 to 38 primarily relate to the consolidated statement of financial position), which are herein referred to as the "Consolidated Financial Statements".

NOTE 1 – Accounting Policies

1.1. Basis of Preparation

Incorporated in November 2016, Valtech SE (hereinafter referred to as "Valtech", or the "Company" as the parent company or, together with its consolidated subsidiaries, the "Group") is a Societas Europea ("SE") incorporated and registered in England, United Kingdom. The registered office of the company is located at 46 Colebrooke Row, London, N1 8AF, United Kingdom

The Company prepared its Consolidated Financial Statements for the years ended December 31, 2017 and December 31, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The term "IFRS" refers collectively to international accounting and financial reporting standards (IASs and IFRSs) and to interpretations of the interpretations committees (IFRIC and SIC), whose application is mandatory for the year ended December 31, 2017. Comparative figures are presented for December 31, 2016.

The Consolidated Financial Statements are presented in thousands of euros unless stated otherwise. Some amounts may be rounded for the calculation of financial information contained in the Consolidated Financial Statements. Accordingly, the totals in some tables may not be the exact sum of the preceding figures.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain items such as financial assets and liabilities measured at fair value.

The *Societas Europea* is a form of European company with a board of directors, subject to the provisions of United Kingdom law. In accordance with such law, the accompanying consolidated financial statements will be approved by Valtech shareholders' meeting, which will take place later in 2018. Such consolidated financial statements have been approved and authorized for issuance by the board of directors of Valtech (the "Board of Directors" or the "Board") on May 24th, 2018.

1.2.1. New standards, amendments and interpretation implemented in the financial statements of the group for the year ended December 31, 2017

The Company has applied, in its Consolidated Financial Statements for the year ended December 31, 2017, new standards and amendments, for which the application is mandatory as of January 1, 2017. The new standards have no material impact on the Group's financial statements.

The new standards and interpretations applicable on a mandatory basis for fiscal years beginning on or after January 1, 2017, mainly relate to:

- Amendment to IAS 7 *« Disclosure initiative »*: the amendments will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, while distinguishing cash and non-cash flows. The Group has provided disclosure in compliance with this amendment, allowing users of the financial statements to reconcile the variations in liabilities and related amounts recorded in the consolidated statements of cash flow (see note 22.5)

- Amendment to IAS 12 *« Recognition of Deferred Tax Assets for Unrealised Losses »* the amendment clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value, in order to address the differences in current market practices.

- Amendment to IFRS 12 *«Annual improvements to IFRS Standards 2014-2016»* mainly the standard IFRS 12 – Disclosures of interests in other entities, clarifying the scope of the disclosure requirements.

1.2.2 New standards, amendments and interpretations not adopted early

The recently released standards and amendments whose application is not mandatory for the year ended December 31, 2017 and which the Group has decided not to apply in advance are:

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 establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration to be entitled to in exchange for those goods or services.

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 standard also requires new disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the analyses performed to date, we expect that the adoption of the standard will have a marginal impact on our financial position, results of operations and cash flows, as we are finalizing the evaluation of the impact of adopting IFRS 15.

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. The impact of these standards on the Group's results and financial situation is being assessed , but the impact is expected to be marginal.

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. We launched a project in 2017 to identify and analyse the contracts subject to application of IFRS 16. While the Company continues to assess all potential impacts and transition provisions of this standard, the Company believes that the most significant impact will be related to the accounting for operating leases associated with office space (see Note 21.1 for a breakdown of commitments related to operating leases). At this time, a quantitative estimate of the effect of the new standard has not been determined, but the Company anticipates a material impact to its statements of financial position due to the recognition of the present value of unavoidable future lease payments as lease assets and lease liabilities. The measurement of the total lease expense over the term of the lease is unaffected by the new standard; however the required presentation on our consolidated statements of income will result in lease expenses being presented as depreciation of lease assets and finance costs rather than being fully recognized as general and administrative costs.

The group has not applied in advance any of the standards, interpretations and amendments whose mandatory application is subsequent to December 31, 2017.

1.3. Presentation of the statements

The Group presents one income statement by function, by highlighting the following:

- cost of sales (expenses necessary for project implementation),
- commercial costs,
- general and administrative expenses.

In addition, in accordance with IAS 1, expenses are provided by nature in Note 5.

1.4. Scope and methods of consolidation

The Consolidated Financial Statements include the statements of the parent company Valtech SE and all its significant subsidiaries, majority-owned or controlled directly or indirectly under IFRS 10 *Consolidation*.

The financial statements of each of the Group's companies are prepared in accordance with the accounting principles and regulations in force in their respective countries. They are adjusted to comply with the applicable accounting policies and principles of the Group.

The income (loss) of subsidiaries acquired or sold during the year is included in the consolidated net income of the Group from the effective date control is obtained or lost. The scope of consolidation is detailed in Note 1.26 to our consolidated financial statements.

Subsidiaries Full consolidation

Pursuant to IFRS 10 Consolidated Financial Statements, three criteria must be met simultaneously in order to determine the exercise of control of an entity by the parent company over its subsidiaries

- The parent company has power over the subsidiary when it has effective rights that give it the ability to direct the relevant activities - i.e., the activities that significantly affect the subsidiary's returns. Power may arise from existing and/or potential voting rights and/or contractual arrangements. Voting rights must be substantial - i.e., they must be able to be exercised when decisions about the relevant activities are to be made without limitation and particularly in decision-making on relevant activities. Assessing how much power is held depends on the subsidiary's relevant activities, its decision-making process and the way the rights of its other shareholders are distributed;
- The parent company is exposed or entitled to variable returns due to its connections to the subsidiary, which may vary according to its performance. The concept of return is defined broadly, and includes dividends and other forms of distributed financial benefits, the valuation of the investment, cost savings, synergies, etc.;
- The parent company has the ability to use its power to affect the subsidiary's returns. Any power that does not entail this kind of influence does not qualify as control

1.5. Use of estimates

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

Future facts and circumstances could lead to changes in these estimates or assumptions, which would affect the Group's financial condition, results of operations and cash flows.

Such estimates and assumptions are related to the following:

- recognition of revenue,
- allowance for uncollectible accounts receivable,
- 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,
- capitalization of development costs,
- share-based payment,
- recognition of deferred tax assets related to tax loss carry forwards

The Consolidated Financial Statements reflect the best estimates based on information available on the date such statements are authorized.

1.6. Business combinations and accounting for goodwill

Business combinations

Business combinations are accounted for using the acquisition method whereby the assets acquired and the liabilities and contingent liabilities assumed are measured at their fair value on the acquisition date in accordance with the requirements of the revised IFRS 3 standard (“IFRS 3R”): “Business combination”

The evaluation of the purchase price, including, where appropriate, the estimated fair value of contingent considerations, is completed within twelve months following the acquisition. In accordance with IFRS 3R, any adjustments of the purchase price beyond the twelve-month period are recognized in the consolidated statement of income (loss).

On the acquisition date, the goodwill corresponds to the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquire minus the net amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed at the acquisition date, is subject to annual impairment tests or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Transaction costs directly attributable to an acquisition are recorded as expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with IAS 32 – *Financial Instruments: Presentation* and IAS 39 – *Financial Instruments: Recognition and Measurement*.

Contingent considerations or earn-outs are recorded in equity if contingent payment is settled by delivery of a fixed number of the acquirer’s equity instruments (according to IAS 32). In all others cases, they are recognized in liabilities related to business combinations. Contingent considerations or earn-outs are measured at fair value at acquisition date. This initial measurement is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances existing on that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date. Any other subsequent adjustments are recorded through the income statement.

Accounting for goodwill

Goodwill is allocated to cash generating units, or "CGUs”. These units correspond to entities whose economic activity generates cash flows that are largely independent of each other. These may be geographical areas but also business lines.

Goodwill is recognized in the currency of the acquired company in accordance with revised IFRS 3R.

Goodwill is not amortized, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note 1.7 to our consolidated financial statements.

1.7. Impairment tests (IAS 36)

The Group conducts regular impairment testing of assets (tangible assets, goodwill and other intangible assets). These tests consist of comparing the carrying value of assets to their recoverable amount, which is defined as the greater of the asset fair value less costs to sell, and the value in use, estimated by the net present value of the future cash flows generated by the asset.

For tangible and intangible assets with finite lives, this impairment test is performed whenever indicators of impairment are observable.

For goodwill and other intangible assets with indefinite lives, an impairment test is performed each year, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of assets is compared with the net present value of future cash flows excluding financial expenses.

The method projects to perpetuity a normative amount with a growth rate. The discount rate applied to those cash flows corresponds to the average cost of capital for each CGU (see assumptions used in Note 13.3 to our consolidated financial statements).

In case the annual impairment test reveals a recoverable amount lower than the carrying amount, an impairment is recognized to reduce the book value of the asset or of the goodwill to its recoverable amount. If the recoverable amount of an intangible (excluding goodwill) or tangible asset appreciates in subsequent years and the recoverable amount exceeds the carrying amount, any impairment losses recognized during prior years is reversed in the consolidated statement of income (loss).

The impairment losses recognized on goodwill may not be reversed in the consolidated statement of income (loss).

1.8. Intercompany transactions

All intercompany transactions between the consolidated companies are eliminated.

1.9. Transactions in foreign currencies

The functional currency of the parent company is the euro.

The income and expenses related to foreign currency transactions are recorded at their euro equivalent based on the exchange rate on the date of the transaction. Assets and liabilities in foreign currencies are converted at the closing rate and the exchange differences resulting from this conversion are recognized in the consolidated statement of income unless they relate to assets and liabilities hedged items. In this case the difference is recorded directly in equity.

1.10. Conversion of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are converted at the exchange rate at the closing date of each reporting period. The statement of income is converted at the average exchange rate for the period. The resulting conversion difference is recorded directly in equity under ‘Foreign currency translation reserves’. This difference impacts the consolidated statement of income (loss) if there is a subsequent sale of the entity. At such point in time, the related foreign currency translation adjustment is recycled through the statement of income.

1.11. Other intangible assets

Software and user rights acquired under full ownership, software developed for internal use as well as development of new or enhanced services, which are expected to generate future cash flows, are capitalized and amortized over a period from 3 to 5 years.

The capitalized development costs of either a software developed for internal use or an internal project are those directly associated with their production, which primarily consists of expenses related to salary costs of personnel who developed the software or the internal project.

An intangible asset that results from the development of an internal project is recorded if the Group can demonstrate that all of the following conditions have been met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention of completing the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- The capacity of the intangible asset to generate probable future economic benefits;
- Among other things, the Group may demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, its usefulness;
- The availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset;
- Its ability to reliably measure the expenditures attributable to the intangible asset during its development.

1.12. Tangible assets

The tangible assets are recorded under assets in the statement of financial position at historical amortized cost, minus any impairment. They are not subsequently revalued.

Depreciation is calculated using the straight line method over the estimated useful lives of the different asset categories. It is calculated on the basis of the purchase price, minus any residual value. The assets are depreciated over their expected life, as follows:

• Fixtures, fitting, technical facilities: depending on term of the real estate lease agreement

• Hardware 3-5 years

• Furniture 5-7 years

1.13. Leases

Financial leases

Leases of assets, having an effect of transferring to the Group substantially all the risks and economic benefits related to ownership, are accounted for as financial leases. Assets acquired in the form of finance leases are depreciated over the shortest period between the useful life of the asset and the lease term.

Operating leases

Leases where the lessor substantially retains all the risks and economic benefits related to ownership are classified as operating leases. Payments under the leases (net of discounts or rebates received by the lessor) are recorded as operating expenses over the lease period on a straight-line basis. In accordance with SIC 15, *Operating leases - Incentives*, concerning advantages granted by the lessor to the lessee

under operating leases, the Group recognizes the benefits accrued under the rent-free periods as a reduction of rental expense over the lease term.

1.14. Accounts receivable and de-recognition of financial assets

Accounts receivable are recorded at nominal value, which generally approximates their fair value.

Doubtful accounts receivables are subject to provision allowances determined according to the risk of non-payment by the debtor.

The Group regularly enters into agreements to assign, sell or transfer receivables in certain countries:

- When the risks associated with trade receivables are not transferred in substance to third parties such as financing institutions, the trade receivables are retained on the balance sheet under receivables, and a financial liability is recorded as short-term financial liability.
- When the risks associated with trade receivables are transferred to third parties such as financing institutions, cash received is recognized as cash and cash equivalents and the receivables assigned, sold or transferred are derecognized in the statement of financial position.

1.15. Financial instruments

Financial assets and liabilities

Financial assets include assets classified as available-for-sale and held-to-maturity, assets at fair value through profit and loss, asset derivative instruments, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts, liability derivative instruments and payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39 – *Financial Instruments: recognition and measurement* ("IAS 39").

The Group determines the classification of its financial assets and liabilities at initial recognition. In the statement of financial position, financial assets are classified in accounts receivable and related accounts, other current assets and cash and cash equivalents. Financial investments in third parties are classified as long term receivables from associates. Joint ventures and third parties are classified as loans and receivables; derivative assets are regarded as held for hedging unless they do not meet the strict hedging criteria under IAS 39.

Financial liabilities are classified in long term borrowing, other financial debt – current & non-current portion and short term borrowings & bank overdrafts.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Loans, receivables and borrowings

After initial measurement, loans, receivables and borrowings are measured at amortized cost using the Effective Interest Rate method (EIR), less impairment, if any. Amortized cost is calculated by taking into

account any discount or premium on acquisition and fees or costs that are an integral part of the transaction. Amortization, calculated using the EIR, is included in cost of gross financial debt, interest income on cash and cash equivalents and other financial income and expenses in the statement of income. The impairment of loans and receivables, which is represented by the difference between net carrying amount and recoverable value, is recognized in the statement of income and can be reversed if recoverable value rises in the future.

Held-to-maturity investments

The Group did not have any held-to-maturity investments during the years ended December 31, 2017 and 2016.

Available-for-sale financial assets

Available-for-sale financial assets include investments in non-consolidated companies and are recorded at cost upon acquisition including transaction costs.

After initial measurement, available-for-sale financial assets are subsequently measured at their fair value. The fair value for listed securities on an active market is their market price. If a reliable fair value cannot be established, securities are valued at cost. Fair value changes are accounted for directly in other comprehensive income. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and objective evidence of impairment of that financial asset exists (for instance, a significant or prolonged decline in the value of the asset), an irreversible impairment loss is recorded in the income statement. This loss can only be released upon the sale of the securities concerned.

The Group did not have any available-for-sale financial assets during the years ended December 31, 2017 and 2016.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm’s length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured is detailed in Note 23 to our consolidated financial statements.

The fair values of financial instruments are categorized into a fair value hierarchy of three levels. The levels depend on the type of input used for the valuation of the instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included under Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

1.16. Cash and cash equivalents

In accordance with IAS 7 – *Cash Flow Statements*, cash and cash equivalents presented in the consolidated statement of cash flows include cash (cash on hand and demand deposits) and cash equivalents (short-term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value).

Investments with initial maturity over three months without possibility of early termination as well as bank accounts subject to restrictions (escrow accounts) other than those related to regulations specific to individual countries or sectors (exchange controls, etc.) are excluded from cash and cash equivalents in the statements of cash flows.

1.17. Provisions for retirement and related benefits

Obligations related to defined-benefit pension plans are provided in the consolidated statement of financial position for both current and former employees (people with deferred stock unit plans and pensioners). They are determined as per the projected unit credit method under IAS 19 – *Employee Benefits* (“IAS 19”) on the basis of actuarial assessments made at each year end. The actuarial assumptions used to determine the obligations vary, depending on the economic conditions of the country or on the monetary zone in which the plan is in force. The accounting for each plan is carried out separately.

Under the provisions of IAS 19, for defined-benefit plans financed under external management (pension funds), the excess or deficiency of the fair value of assets compared to the present value of obligations is recognized under the assets or liabilities of the consolidated balance sheet. This recognition is subject to the capping rules of the assets and the minimum funding requirements set out by IFRIC 14.

The expense recognized in the operating result during each period includes the cost of services rendered and the effects of any change, reduction or settlement. The impact of interest recognized on the actuarial debt and the interest income on plan assets is recognized under other financial income and expenses in the consolidated statement of income. Interest income on plan assets is calculated using the discount rate of the obligation for defined-benefit plans.

The revaluation impacts of the net liability related to defined-benefit pension plans (when appropriate, of the asset) are recognized in other comprehensive income. They include:

- Actuarial gains and losses on the commitment resulting from changes in actuarial assumptions and experience adjustments (differences between the retained actuarial assumptions and observed reality);

- Outperformance (underperformance) of the plan assets, i.e. the difference between the actual return on plan assets and their remuneration calculated based on the discount rate of actuarial debt; and

- The change in the effect of the asset ceiling.

1.18. Share-based payment

Certain employees and board members of the group can benefit from share warrants (redeemable equity warrants).

The redeemable equity warrants are valued at fair value at grant date using financial valuation methods.

The cost thus determined is recorded as personnel expenses over the vesting period with a corresponding increase in equity in accordance with IFRS 2: *Share- based payment.*

1.19. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Measurement of the provisions is revised if the impact is considered significant.

In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), the recognition criteria for accounting for a restructuring reserve are (i) the company has an obligation towards a third party at the statement of financial position date, (ii) it is probable (more likely than not) that a liability (future outflow to settle the obligation) has been incurred, and (iii) this liability can be reasonably estimated.

To meet such criteria when reserving for restructuring actions, we consider that the appropriate level of management must approve the restructuring plan and must announce it by the date of the statement of financial position, specifically identifying the restructuring actions to be taken (for example, the number of employees concerned, their job classifications or functions and their locations). Before the statement of financial position date, detailed conditions of the plan must be communicated to employees, in such a manner as to allow an employee to estimate reasonably the type and amount of benefits he/she will receive. Also, the related restructuring actions that are required to be completed must be estimated to be achievable in a relatively short (generally less than 1 year) timeframe without likelihood of change.

Restructuring costs primarily refers to severance payments, early retirement, costs for notice periods not worked, training costs of terminated employees, costs linked to the closure of facilities or the discontinuance of product lines and any costs arising from plans that materially change the scope of the business undertaken by the Group or the manner in which such business is conducted.

Other costs (removal costs, training costs of transferred employees, etc.) and write-offs of fixed assets, inventories, work in progress and other assets, directly linked to restructuring measures, are accounted for as incurred (as linked to ongoing activities), in restructuring costs in the statement of income.

1.20. 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 11 – *Construction Contracts* using the method of progress defined by the IAS 11 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.

1.21. Accounting for government grants

Government grants that compensate the expenses incurred by the Group are recorded under IAS20 as operating income in the statement of income for the period in which expenses were incurred. It relates primarily to research and development tax credits in France (*Crédit d'Impôt Recherche*).

1.22. Other income and expenses

Other income and expenses includes gains from disposal of tangible and intangible assets. It excludes income (loss) related to discontinued operations, impairment of assets and restructuring costs.

1.23. Taxes

Current income tax

Current income tax assets and liabilities for the current period are established based upon the amount expected to be recovered from or paid to the taxation authorities and reflected in the statement of financial position. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity or in other comprehensive income is recognized respectively in equity or in other comprehensive income, and not in the statement of income.

Management periodically evaluates positions taken in the Group's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes

Deferred taxes are computed in accordance with the liability method for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts, including the reversal of entries recorded in individual accounts of subsidiaries solely for tax purposes. All amounts resulting from changes in tax rates are recorded in equity, net income (loss), or other comprehensive income for the year in which the tax rate change is enacted.

Deferred tax assets are recorded in the consolidated statement of financial position when it is probable that the tax benefit will be realized in the future. Deferred tax assets and liabilities are not discounted.

To assess the ability of the Group to recover deferred tax assets, the following factors are taken into account:

- existence of deferred tax liabilities that are expected to generate taxable income, or limit tax deductions upon reversal;
- forecasts of future operating results;
- the impact of non-recurring costs included in income or loss in recent years that are not expected to be repeated in the future;
- historical data concerning recent years' tax results; and
- if required, tax planning strategy, such as a planned disposal whose values are higher than their book values.

1.24. Earnings per share

Basic and diluted earnings per share are calculated using the weighted average number of outstanding shares during the year, less the average number of treasury shares and deducted from equity.

The earnings per diluted share takes into account, if necessary, a dilutive effect under the 'treasury stock method'.

1.25. Non-current assets held for sale

IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations* sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations. The assets and liabilities that are immediately available to be sold, and whose sale is highly probable, are classified as assets and liabilities held for sale. When multiple assets are held for sale during a single transaction, we consider the group of assets as a whole, along with the associated liabilities.

Assets or groups of assets held for sale are valued at the lowest amount between the net book value and the net fair value less the cost of sale.

Non-current assets classified as held for sale are no longer amortized.

1.26. Presentation of the scope of consolidation

The Consolidated Financial Statements of Valtech S.E. and its subsidiaries on December 31, 2017 and 2016 include the statements of the companies listed in the table below:

Valtech SE
Notes to the consolidated financial statements
For the year ended 31 December 2017

Country	Scope	% of interest 2017	% of interest 2016	Acq. or creation date	Consolidation method
United Kingdom	Valtech S.E.		Société	Parent company	
	Valtech Ltd.	100%	100%	1996	Full consolidation
	Valtech Inside	100%	100%	2016	Full consolidation
	El Chalten Ltd	100%		2017	Full consolidation
	Non Linear Creations UK Ltd	100%		2017	Full consolidation
Argentina	Valtech Digital SA	100%	100%	2016	Full consolidation
Australia	Valtech Holdings Australia	100%	100%	2014	Full consolidation
	Valtech Digital Australia (formerly Neon Stingray)	100%	100%	2014	Full consolidation
Brazil	Non Linear Brasil Technologica Ltda	100%		2017	Full consolidation
Canada	Valtech Canada (formerly W.illi.am)	100%	100%	2015	Full consolidation
	Valtech Digital Canada (formerly Non Linear Creations)	100%		2017	Full consolidation
China	Valtech Digital China Co. Ltd.	100%	100%	2016	Full consolidation
Denmark	Codehouse A/S	100%		2017	Full consolidation
	Valtech A/S	100%	100%	2000	Full consolidation
France	Valtech Training	100%	100%	2002	Full consolidation
	Valtech Global Projects	100%	100%	2006	Full consolidation
Germany	People Interactive (1)			2017	Full consolidation
	Valtech AG (2)			2000	Full consolidation
	Valtech GmbH	100%	100%	1999	Full consolidation
Hong Kong	Valtech HK ltd (no operations)	100%	100%	2010	Full consolidation
India	Valtech India Systems Private Ltd	100%	100%	1997	Full consolidation
Netherlands	Valtech BV (formerly eFocus)	100%	100%	2016	Full consolidation
Singapore	Valtech Digital Singapore	100%	100%	2014	Full consolidation
Spain	Valtech Digital Spain (no operations)	100%	100%	2014	Full consolidation
Sweden	Valtech AB	100%	100%	1999	Full consolidation
	Kiara Scandinavia AB (3)		100%	2008	Full consolidation
	Neon Stingray Scandinavia AB	100%	100%	2014	Full consolidation
Switzerland	Valtech Digital Switzerland	100%	100%	2014	Full consolidation
Ukraine	Valtech LLC	100%		2017	Full consolidation
USA	Valtech Inc.	100%	100%	1997	Full consolidation
	Valtech Solutions	100%	100%	2010	Full consolidation
	Valtech Services (4)	100%	100%	2014	Full consolidation
	Non Linear Creations Inc	100%		2017	Full consolidation

(1) People Interactive was merged with Valtech GmbH on July 1st 2017
(2) Valtech AG was merged into Valtech GmbH in 2016
(3) Kiara Scandinavia AB was merged with Valtech AB in 2017
(4) Business activity in Valtech Services was sold in 2016

NOTE 2 – Significant accounting judgements and sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services and, in particular, whether the stage of completion of contracted activity can be reliably measured. Based on the detailed arrangements with its clients, the directors are satisfied that recognition of the revenue in the current year is appropriate.

Key source of estimation uncertainty - impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was €46.4 million.

NOTE 3 – Major events of the period

3.1 Year 2016

3.1.1. Transfer of the registered offices of the Company to the United Kingdom

The Board of Directors, which met on April 19, 2016, approved the Company's proposed transfer of headquarters from Luxembourg to the United Kingdom. This proposal was approved by the Combined General Meeting of Shareholders held on June 30, 2016, and the transfer took place on November 25, 2016. The transfer has no impact on the Consolidated Financial Statements, apart from calculation of company income tax.

In June 2016, a majority of voters in the United Kingdom voted in a national referendum in favor of the United Kingdom's exit from the European Union, commonly referred to as "Brexit." On March 29, 2017, the United Kingdom gave formal notice under Article 50 of the European Treaty of its intention to leave the European Union. The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations and has created political and economic uncertainty about the future relationship between the United Kingdom and the European Union and as to whether any other European countries may similarly seek to exit the European Union. The on-going process of negotiations between the United Kingdom and the European Union will determine the future terms of the United Kingdom's relationship with the European Union, including access to European Union markets, either during a

transitional period or more permanently. Brexit could lead to potentially divergent laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Valtech's principal operating company is an SE with a registered office in the United Kingdom. Valtech has material operations in the United Kingdom and the rest of Europe and our global operations serve many clients with significant operations in those regions. As a result, Valtech's financial condition and results of operation may be significantly impacted by the effects of Brexit and the uncertainties surrounding it.

We estimate that the decline in the value of the British Sterling following the Brexit vote negatively impacted our revenue for the year ended December 31, 2016 by €4.1 million.

3.1.2. Acquisition of the company Graion (Argentina)

On June 1, 2016, Valtech finalized the acquisition of the business assets of the company Graion, based in Buenos Aires (Argentina). Valtech Digital Argentina (the acquirer of the assets) is part of Valtech's scope of consolidation from June 1, 2016. This acquisition enables Valtech to strengthen its production capacity in the Americas by integrating the expertise of 30 digital marketing consultants that Graion employed at the time of the acquisition. The purchase price varies depending on the performance of the company over the 15 months following the acquisition date, measured against indicators defined in the asset purchase agreement. The purchase price has been paid in full. Pursuant to the purchase agreement, Valtech paid Graion €0.4 million upon closing and €0.3 million are due to the seller, in cash or in shares of Valtech SE at their choice, in 2017, for a total consideration of €0.7 million. The determination of the fair value of assets acquired and liabilities assumed has been finalized and no asset nor liability has been recognized. The final goodwill resulting from this transaction is at €0.5 million including exchange rate variances.

3.1.3. Acquisition of the company eFocus Strategy & Webdesign B.V (the Netherlands)

On July 1, 2016, Valtech acquired the digital agency eFocus Strategy & Webdesign B.V. based in the Netherlands. The company is part of Valtech's scope of consolidation from July 1, 2016. eFocus revenue amounted to €19.1 million for the year ended December 31, 2015, and the company employs over 200 people in four locations within the Netherlands. The purchase price varies depending on the performance of the company over the 36 months following the acquisition date. Part of the purchase price can be paid by shares in Valtech S.E, and is accounted for in nominal value. Pursuant to the purchase agreement, Valtech paid the sellers €9.4 million upon closing with a €1.2 million holdback payment released in 2016. The consideration for eFocus also includes €6 million payables in shares or in cash at the choice of the sellers and earn-out payments, which will vary depending on the performance of the company measured from the time of the acquisition until 36 months after the acquisition. As of December 31, 2017, our best estimate of the earn-out payments is €3.4

million. The total consideration is €20.1 million. The determination of the fair value of assets acquired and liabilities assumed has been finalized. The goodwill resulting from this transaction is at €11.4 million.

3.1.4. Disposal of assets in Toulouse, France

On September 1, 2016, Valtech sold its business in Toulouse to GFI Informatique. The Toulouse business was no longer considered a strategic asset for the continuing development of the Group. The Toulouse business revenue amounted to €2.5 million from January 1 to August 31, 2016, and €4.4 million for the year ended December 31, 2015. As a result of this disposal, a gain of €271 thousand has been recognized in the statement of income and classified in other income and expense for the year ended December 31, 2016.

3.1.5 Share based earn-out amendment

On July 12, 2016, a share-based earn-out amendment agreement was signed between the Company and the founders of Valtech Digital Australia PTY Ltd (former Neon Stingray), with the intention to clarify the original Share Purchase Agreement signed as of July 31, 2014 with Neon Stingray PTY Ltd (which encompassed a payment in shares with a price guarantee), further to the delisting of the company as part of Valtech's acquisition of 100% ownership of the company's shares. According to the agreement, the Company will, no later than June 30, 2017, issue an additional 20,.000 shares and in total 60.,000 shares to the former owners of the company, subject to an extension of the lock-up period until December 31, 2018.

The shares were issued to the former owners of Neon Stingray in full on April 27 and 28, 2017, and were valued at €15 per share.

3.1.6. Issue of bonds

On July 27, 2016, Valtech issued bonds with a principal amount of €42.5 million. The bonds bear a fixed annual interest rate of 4.25% with a maturity period of 6 years. The purpose of the issuance is to support future growth. Bonds issued have been classified as financial liabilities. In 2016, interest related to the bonds amounted to €0.8 million.

3.1.7. Settlement of disputes in the United States

In the second half of 2016, Valtech settled two unrelated disputes in the US. One of them originated in 2010 when the American subsidiary of Valtech began discussions with a former client over services delivered since 2007. The services that were disputed in this litigation were part of the historical US business that has been disposed of and the financial consequences of the settlement are classified in "Income (Loss) from discontinued operations" according to IFRS 5 – *Non-current assets held for sale and discontinued operations*.

In the second dispute, the US subsidiary of Valtech sued a competitor on the grounds of tortuous interference in its business. The US subsidiary of Valtech negotiated with the defendant and reached a settlement agreement. The financial consequences of this settlement resulted in income of €2.3 million and is reported as other revenues in the consolidated statement of income (loss) for the fiscal year ended December 31, 2016.

3.2 Year 2017

3.2.1. 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.

3.2.2. Acquisition of the company People Interactive (Germany)

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 revenue for the year ended December 31, 2016.

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 an additional €1.1 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 €2.9 million in cash, of which €2.2 million was paid in December 2017 and the remaining €0.7 million in March 2018. . The correction of the estimated earn-out has generated an income of €720 thousand in "other income and expense" of the statement of income, . The total consideration is €14.1 million.

The determination of the fair value of assets acquired and liabilities assumed has been finalized. The fair value of net assets acquired amounts to €4.446 thousand, out of which €3.766 thousand relate to intangible assets identified when performing the purchase price allocation analysis. The goodwill resulting from this transaction is €10.4 million (see note 13 to our consolidated financial statements).

People Interactive has merged with Valtech GmbH as of July 1st 2017.

3.2.3 Acquisition of the company El Chalten (United Kingdom)

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 an additional €0.5 million holdback payment. An additional €1.2 million has been paid in shares of Valtech S.E. The determination of the fair value of assets acquired and liabilities assumed is finalized, and when performing the purchase price allocation analysis no value related to intangible assets has been identified. The goodwill resulting from this transaction amounts to €2.6 million (see note 13 to our consolidated financial statements).

3.2.4. Acquisition of Non Linear Group

On June 1st, 2017, Valtech acquired the company Nonlinear, with offices in three countries, Canada, Brazil and United Kingdom. NonLinearis a digital agencywith 80 employees and 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 an additional €0.5 million holdback payment. An additional €3.3 million will be paid in shares of Valtech S.E on or before December 31st, 2019. 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 €3.086 thousand, out of which €2.388 thousand relates 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 13 to our consolidated financial statement.

3.2.5. Acquisition of the company Codehouse A/S (Denmark)

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 an additional €0.9 million escrow payment. An additional €1.0 million was paid in shares of Valtech S.E in January 2018. The total consideration is €3.2 million. The determination of the fair value of assets acquired and liabilities assumed is ongoing. The fair value of net assets acquired is estimated at €913 thousand, out of which €684 thousand relate to intangible assets identified when performing the purchase price allocation analysis. The goodwill resulting from this transaction is estimated at €2.2 million, see note 13 to our consolidated financial statement.

3.2.6. Increase in capital

On April 27th the board of Valtech issued 784.264 new shares (€15 per share), as part of the payment for the acquisitions of Neon, Graion, Efocus, People Interactive and El Chalten. The issue of new shares meant a capital increase of €11.763.960.

On December 20th 2017, the board of Valtech decided to issue 14.906 new shares (€16 per share) as payment for the acquisition of El Chalten, resulting in a capital increase of €238.496.

Total capital increase regarding issue of new shares amounts to €12.002 thousand, of which €100 thousand has increased the capital and €11.902 increased additional paid in capital. Net increase in additional paid in capital amounts to €1.110 thousand, and corresponds to €11.902 thousand minus the put options given to the sellers in the business combinations at €10.792 thousand, net €1.110 thousand.

3.2.7. Listing of bonds

On 24 July 2017, he Bonds (issued on 27 July 2016 for a total nominal amount of €42,5 million) have been listed 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.

3.2.8. New issue and listing of bonds

On October 17th 2017 Valtech issued bonds in principal amount of € 33 million The bonds bear a fixed annual interest rate of 4,5% and matures in October 2024. The purpose of the issue is to support Valtech´s future growth. On March 20th 2018 the notes were admitted to trading on the Luxembourg Stock Exchange's Euro MTF.

NOTE 4 – Segment information

For each of the periods presented, the operational monitoring of the Group's business by senior management was mainly based on geographic location. Business segments can incorporate several countries.

Each business segment has its own operational management and is homogeneous in terms of labour costs and type of clients.

A business segment combines all businesses of the concerned geographical area: the business of outsourcing towards other business lines of the Group (which is eliminated as intercompany transactions) as well as business provided to external third parties. The different business segments of the Group cover similar operations.

Exceptions to this principle are France and the UK where two segments exist: a sector for France and the UK for the operational business conducted in these geographic areas and a corporate sector for the management's activities. First-level segment reporting corresponds to the countries in which the Group operates:

- Corporate headquarters activities (Corp.)
- France (FR)
- Sweden (SW)
- Denmark (DK)
- United Kingdom (UK)
- Germany (GE)
- Netherlands (NL)
- United States (USA)
- Canada (CA)
- India (IN)
- Australia (AU)
- Argentina (AR)
- Switzerland (CH)
- Singapore (SG)
- Brazil (BR)
- Ukraine (UA)
- China (CN)

Given their low individual importance, the business in Australia, Argentina, Singapore, Brazil, Ukraine, China and Valtech Global Projects are grouped under the category "Others" in the table below.

Intercompany transactions are eliminated and reported in the table below in the category "Interco elim."

The Group's business segment information on December 31, 2017 and 2016 presented as follows:

31/12/2016	Corp.	FR	SW	DK	UK	GE	NL (1)	USA	CA	IN	CH	Others (3)	Interco elim.	Total
Revenue with third parties	-	28 965	33 250	14 191	30 585	41 358	10 675	29 379	7 648	2 534	2 103	7 113	-	**207 801**
Intercompany revenue (2)	9	1 763	688	1 133	186	492	95	916	167	8 906	86	903	(15 344)	-
Total revenue	**9**	**30 728**	**33 938**	**15 324**	**30 771**	**41 850**	**10 770**	**30 295**	**7 815**	**11 440**	**2 189**	**8 016**	**(15 344)**	**207 801**
Operating result	**(2 391)**	**(1 413)**	**3 142**	**2 083**	**2 883**	**5 483**	**428**	**2 202**	**643**	**1 147**	**(18)**	**(993)**	-	**13 196**
Income before tax from continuing operations	**(3 629)**	**(703)**	**3 174**	**2 054**	**2 808**	**5 490**	**421**	**2 286**	**610**	**1 376**	**(15)**	**(1 571)**	**-**	**12 301**
Income tax income and (expense), net	**(21)**	**(14)**	**(746)**	**(466)**	**(539)**	**(1 677)**	**(22)**	**141**	**(189)**	**130**	**-**	**(13)**	**-**	**(3 416)**
Goodwill (net value)	-	**2 037**	**742**	**446**	**-**	**2 042**	**11 418**	**5 032**	**1 811**	**2 864**	**-**	**1 855**	**-**	**28 247**
Intangible, Tangible and Financial assets	**2 110**	**502**	**645**	**746**	**2 830**	**864**	**9 020**	**2 488**	**376**	**1 329**	**105**	**261**	**-**	**21 276**
Average workforce	**-**	**239**	**233**	**103**	**102**	**171**	**93**	**128**	**62**	**495**	**7**	**65**	**-**	**1 698**

31/12/2017	Corp.	FR	SW	DK	UK	GE	NL (1)	USA	CA	IN	CH	Others (4)	Interco elim.	Total
Revenue with third parties	-	23 715	31 089	16 288	29 185	57 085	23 952	23 863	8 823	1 247	3 668	14 780	-	**233 695**
Intercompany revenue (2)	143	2 440	399	2 447	212	901	2 300	1 819	775	10 386	19	4 964	(26 805)	-
Total revenue	**143**	**26 155**	**31 488**	**18 735**	**29 397**	**57 986**	**26 252**	**25 682**	**9 598**	**11 633**	**3 687**	**19 744**	**(26 805)**	**233 695**
Operating result	**(2 634)**	**731**	**2 362**	**2 178**	**2 038**	**7 087**	**1 515**	**283**	**(33)**	**897**	**99**	**(5 237)**	-	**9 286**
Income before tax from continuing operations	**(4 590)**	**357**	**2 356**	**2 048**	**1 910**	**7 052**	**1 497**	**243**	**(319)**	**919**	**98**	**(5 756)**	-	**5 815**
Income tax income and (expense), net	**(28)**	**(12)**	**(622)**	**(491)**	**(394)**	**(1 977)**	**(263)**	**(1 210)**	**(117)**	**(355)**	**-**	**(114)**	-	**(5 583)**
Goodwill (net value)	**-**	**2 037**	**690**	**2 692**	**-**	**12 395**	**11 418**	**4 423**	**6 233**	**2 677**	**-**	**3 852**	-	**46 417**
Intangible, Tangible and Financial assets	**3 617**	**1 354**	**1 016**	**1 941**	**2 760**	**4 994**	**8 018**	**3 278**	**1 643**	**1 406**	**123**	**1 059**	-	**31 209**
Average workforce	**-**	**185**	**233**	**112**	**96**	**298**	**199**	**115**	**86**	**505**	**9**	**238**	-	**2 076**

(1) Values for the Netherlands (abbreviated as NL in the table) are for a period of 6 months for the year 2016, from Valtech BV's entry in the consolidation perimeter of Valtech through December 31, 2016.

(2) Intercompany revenues consist of revenues related to client projects and do not include revenues for corporate contribution and trade mark fees invoiced from Valtech S.E. to its subsidiaries, nor re-billed expenses

(3) Goodwill regarding Valtech Services US (business (€1981 thousand) sold on January 1st 2016) is reported as assets available for sale in the balance sheet

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

NOTE 5 – Types of revenue

Revenue is derived primarily from providing digital transformation services to the company's clients, including digital platform development and digital marketing. Revenue consists of digital transformation services revenue including reimbursable expenses, which primarily include travel and out-of-pocket costs that are billable to clients. Revenue reported as other revenue consists of revenue that is not related to the time worked on projects.

Valtech performs services primarily under time-and-material contracts and, to a lesser extent, fixed-price contracts as follows:

	2016	2017
Time and material	79,7%	74,9%
Fixed price	20,3%	25,1%
Total revenue	**100,0%**	**100,0%**

NOTE 6 – Expenses by nature

(in thousand euros)

	2016			
	Cost of sales	**Commercial costs**	**Administrative costs**	**Total**
Staff costs	(95 295)	(10 278)	(17 737)	(123 310)
Cost of warrants	(141)	-	(951)	(1 092)
Other employee benefits expense	(127)	-	-	(127)
Amortization & depreciation	(1 258)	(474)	(2 103)	(3 835)
Capitalized assets	1 116	159	630	1 905
Other costs	(40 167)	(3 306)	(23 098)	(66 571)
Total	**(135 872)**	**(13 900)**	**(43 259)**	**(193 030)**

	2017			
	Cost of sales	**Commercial costs**	**Administrative costs**	**Total**
Staff costs	(111 970)	(11 008)	(20 977)	(143 954)
Cost of warrants	(111)	-	(593)	(704)
Other employee benefits expense	(102)	-	-	(102)
Amortization & depreciation	(1 473)	(2 025)	(2 806)	(6 305)
Capitalized assets	2 335	31	975	3 340
Other costs	(43 047)	(3 521)	(27 223)	(73 791)
Total	**(154 368)**	**(16 523)**	**(50 625)**	**(221 516)**

NOTE 7 – Restructuring costs, other income and expenses and goodwill impairment

(in thousands of euros)	2016	2017
Capital gains or (losses) on disposal of assets	271	7
Other non-recurring income / (loss) on Neon Stingray acquisition	(572)	(188)
Other	87	55
Other income and expenses (total)	**(214)**	**(126)**
Restructuring costs	(1 360)	(1 627)
Goodwill impairment	-	(1 141)
Total	**(1 574)**	**(2 894)**

The restructuring costs mainly relate to:

2017:
- Expenses and provisions for the reorganization of our French companies, amounting to €828 thousand.
- Expenses and provisions corresponding to the cost for unused office space in Sweden and Denmark, amounting to amounting to €296 thousand.
- Expenses and provision for cost related to the merger of the German entities, amounting to €212 thousand.

2016:
- Expenses and provisions for the reorganization of our French companies, for €835 thousand.
- Provisions corresponding to the cost for unused office space leased in anticipation of future growth that have been recognized in 2016, that amount to €189 thousand relating to the US subsidiary and to €266 thousand relating to the UK subsidiary.

The non-recurring expenses on acquisitions of €188 thousand in 2017 and €572 thousand in 2016 relate to the modification of the payment terms of the company Neon Stingray (Valtech Digital Australia), acquired in 2014 (detailed in Note 3.1.5. to our consolidated financial statements.

Goodwill impairment in 2017 is referring to the subsidiary Neon (Australia) for €1.110 thousand and Kiara (Sweden) €31 thousand (see note 13.2 to our consolidated financial statement).

NOTE 8 – Financial result

(in thousands of euros)	2016	2017
Cost of gross financial financial debt	(804)	(2 378)
Interest income on cash and cash equivalents	51	127
Net cost of debt	**(753)**	**(2 251)**
Other financial income and expenses	31	(59)
Exchange differences	(174)	(1 160)
Other financial income and expenses, net	**(143)**	**(1 219)**
Financial result	**(896)**	**(3 470)**

NOTE 9 – Income taxes

9.1. Analysis of the tax expense

The tax expense can be analysed as follows:

(in thousands of euros)	2016	2017
Current income tax	(3 499)	(4 600)
Change in deferred taxes	83	(983)
Total	**(3 416)**	**(5 583)**

9.2. Tax Reconciliation

(in thousands of euros)	2016	2017
Net income for the period	4 182	(1 452)
Tax expense	3 416	5 583
Earnings before tax	**7 598**	**4 131**
Theoretical tax income (expense) (1)	**(1 520)**	**(785)**
Impairment of goodwill	-	(333)
Other permanent differences	1 195	(47)
Use of tax loss carryforwards	462	10
Change in estimate on the recoverability of the tax receivable	227	(1 217)
Deferred tax assets on tax loss carryforwards not recognized during the period	(2 836)	(3 107)
Other taxes	(105)	(28)
Effect of differences in tax rates between jurisdictions	(839)	(76)
Actual tax income (expense)	**(3 416)**	**(5 583)**

(1) Theoretical tax income (expense) based on 19 % UK tax rate for 2017 and 20% for 2016

Impact of tax reform in the United States:

Changes in U.S statutory tax rate has resulted in the recognition of a loss €1.217 thousand of deferred tax assets, for the year ended December 31, 2017 regarding Valtech Solutions in the US.

The U.S Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and introduces significant changes to U.S income tax law. Effective in 2018, the Tax Act reduces the U.S statutory tax rate from 35% to 21%.

9.3. Deferred taxes

The breakdown by nature of deferred taxes is as follows:

(in thousands of euros)	31/12/2016	31/12/2017
Deferred taxes (asset)	3 559	2 008
Deferred taxes (liability)	(3 013)	(4 884)
Deferred taxes (net)	**546**	**(2 876)**

(in thousands of euros)	Intangible assets	Tax loss carryforwards	Others	Total
Net values on December 31, 2015	**-**	**3 335**	**(894)**	**2 441**
Items recognized in profit/loss	106	66	(89)	83
Translation adjustment	-	(269)	409	140
Items recognized in shareholders' equity	-	-	-	-
Business combination	(2 118)	-	-	(2 118)
Net values on December 31, 2016	**(2 012)**	**3 132**	**(574)**	**546**
Items recognized in profit/loss	502	(1 219)	(267)	(984)
Translation adjustment	56	(307)	2	(249)
Items recognized in shareholders' equity	-	-	-	-
Business combination	(2 189)	-	-	(2 189)
Net values on December 31, 2017	**(3 643)**	**1 606**	**(839)**	**(2 876)**

Analysis of the deferred taxes by nature is as follows:

	31/12/2016			31/12/2017		
	DTA	DTL	**2016**	DTA	DTL	**2017**
Tax loss carryforwards	3 132		3 132	1 606	-	1 606
Intangible assets		(2 012)	(2 012)	-	(3 644)	(3 644)
Other elements	427	(1 001)	(574)	402	(1 240)	(838)
Deferred taxes (net)	**3 559**	**(3 013)**	**546**	**2 008**	**(4 884)**	**(2 876)**

DTA – Deferred tax assets, DTL – Deferred tax liabilities

Unrecognized deferred tax assets related to tax loss carry forwards amounts to €18.951 thousand and €19.308 thousand as at December 31, 2017 and 2016 respectively, and breaks down as follows:

(in thousands of euros)	31/12/2016	31/12/2017
Valtech SE	12 233	11 971
Valtech Training (France)	1 337	1 547
Valtech Solution, Inc	5 738	3 739
Valtech Digital Singapore	-	89
Valtech Autralia	-	1 207
Valtech China	-	34
Valtech Global Project	-	73
Valtech Ukraine	-	97
Valtech Canada (Non Linear)	-	188
Valtech United Kingdom (Non Linear)	-	6
Total	**19 308**	**18 951**

NOTE 10 – Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
(in thousands of euros)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net foreign exchange losses/(gains)	919	175	-	226	919	402
Research and development costs	3 340	1 905	-	-	3 340	1 905
Depreciation of property, plant and equipment	4 188	3 412	-	-	4 188	3 412
Amortization of internally-generated intangible assets included in other operating expenses	2 216	316	-	-	2 216	316
Staff costs (see note 11)	135 504	116 219	-	-	135 504	116 219

NOTE 11 – Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

		FY2017 €	FY2016 €
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts		309	281
Fees payable to the company's auditor and their associates for other services to the group		38	-
–The audit of the company's subsidiaries		412	121
	Total audit fees	759	402
- Audit-related assurance services		-	50
- Taxation compliance services		41	42
- Other taxation advisory services		12	-
- Internal audit services		-	-
- Other assurance services		-	-
- Corporate finance services		247	202
- Other services		12	-
	Total non-audit fees	312	294
Fees payable to the company's auditor and their associates in respect of associated pension schemes		-	-

NOTE 12 – Staff costs

The average monthly number of employees (including executive directors)

	2017 Number	2016 Number
Billable staff	1 755	1 456
Non-billable staff	320	242
Total	2 075	1 698

Their aggregate remuneration comprised:

(in thousands of euros)	**2017**	**2016**
Wages and salaries	114 584	97 204
Social security costs	20 750	18 907
Other pension costs	171	109
Total	135 504	116 219

No pension contribution has been paid to the Directors. Director Mr. Lombardo has received emoluments amounting to €535 thousand as fees related to assistance missions. Mr Lombardo has not exercised any share options and has not received any shares in in respect of qualifying services under a long term incentive scheme.

NOTE 13 – Goodwill

13.1 Breakdown of the goodwill balance

Change in the goodwill balance over the periods presented is as follows:

(in thousand euros)	ADEA	ADEA (1)	Synaris	Majoris	Valtech A/S	ACDSI	Kiara	Neon	Wi.il.am	Graion	Efocus	El Chalten (2)	Non Linear	Non Linear	Codehouse A/S	Total
	USA	USA	GE	IN	DK	FR	SW	AU	CA	AR	NL	UK	CA	BR	DK	Total
December 31, 2015	**4 873**	**1 981**	**2 042**	**2 847**	**444**	**2 037**	**739**	**1 097**	**1 699**	**-**	**-**	**-**	**-**	**-**	**-**	**17 759**
Business combination	-	-	-	-	-	-	31	-	-	735	11 418	-	-	-	-	12 184
Disposals	-	(1 949)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 949)
Foreign exchange fluctuations	159	(32)	-	17	2	-	(28)	23	112	-	-	-	-	-	-	253
December 31, 2016	**5 032**	**-**	**2 042**	**2 864**	**446**	**2 037**	**742**	**1 120**	**1 811**	**735**	**11 418**	**-**	**-**	**-**	**-**	**28 247**
Business combination	-	-	10 353	-	-	-	-	-	-	-	-	2 557	4 501	712	2 249	20 372
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-		-	-	-	-	(31)	(1 110)	-	-	-	-	-	-	-	(1 141)
Foreign exchange fluctuations	(609)	-	-	(187)	(1)	-	(21)	(10)	(103)	(187)	-	(3)	24	37	(1)	(1 061)
December 31, 2017	**4 423**	**-**	**12 395**	**2 677**	**445**	**2 037**	**690**	**-**	**1 708**	**548**	**11 418**	**2 554**	**4 525**	**749**	**2 248**	**46 417**

Key to country codes: GE: Germany, IN: India, DK: Denmark, FR: France. SW: Sweden, AU: Australia, AR: Argentina; NL: Netherlands, UK: United Kingdom, BR: Brazil; CA: Canada; UKR: Ukraine

(1) Goodwill refers to sold business in 2016, and is reported as assets available for sale in the balance sheet.
(2) El Chalten is a holding company based in United Kingdom with a subsidiary in Ukraine

Acquisitions of People Interactive, El Chalten, Non Linear and Codehouse (detailed in Notes 3.3) resulted in an increase in the goodwill balance of €20.372 thousand as of and for the year ended December 31, 2017.

Goodwill regarding Neon (Australia) and Kiara (Sweden) has been impaired, see details in note 13.3.

13.2. Business combinations

People Interactive

People Interactive was acquired on January 30 2017. The determination of the fair value of assets acquired and liabilities is finalized. The fair value of net assets acquired is estimated at €4.446 thousand, out of which €3.766 thousand 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 €14.1 million. As a result, the goodwill arising out of this acquisition amounts to €10.4 million. Earn-out subject to certain exceptions and the achievement of certain targets has been paid. Correction of estimated earn-out has generated an income of €720 thousand recorded in other income and expense, in accordance with IFRS 3.

El Chalten

El Chalten was acquired on March 31 2017. The determination of the fair value of assets acquired and liabilities assumed is finalized. Neither assets nor liabilities giving rise to intangible assets have been identified when performing the purchase price allocation. The total consideration for the assets of El Chalten is €2.6 million and the goodwill is €2.6 million.

Non Linear Canada and Brazil

Non Linear was acquired on June 1 2017. The determination of the fair value of assets acquired and liabilities assumed is ongoing. The fair value of net assets acquired is estimated at €3.086 thousand, out of which €2.388 thousand 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 at €5.2 million.

The goodwill has been allocated between the two cash generating units (Canada for €4.5 million (including USA) and Brazil for €0.7 million) based on their share of actual and forecasted revenues for the years 2015-2017, at the time of the acquisition.

Codehouse A/S

On November 1st, 2017, Valtech acquired the company Codehouse A/S in Denmark. Codehouse is consolidated in the Valtech accounts as of November 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 at €913

thousand, out of which €684 thousand 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 5 years and 3 years respectively. These assets are amortized from the date of acquisition over 5 and 3 years respectively.

Total consideration for this acquisition is €3.2 million. As a result, the goodwill arising out of this acquisition is estimated at €2.2 million.

13.3. Impairment tests

In accordance with IAS 36 – *Impairment of Assets* ("IAS 36"), goodwill has been subject to impairment tests on each reporting date.

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 the rates mentioned below, 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 based on 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 year.

The impairment tests carried out on NeonStingray (Australia) led to the recognition of an impairment. The goodwill related to this entity has been fully impaired resulting in a goodwill impairment charge amounting to €1.110 thousand.

Goodwill amounting to €31 thousand regarding Kiara (Sweden) has been fully impaired at 2017 year end.

Impairment test

Impairment tests were carried out using the following assumptions:

Model parameters applied to the cash flow projections

	Net book value of the goodwill	Growth rate		Discount rate		Recognized impairment charge		
	31/12/2017	n to n+5	terminal	31/12/2016	31/12/2017	2015	2016	2017
USA	4 423	4,0%	1,0%	8,7%	8,1%		-	-
Germany	12 395	1,2%	1,0%	6,4%	6,9%	-	-	-
India	2 677	3,2%	1,0%	14,8%	14,5%	-	-	-
Denmark	2 693	5,7%	1,0%	6,6%	6,2%	-	-	-
France	2 037	3,0%	1,0%	9,1%	8,4%	-	-	-
Sweden	690	3,6%	1,0%	6,6%	6,3%	-	-	(31)
Australia	-	9,4%	1,0%	10,4%	9,9%	-	-	(1 110)
Canada	1 708	15,7%	1,0%	9,8%	8,5%	-	-	-
Non Linear Canada	4 525	8,2%	1,0%	N/A	9,3%	-	-	-
Argentina	548	55,0%	1,0%	24,0%	19,9%	-	-	-
Netherlands	11 418	6,6%	1,0%	8,6%	8,1%	-	-	-
Ukraine	2 554	66,2%	1,0%	N/A	34,4%	-	-	-
Brazil	749	15,4%	1,0%	N/A	23,0%	-	-	-
Total or average	**46 417**	**15,2%**	**1,0%**	**10,5%**	**12,6%**	**-**	**-**	**(1 141)**

No reasonable changes in the discount rate or in the perpetual growth rate used would have caused the recoverable amount of any goodwill to equal its carrying value.

NOTE 14 – Intangible assets

(in thousands of euros)		Technology	Customer relationship	Software purchased	Capitalized development costs	Total
Gross amount						
	As at December 31st, 2016	616	7 857	4 532	1 982	14 987
	Increase	-	-	2 532	3 340	5 872
	Disposals	-	-	(827)	(441)	(1 268)
	Acquisitions	240	6 935	188	-	7 363
	Translation difference	(5)	(112)	(89)	(235)	(441)
As at December 31, 2017		**851**	**14 680**	**6 336**	**4 646**	**26 514**
Accumulated amortization						
	As at December 31st, 2016	31	393	2 786	664	3 874
	Disposals	-	-	(827)	-	(827)
	Acquisitions	-	-	139	-	139
	Translation difference	-	-	(66)	(81)	(147)
	Amortization	320	1 631	1 213	265	3 429
As at December 31, 2017		**350**	**2 024**	**3 246**	**849**	**6 468**
Net carrying amount as of December 31, 2017		**501**	**12 656**	**3 091**	**3 797**	**20 045**

The increase in intangible assets corresponds to the Group's investment in its new management system, creation of new services for customers and creation of new internal systems.

Technology and customers relationships correspond to intangible assets that are valued as a result of business combinations (Note 13.2. Business combination).

Amortization period for customer relationships and technology have been determined by the estimated remaining useful life of the assets, between 4 and 10 years for customer relationship and 3 years for technology.

NOTE 15 – Tangible assets

Changes in tangible assets are presented as follows:

(in thousands of euros)		Fixtures	Office furniture	Computer hardware	Others	Finance leases	Total
Gross amount							
	As at December 31st, 2016	5 060	3 681	9 335	846	280	19 203
	Increase	871	894	1 980	127	-	3 871
	Disposals	(338)	(505)	(2 369)	(312)	(348)	(3 872)
	Acquisitions	334	670	300	63	68	1 435
	Translation difference	(351)	(92)	(395)	(47)	-	(885)
	Other changes	-	194	-	(194)	-	-
As at December 31, 2017		**5 575**	**4 843**	**8 850**	**483**	-	**19 751**
Accumulated depreciation							
	As at December 31st, 2016	1 676	2 182	7 028	624	280	11 791
	Disposals	(338)	(490)	(2 337)	(312)	(348)	(3 825)
	Acquisitions	229	440	289	54	68	1 080
	Translation difference	(139)	(62)	(278)	(31)	-	(510)
	Depreciation	705	639	1 471	61	-	2 876
	Other changes	-	162		(162)	-	-
As at December 31, 2017		**2 133**	**2 871**	**6 174**	**233**	-	**11 412**
Net carrying amount as of December 31, 2017		**3 442**	**1 971**	**2 676**	**249**	-	**8 339**

NOTE 16 – Non-current financial assets

Changes in financial assets are presented as follows:

(in thousands of euros)	Non-current financial assets	Deposit	Total
December 31, 2016	**480**	**2 274**	**2 754**
Acquisitions / increase	293	133	426
Disposals or repayments	(85)	(146)	(231)
Translation adjustment	(5)	(120)	(124)
December 31, 2017	**683**	**2 141**	**2 825**

Deposits correspond to the deposits and guarantees paid in connection with the real estate rentals of the Group’s companies.

The non-current financial assets are referring to a long term loan within a French specific tax scheme.

NOTE 17– Receivables and other current assets

17.1. Accounts receivable and related accounts

Accounts receivables and related accounts are detailed as follows:

(in thousands of euros)	31/12/2016	31/12/2017
Accounts receivables	44 123	52 580
Bad debt allowance	(463)	(871)
Accrued income	14 290	14 351
Accounts receivables and related accounts	**57 950**	**66 059**

Changes to the accounts receivable and related accounts over the years are presented as follows:

(in thousands of euros)	
Net value on December 31, 2016	**57 950**
-Gross value	58 413
-allowance	(463)
Change in gross value	6 657
Allowance recognized (revised)	(408)
Business combinations	3 567
Translation difference	(1 707)
Net value on December 31, 2017	**66 059**
-Gross value	66 930
-Allowance	(871)

Age analysis of accounts receivables is as follows:

(in thousand euros)	31/12/2016	31/12/2017
Not due or due since less than 30 days	41 018	52 199
Due for more than 30 days and less than 60 days	5 073	7 527
Due for more than 60 days and less than 90 days	3 806	2 328
Due for more than 90 days	8 053	4 005
Total	**57 950**	**66 059**

The changes during the year for doubtful accounts associated with accounts receivable on December 31, 2017 and 2016 are as follows:

Movement of bad debt allowance (in thousand euros)	31/12/2016	31/12/2017
On January 1st	**(1 604)**	**(463)**
Addition	(309)	(1 268)
Non recovered claims	1 008	560
Reversal of bad debt allowance	407	291
Translation adjustment	35	9
As of December 31th	**(463)**	**(871)**

The breakdown of the bad debt allowance by ageing of the receivables is as follows:

Aging of receivables (in thousand euros)	31/12/2016	31/12/2017
Not due or due since less than 30 days	-	(10)
Due for more than 30 days and less than 60 days	(8)	(85)
Due for more than 60 days and less than 90 days	(54)	(130)
Due for more than 90 days	(401)	(646)
Total	**(463)**	**(871)**

17.2. Other current assets

(in thousand euros)	31/12/2016	31/12/2017
Tax and social security receivables	4 937	4 731
Other receivables	3 065	4 305
Deferred expenses	2 836	4 198
Total	**10 838**	**13 234**

Other receivables December 31, 2017 mainly refer to factoring in Germany and France (€877 thousand), receivable in Germany due to factoring exceeding the financial limit (€1.960 thousand) and tax credit in France (€632 thousand).

17.3. Fixed price projects

For fixed price projects with a contractual obligation to deliver a specific outcome, revenues and expenses are recorded in accordance with IAS 11 – *Construction Contracts* using the method of progress defined by the IAS 11 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.

Stage of completion is calculated monthly by comparing costs of completed work hours against total estimated costs of work hours to finalize the project.

Fixed price projects in the balance sheet are presented as follows:

Contracts in progress at end of the reporting period

(in thousands of euros)	2016	2017
Construction cost incured plus recognised profits less recognised losses to date	16 878	18 269
Less: progress billings	(17 473)	(21 187)
	(595)	**(2 918)**
Recognized and included in consolidated financials satements as amounts due;		
- from customers under construction contracts	3 225	2 735
- to customers under construction contracts	(3 820)	(5 653)
	(595)	**(2 918)**

Advances received from customers for contract work amounted to €34 thousand 31 December 2017 and €114 thousand 31 December 2016. There were no retentions held by customers for contract work.

Revenues related to fixed price projects amounted to €58.6 million in 2017 and €41.5 million in 2016.

NOTE 18 – Equity

18.1. Capital

On December 31, 2017, the capital of Valtech S.E., in the amount of €3.446.229 is composed of 27.493.427 ordinary shares without par value. It is fully paid. Changes over the periods are as follows:

Number of shares	31/12/2016	31/12/2017
On January 1st	**27 503 262**	**26 591 970**
Increase in capital	-	799 170
Reduction in capital	(929 721)	-
Exercise of warrant options	18 429	102 287
On December 31th	**26 591 970**	**27 493 427**

The company's shares were listed on the Euronext regulated market of the Paris Stock Exchange under ISIN code FR0011505163 until March 8, 2017, when the company was delisted.

18.2. Treasury shares – liquidity contract

On December 31, 2015, the number of shares held by the company under a share buyback program was 870,640 for a total purchase price of €6,167 thousand. Securities held under this program are deprived of

voting rights. All treasury shares have been cancelled pursuant to a decision of the Board on February 5, 2016.

On December 31, 2016 there were no treasury shares outstanding.

On December 31, 2017 number of treasury shares amounted to 4.375 (€65 thousand)

18.3. Basic and diluted earnings per share

The reconciliation between the basic and diluted earnings per share is as follows:

	Net income (*)	Number of shares	Earnings per share
2016			
Basic earnings per share	8 884	26 575 077	0,33
Dilutive impact of stock options		2 867 873	0,03
Earnings per diluted share	**8 884**	**29 442 950**	**0,30**
2017			
Basic earnings per share	232	27 248 672	0,01
Dilutive impact of stock options		2 498 818	0,00
Earnings per diluted share	**232**	**29 747 490**	**0,01**

(*) Calculation of earnings per share is based on net income before discontinued operations

18.4. Dividends

The Group has not distributed dividends to its shareholders during fiscal years 2017 and 2016.

NOTE 19 – Provisions

19.1. Movements in provisions

(in thousands of euros)	Litigations	Rent for unused premises	Retirement obligations	Others	Total
December 31, 2015					
-Current	1 570	58	422	1 332	3 382
-Non-current	-	97	528	4	629
Net values on December 31, 2015	**1 570**	**155**	**950**	**1 336**	**4 011**
Increase	2 396	523	204	113	3 236
Recovery	-	-	-	(258)	(258)
Recovery (use)	(3 038)	(553)	(94)	(385)	(4 070)
Translation difference	113	(2)	2	(4)	109
December 31, 2016					
-Current	552	123	53	728	1 456
-Non-current	489		1 009	74	1 572
Net values on December 31, 2016	**1 041**	**123**	**1 062**	**802**	**3 028**
Increase	753	296	120	610	1 779
Recovery	(452)	(66)	-	(124)	(642)
Recovery (use)	(204)	(53)	(215)	(10)	(482)
Translation difference		(9)	(35)	(7)	(51)
December 31, 2017					
-Current	39	173	54	513	779
-Non-current	1 099	118	879	758	2 854
Net values on December 31, 2017	**1 138**	**291**	**933**	**1 271**	**3 633**

A provision is recognized at year end if, and only if (i) the Group has a present obligation (legal or constructive) as a result of a past event;(ii) it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the impact of the time value of money is material.

19.2. Litigations

Tax audit in France

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. In 2017 a lawsuit to dispute the claim was filed.

Social litigations in France

Costs related to litigation regarding former employees amounting to €1.099 thousand have been provisioned.

19.3. Rent for unused premises

The US subsidiary Valtech Solutions recorded a provision of €189 thousand for the year ended December 31, 2016, corresponding to the cost for unused office space leased in anticipation of future growth. During 2016, €132 thousand was used, and the remaining provision as of December 31, 2016 amounted to €57 thousand. As of December 31, 2017, there is no remaining provision for this lease agreement.

The United Kingdom subsidiary Valtech Ltd started a new office lease in July 2016. The new office had excess space planned to be sub-leased. A sub-lease agreement started March 1, 2017, and the provision for excess space amounted to €66 thousand as per December 31, 2016. As of December 31, 2017, there is no remaining provision for this lease agreement.

A decision has been taken to close down the Swedish subsidiary Valtech AB's office in Malmö with 10 employees. Cost related to the office during the remaining time of the lease agreement until December 2019, amounting to €225 thousand, has been provisioned.

The Danish company Codehouse A/S acquired in November 2017, has joined the office of the Danish subsidiary Valtech A/S, resulting in a provision for unused premises amounting to €66 thousand. The provision refers to rent premise related costs until February 2018, when the office lease is surrendered.

These provisions cover the entire rent until the end of the lease, minus potential sub-leases if they are deemed sufficiently probable, considering the local real estate market.

19.4. Retirement obligations and other post-employment benefits.

According to the laws and customs of each country, the Group offers, to its employees, pension plans and healthcare benefits. The plans depend on the local legislation of the country, the business and the historical practices of the subsidiary. Beyond the basic plans, the plans are of either defined contribution or defined benefit and, in the latter case, wholly or partly covered by dedicated investments (stocks, bonds, insurance contracts or other forms of dedicated investments).

- Defined contribution pension plans

The benefits depend solely on the accumulated contributions and investment returns of the latter. The Group's commitment is limited to contributions that are recognized as operating expenses when incurred.

- Defined benefit pension plans

The valuation of the Group's commitment under these plans is calculated annually. These calculations include assumptions of mortality, turnover, projection of future salary and pension increases paid.

The post-employment liabilities are determined in accordance with the accounting principles disclosed in note 1.17 to our consolidated financial statements. For pension and other post-employment benefits, actuarial gains and losses are recognized in the statement of other comprehensive income.

In order to achieve actuarial valuations, the basic assumptions for calculations are determined by country; specific assumptions (rates of staff turnover, salary increases) are set for each company.

Liabilities related to defined benefits plans recognized in the Consolidated Financial Statements are broken down as follows:

(in thousands of euros)	France	India	Total
December 31, 2016	**605**	**457**	**1 062**
Service cost	(393)	87	(306)
Actuarial gains/losses	231	(21)	210
Other changes	-	-	-
Translation adjustment	-	(33)	(33)
December 31, 2017	**443**	**490**	**933**

The social benefits granted in India refers to a social local commitment called “Gratuity plan” i.e. defined benefits that are regularly paid to the employees when leaving the Group. As there is a lot of movements, the local plan is not funded and does not have an underlying asset.

Provisions for pensions and other postemployment benefits in France primarily relate to obligations to make retirement termination payments.

On December 31, 2017, the discount rates refer to the 10 year Iboox rate.

Key assumptions used	31/12/2016	31/12/2017
Discount rate	1,05%	1,30%
Salary inflation rate	2,00%	2,00%
Date of retirement	65	65

NOTE 20 –Accounts payable and other current liabilities

20.1. Accounts payable and related accounts

The aging analysis of accounts payable is presented as follows:

Aging analysis of accounts payable (in thousand of euros)	31/12/2016	31/12/2017
Not due or due since less than 30 days	16 910	19 521
Due for more than 30 days and less than 60 days	816	1 856
Due for more than 60 days and less than 90 days	301	151
Due for more than 90 days	1 649	2 473
Total	**19 676**	**24 001**

20.2. Other current liabilities

(in thousands of euros)	31/12/2016	31/12/2017
Tax and social security liabilities	15 602	16 424
Customer advances	5 389	6 539
Deferred income	4 634	1 603
Other	1 602	1 958
Financial liabilities - current portion	**27 227**	**26 524**

Deferred income relates mainly to fixed price projects.

Liability regarding received payments from clients on behalf of acquirer of business in US amount to €917 thousand (included in other).

NOTE 21 – Cash and cash equivalents

The working capital requirements of France is partially met through factoring contracts without recourse for a total amount of €1.415 thousand.

(in thousands of euros)	31/12/2016	31/12/2017
Cash and cash equivalents	48 577	61 703
Bank overdrafts	-	(3 139)
Total	**48 577**	**58 564**

NOTE 22 – Financial debt

22.1. Analysis of the financial liabilities

(in thousands of euros)	31/12/2016	31/12/2017
Long term borrowings	42 500	74 438
Deposits and securities received	6	301
Put option on own shares	-	10 795
Debt related to acquisitions	3 292	5 441
Other		134
Other financial debt	**3 298**	**16 671**
Financial liabilities - non-current portion	**45 798**	**91 109**
Short term borrowings and bank overdrafts	-	4 218
Other financial debt - current portion	8 176	3 377
Financial liabilities - current portion	**8 176**	**7 595**
Total financial liabilities	**53 974**	**98 704**

Long term borrowings correspond to i) bonds issued in July 2016 for a nominal amount of €42.500 thousand bearing interest at 4,25% per annum with a maturity date in July 2022 and ii) bonds issued in October 2017 for a nominal amount of €33.000 thousand bearing interest at 4.5% per annum with a maturity date in October 2024.

The put options on our own shares for €10.795 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.

Other financial debt – current portion mainly refers to debt relating to business combinations. On December 31, 2016 the debt related to eFocus amounted to €6.343 thousand, Graion €290 thousand and Neon €760 thousand. On December 31 2017 current debt related to business combinations amounted to €969 thousand regarding eFocus, €720 thousand regarding People Interactive, €266 thousand regarding El Chalten and €1.422 thousand regarding Codehouse A/S.

22.2. Analysis of financial liabilities by maturity

(in thousands of euros)	31/12/2016	31/12/2017
Maturity less than 1 year	8 176	7 595
Maturity between 1 and 5 years	3 298	58 720
Maturity greater than 5 years	42 500	32 389
Total financial debt	**53 974**	**98 704**

Maturity between 1 and 5 years corresponds mainly to the bonds issued in July 2016, put option on own shares and debt related to acquisitions.

Maturity over five year corresponds to the bonds issued in October 2017, with a maturity period of 7 years.

22.3. Analysis of the debt by rate

The bonds issued in July 2016 bear interest at a fixed rate of 4.25% per year. The bonds issued in October 2017 bear interest at a fixed rate of 4.5% per year. No hedging of interest rate has been implemented.

22.4. Finance contracts

Most of the financing agreements by the Group contain clauses in case of default or significant deterioration of Valtech SE and its subsidiaries. Under these clauses, the significant deterioration in the Group's financial position may lead to the collection of a significant portion or even all of its credit lines.

According to the term of the issue of bonds, so long as the bonds are outstanding, the following conditions regarding financial covenants applies:

- Leverage ratio (ratio of Consolidated Net Indebtedness to Consolidated EBITDA), shall be lower than or equal to 2.25 and from December 31, 2019, lower than or equal to 2.00
- Gearing ratio (the ratio of Consolidated Net Indebtedness to Equity), shall be lower than 1.2

If these conditions are not met, the notes become due and payable at their principal amount, together with any accrued interest. For both 2017 and 2016 these conditions have been met.

22.5. Reconciliation between changes in financial liabilities and cash flows related to financing activities

According to amendment to IAS 7 *« Disclosure initiative »* effective since January 1st 2017, the chart below presents the reconciliation between change in financial liabilities and flows related to financing:

(in thousands of euros)	31/12/2015	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Foreign exchange movement	Non-cash changes: Others	31/12/2016	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Foreign exchange movement	Non-cash changes: Others	31/12/2017
Long term borrowings	-	42 500	-	-	-	42 500	31 938	-	-	-	74 438
Deposits and securities received	115	-	-	-	(109)	6	-	-	-	295	301
Put option on own shares	-	-	-	-	-	-	-	10 795	-	-	10 795
Debt related to acquisitions	-	-	3 287	-	-	3 287	-	2 211	(57)	-	5 441
Other	-	-	-	-	5	5	-	-	-	129	134
Financial liabilities - non current portion	**115**	**42 500**	**3 287**	**-**	**(104)**	**45 798**	**31 938**	**13 006**	**(57)**	**424**	**91 109**
Short term borrowings and bank overdrafts	-	-	-	-	777	777	(777) (1)		-	4 218	4 218
Otther financial debt - current p	159	-	7 240	-	-	7 399	-	(4 052)	30	-	3 377
Financial liabilities - current portion	**159**	**-**	**7 240**	**-**	**777**	**8 176**	**(777)**	**(4 052)**	**30**	**4 218**	**7 595**
Total financial liabilities	**274**	**42 500**	**10 527**	**-**	**673**	**53 974**	**31 161**	**8 954**	**(27)**	**4 642**	**98 704**

(1) Included in "interest paid" in the Consolidated Statements of Cash Flows.

NOTE 23 – Management of financial risks and financial instruments

The Group's financial liabilities comprise mainly borrowings and debt related to business combinations (earn-outs), liabilities associated with finance leases and trade payables.

The main objective of these borrowings is to fund the operational activities of the Group. The Group has various other financial assets such as receivables, cash and cash equivalents as well as short term deposits that are directly generated by its activities.

The Group has no derivatives or any interest rate swaps.

23.1. Management of foreign currency risk

The total amount of assets denominated in euros, which is the functional currency of the Company and other currencies of the Group (USD, GBP, SEK, DKK, INR, AUD, CAD, ARS, CHF, SGD, CNY, BRL and UAH) is summarized in the table below. These amounts are not subject to any hedging policy.

In 2017, the change in foreign currency translation adjustments recorded in consolidated equity on the net assets exposed to currency risk is a loss of € 1.637 thousand. In 2016 the loss was €897 thousand.

Division by currency, in thousands of euros	EUR	USD	INR	SEK	DKK	GBP	AUD	CAD	OTHERS	TOTAL
2016-12-31										
Assets	98 332	20 374	6 818	10 561	7 289	12 599	2 488	6 446	3 508	168 415
Liabilities excl. equity	80 258	2 618	3 022	5 666	3 692	4 897	1 419	1 760	892	104 224
Net exposure (in euros)	**18 074**	**17 756**	**3 796**	**4 895**	**3 597**	**7 702**	**1 069**	**4 686**	**2 616**	**64 191**
2017-12-31										
Assets	137 292	16 576	5 799	12 216	12 179	13 559	1 363	12 190	9 456	220 630
Liabilities excl. equity	128 211	3 378	3 145	5 659	5 406	4 916	714	4 430	1 887	157 746
Net exposure (in euros)	**9 081**	**13 198**	**2 654**	**6 557**	**6 773**	**8 643**	**649**	**7 760**	**7 569**	**62 884**

The Group is mainly exposed to the fluctuation in the exchange rate of the USD. A 10% appreciation/depreciation of the USD against the EUR would increase net assets converted into euros by approximately €1.447 thousand.

23.2. Management of interest rate risk

On December 31, 2017 and 2016 Valtech is exposed to interest rate risk in two ways:

Financing
The current financing of the Valtech group consists of an issue of bonds, amounting to €42.5 million with a fixed annual interest rate of 4.25% and with a maturity date in 2022, and an issue of bonds, amounting to €33 million with a fixed annual interest rate of 4.5% and with a maturity date in 2024.

Bank guarantees
All of Valtech's bank guarantees are indexed on country-specific fixed rates. The Group has given bank guarantees amounting to €759 thousand.

23.3. Liquidity risk

In addition to the available cash of €58.564 thousand, the Group's financing as of December 31, 2017 is based mainly on one line related to assignment of receivables totalling €1.4 million concluded by the French entity. This agreement transfers to the financial institution all the risks associated with collection of the receivables.

23.4. Risk on shares and other financial investments

Valtech does not hold any marketable securities, and the Group is not exposed to the risk of share price fluctuation.

NOTE 24 – Warrants

A policy has been implemented for the issuance of redeemable equity warrants (“warrants”) to certain employees within the group, which, subject to the recipient paying a subscription price, represent a right to receive ordinary shares upon the payment of an exercise price. Recipients of warrants are determined in the discretion of the Board and, once a recipient is issued a warrant, he or she must pay the subscription price associated with such warrant or such warrant is forfeited.

As of December 31, 2017, the Board of Directors has authorized the issuance of warrants as follows::

- July 12, 2013: 23.153.666 warrants

- December 5, 2014: 6.485.155 warrants

- April 21, 2015: 492.625 warrants

- April 7, 2017: 120.400 warrants.

24.1 Main features of the warrants

The main features of the warrants plan existing as of December 31, 2017 are described in the table below:

	2013 plan	**2014 plan**	**2015 plan**	**2015 plan**	**2017 plan**
Grant date	2013-07-12	2014-12-05	2015-04-21	2015-07-03	2017-04-07
Contractual term of the plan	4 to 5 years	3 to 4 years	4 to 5 years	4 to 5 years	4 to 5 years
Number of warrants issued	23 153 666	6 485 155	422 625	70 000	120 400
Number of warrants required to purchase one share	8	8	1	1	1
Exercise period	From July 12, 2016 to July 12, 2018	From July 12, 2016 to July 12, 2018	From June 1, 2018 to May 31, 2020	From June 1, 2018 to May 31, 2020	From April 10, 2020 to April 9, 2022
Number of beneficiaries	58	30	25	2	23
Subscription price (euros)	0,03	0,05	0,80	0,80	1,25
Exercise price (euros)	0,27	0,4875	7,32	7,55	12,25
Settlement method	Equity	Equity	Equity	Equity	Equity
Redemption conditions	at 0,01€if share market value equals 0,74€ from July 12, 2015 to July 12, 2018	at 0,025€ if share market value equals 1,37€ from July 12, 2015 to July 12, 2018	at 0,50€ if share market value equals 20,06€ from June 1, 2018 to May 31, 2020		at 1€ if share market value equals 33,57€ from June 1, 2020 to April 9, 2022

Valtech has the possibility to buy back the warrants at a determined price (see table above) if the share market value equals a specific quote (see table above). The holders of warrants can avoid this buy back by exercising their warrants.

The movements on the equity warrant plan are the following:

	31/12/2016		31/12/2017	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Warrants not exercised at the beginning of the period	**28 577 622**	**0,27**	**28 410 197**	
Warrants issued over the period			120 400	12,25
Warrants cancelled/maturing over the period	(20 000)	7,32	(35 000)	0,27
Warrants exercised over the period	(147 425)	0,28	(818 270)	0,31
Warrants not exercised at the end of period	**28 410 197**		**27 677 327**	

24.2 Information on the fair value of warrants allocated

The fair values were determined on the grant dates of the various plans from two evaluation models (Cox, Ross and Rubinstein / Monte Carlo) and are based on data and assumptions that are deemed to be reasonable as of the reporting dates.

The main data and assumptions that were used in making the measurements are as follows:

	Plan of 10 May 2013 - 4 years	**Plan of 17 May 2013 - 4 years**	**Plan of 10 May 2013 - 5 years**	**Plan of 17 May 2013 - 5 years**	**Plan of 5 Dec. 2014 - 3 years**
Plan date	2013-05-10	2013-05-17	2013-05-10	2013-05-17	2014-12-05
Market value of the underlying on the grant date	0,34	0,35	0,34	0,35	4,70
Subscription price (in euros)	0,03	0,03	0,03	0,03	0,05
Exercise price (in euros)	0,27	0,27	0,27	0,27	0,33
Volalitility expected (2)	56,10%	55,90%	56,10%	55,90%	56,10%
Contractual life of the warrant	4 years	4 years	5 years	5 years	4 years
Risk-free return rate (3)	0,45%	0,38%	0,62%	0,53%	0,45%
Dividend rate (4)	-	-	-	-	-
Fair value of warrants (5)	14,84	15,43	15,47	16,03	14,84

	Plan of 5 Dec. 2014 - 4 years	**Plan of 11 May 2015 - 4 years**	**Plan of 3 July 2015 - 4 years**	**Plan of 7 April 2017 - 4 years**
Plan date	2014-12-05	2015-05-11	2015-07-03	2017-04-07
Market value of the underlying on the grant date (1)	4,70	7,55	8,35	12,50
Subscription price (in euros)	0,05	0,80	0,80	1,25
Exercise price (in euros)	0,33	7,32	7,55	12,25
Volalitility expected (2)	55,90%	34,00%	34,00%	32,56%
Contractual life of the warrant	4 years	4 years	4 years	4 - 5 years
Risk-free return rate (3)	0,38%	0,20%	0,20%	-0,37%
Dividend rate (4)	-	-	-	-
Fair value of warrants (5)	15,43	20,06	20,06	1,67

(1) Following the share consolidation operation (8 old shares for one new share), the price of the underlying is to be compared to the subscription and exercise price of 8 warrants.

(2) Volatility weighted according to the schedule.

(3) Risk-free return rate (treasury bonds of maturity 2 and 5 years) weighted according to the schedule.

(4) Given the lack of distribution history and current profitability of the company, it is assumed that dividends with a horizon of 5 years will not be distributed.

(5) Fair value of options weighted according to the schedule.

24.3. Expenses accounted for under share-based payments

The total expense recognized in the statement of income with a corresponding increase in equity in accordance with IFRS 2 paragraphs 10-22 amounted to €699 thousand and €1.040 thousand for the years ended December 31, 2017 and 2016.

NOTE 25 – Off-balance sheet commitments

25.1. Contractual obligations

Commitments related to operating leases are as follows:

Leases (in thousand euros)	31/12/2016	31/12/2017
Less than a year	7 164	7 374
Between 1 and 5 years	18 877	18 350
Beyond 5 years	6 554	3 622
Lease agreements	**32 595**	**29 346**

The contractual obligations are primarily related to rental commitments.

25.2. Guarantees given

The Valtech Group has agreed to the following guarantees:

Guarantees given (in thousand euros)	31/12/2016	31/12/2017
Guarantees for real estate leases	5 818	4 350
Guarantee to the buyer of a divested business	500	500
Other guarantees		5
Total commitment	**6 318**	**4 855**

Guarantee given in connection with real estate leases:

The guarantees relate to a bank guarantee granted in France and Germany, to the lessor of the Paris and German premises, and guarantees to the lessor of premises in London, United Kingdom, and Stockholm, Sweden.

Guarantee to the buyer of a divested business:

In connection with the sale of a divested business, Valtech has pledged a guarantee limited to €500 thousand to the buyer, valid for two years and until September 2018.

25.3. Guarantees received

The Group holds no guarantee issued by third parties for its benefit. Guarantees received from financial institutions in its favour and issued at its request are presented under guarantees given.

NOTE 26 – Related parties

26.1. Related parties

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

(in thousand euros)

Company	Services	Link	31/12/2016	31/12/2017
Revenues				
NetWerk Group	Other revenues	Management in eFocus	20	36
Tumble group B.V	Other revenues	Management in eFocus	11	-
Medicor B.V	Consulting	Management in eFocus	1	23
Cure4 B.V	Other revenues	Management in eFocus	1	-
ShopWorks B.V.	Other revenues	Management in eFocus	-	9
Pulsar Four GmBH	Consulting	Sergei Ostapenko	-	564
Pulsar Four LLC	Consulting	Sergei Ostapenko	-	103
Digital Pelican - JOP Inc.	Consulting	Sebastian Lombardo	-	168
		Total revenues	**33**	**902**
Costs				
A3 Investissements	Consulting	Sebastian Lombardo	-	261
Executive Technologies Partner Twenty Plus Consulting	Consulting	Tomas Nores	270	377
Candioti Gatto Bicain & Ocantos SC	Consulting	Alejandro Candioti	-	262
Verlinvest	Interest		27	-
The Three Tress B.V	Office rental	Management in eFocus	272	629
NetWerk Group	Group costs	Management in eFocus	1034	1 788
NetWerk Group	Inventory	Management in eFocus	-	171
NetWerk Group	Other expenses	Management in eFocus	8	22
Digital Tribes	Other expenses	Management in eFocus	65	275
A van Urk Management B.V	Consulting	Management in eFocus	96	192
Laurens Simonse Group	Other expenses	Management in eFocus	82	-
Brandt Management B.V	Consulting	Management in eFocus	98	192
Arnoud B.V	Consulting	Management in eFocus	96	192
ShopWorks B.V.	Other expenses	Management in eFocus	-	39
Ingo Kriescher Consulting	Consulting	Ingo Kriescher	-	197
Pulsar Four GmBH	Other expenses	Sergei Ostapenko	-	4
Pulsar Four LLC	Other expenses	Sergei Ostapenko	-	2
		Total cost	**2 048**	**4 603**

26.2. Gross remuneration allocated to the board of directors

For the years ended December 31, 2017 and 2016, the corporate officers of Valtech S.E., the parent company of the Group, are entitled to fees for their participation in activities conducted by the Board of Directors of the Company. This compensation was not paid and the board has not decided on the allocation of fees among its members.

The CEO of Valtech SE, Sebastian Lombardo, is entitled to director's fees like the other members of the board of directors for participation in the board. However, as the board has not decided on such fees, no remuneration is indicated in the table of remuneration received by Mr. Lombardo. It should be noted that under specific assistance missions, fees are paid by the Group to Mr. Lombardo. These fees amounts to €261 thousand in 2017 and none in 2016, as disclosed in the table above in Note 26.1.

26.3. Amounts allocated to the governing bodies

The amounts allocated to the 4 executive committee members of the Valtech group in the form of remuneration or fees recorded during the years ended December 31, 2017 and 2016 amounted to €1.294 thousand and €1.276 thousand, respectively.

In 2017, this amount comprises €638 thousand of fees, detailed in the table above in Note 26.1 and €656 thousand of remuneration.

NOTE 27 – Events after closing date

27.1. Acquisition of the company True Clarity Ltd (United Kingdom)

On February 9, 2018, Valtech acquired True Clarity Limited, a digital web services company, with offices in Bristol and London.

True Clarity is consolidated in the Valtech accounts as of February 1, 2018. Pursuant to the purchase agreement, Valtech paid the sellers €9.1 million upon closing with an additional €1.8 million holdback payment and subsequently paid them €7.3 million in shares of Valtech S.E, subject to certain exceptions and the achievement of certain targets. Shares may be bought back by Valtech if the targets are not met. As partial consideration for the acquisition, Valtech also agreed to issue a total of 25.000 warrants to certain key employees within a year of closing. The total consideration is €18.2 million.

The determination of the fair value of assets acquired and liabilities assumed is ongoing. The goodwill resulting from this transaction is estimated to be €16.5 million. The acquisition has no impact on the consolidated financial statement as of December 31, 2017.

27.2. Increase in capital

On January 10 2018, the board of Valtech decided to issue 59.268 new shares at €16 per share as payment for the acquisition of Codehouse A/S, leading to a capital increase of €948.288.

On January 30 2018, the board decided to issue 457.480 new shares at €16 per share as payment for the acquisition of True Clarity Ltd, leading to a capital increase of €7.319.680.

NOTE 28 – Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016 the company has decided to adopt FRS 101 and has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. The Company's shareholder[s] have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholder[s] holding in aggregate 5 per cent or more of the total allocated shares in the Company.

Where required, equivalent disclosures are given in the consolidated financial statements

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

NOTE 29 – Profit for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet. The profit of the company for the year ended 31 December 2017 was €19,555 thousand (2016 profit €20,169 thousand)

The auditor's remuneration for audit and other services is disclosed in Note 11 to the consolidated financial statements.

NOTE 30 – Investment in subsidiaries

Cost	**k€**
At 1 January 2017	134,294
Additions	19,485
Disposals	5
At 31 December 2017	153,774
Provisions for impairment	
At 1 January 2017	27,575
Written off	-
Written back	-26,554
Disposals	-
At 31 December 2017	1,021
Net book value	152,753

NOTE 31 – Trade and other receivables

	2017	**2016**
	k€	**k€**
Amounts falling due within one year:		
Amounts owed by group undertaking	6 791	2 298
Other debtors (net)	11 843	23 077
	18 634	25 375

NOTE 32 – Trade and other payables

	2017	2016
	k€	k€
Amounts falling due within one year:		
Trade payables	8,242	12,375
Amounts owed to group undertakings	6,307	8,102
Other payables	11,409	10,708
	25,959	31,185

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Other payables are liabilities to the sellers of acquired companies.

Note 33 – Finance guarantee

The company has provided a finance guarantee to the bank in respect of the overdraft balances held by subsidiary companies. There was no overdraft balance in any subsidiary as of December 31, 2017.

Note 34 – Loan Notes

	2017	**2016**
	k€	**k€**
Amounts due for settlement within 12 months	-	-
Amounts due for settlement between one and five years	42,500	-
Amounts due for settlement after five years	33,000	42,500

Details of the convertible loan notes are given in notes 3.1.6, 3.2.8 and 22 to the consolidated financial statements.

NOTE 35 – Other reserves

Other reserves for an amount of € 717,698 are provisions for risks arising out of litigations, provisions for onerous contracts and provisions for unrealized foreign exchange losses.

NOTE 36 – Share capital and share premium account

The movements on these items are disclosed in notes 18 to the consolidated financial statements.

NOTE 37 – Equity reserve

The movements in the reserve are disclosed in the statement of changes in equity of the company.

NOTE 38 – Retained earnings

	k€
Balance at 1 January 2016	-18 521
Dividends paid	-
Previous year result allocation to reserve	-333
Net profit for the year	20 169
Balance at 1 January 2017	1 315
Dividends paid	-
Previous year result allocation to reserve	-
Net profit for the year	19 555
Balance at 31 December 2017	20 870

Valtech SE

Five year summary
For the year ended 31 December 2017

Five year summary

	2017	2016	2015	2014	2013
	€	€	€	€	€
Results					
Revenue	26 601 364	28 550 060	29 494 415	26 568 866	33 233 404
Profit from operations	-2 084 321	-5 186 654	-3 182 808	-5 118 694	100 636
Profit before tax	19 403 441	20 016 339	1 048 418	-3 882 895	259 207
Profit attributable to equity holders of Valtech SE	19 554 716	20 169 336	1 292 460	-3 695 972	597 478
Assets employed					
Non-current assets	180 308 414	125 732 096	81 754 398	66 285 970	61 271 536
Current assets	48 678 977	55 428 137	26 630 128	40 446 527	17 621 200
Current liabilities	30 634 071	36 114 079	19 549 659	20 088 964	15 559 622
Non-current liabilities	76 217 698	44 001 940	982 043	809 227	761 543
Long-term provisions			-	-	-
Net assets	122 135 622	101 044 214	87 852 824	85 834 306	62 571 571
Financed by					
Equity	122 135 622	101 044 214	87 852 824	85 834 306	62 571 571
Non-controlling interests			-	-	
Key statistics					
Earnings per share	0,71	0,76	0.05	(0.13)	0.03