VALTECH SE

Annual report and financial statements

Year ended 31 December 2016

Registered number: SE 106

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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. 77.5% of 2016 revenues were generated from our operations in Europe, 17.8% from operations located in North America and 4.6% 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 1,836 employees as of December 31, 2016, and with broad geographic and industry diversification. Revenues have grown from €184.9 million in 2015 to €207.8 million in 2016, representing a growth rate of 12.4%.

Valtech SE

Strategic report

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 steadily in Europe and North America, which are the regions in which most clients operate. The growth in demand for the services provided in key regions in which Valtech operates has and may continue to positively impact revenue and results of operations. Conversely, if the growth in demand for digital transformation services slows or declines in key regions in which Valtech operates, revenue and results of operations may be negatively affected.
- *Economic conditions in the industries and countries in which clients operate and their impact on clients' spending on digital transformation services*. A substantial majority of Valtech's clients are concentrated in seven specific industry verticals (retail, automotive, government, financial services, travel and hospitality, media and healthcare). In addition, most of Valtech's revenue is derived from clients located in Europe or the United States. Changing economic conditions in any of the targeted industries or in the countries where clients operate may affect the amount and timing of clients' spending on digital transformation services, which could affect the results of operations.
- *The availability of skilled IT professionals in Europe and the United States*. Valtech believes that there is significant competition for technology professionals in Europe, the United States and elsewhere who possess the technical skills and experience necessary to deliver services, and that such competition is likely to continue for the foreseeable future. Increased hiring by technology companies, particularly in Europe and in the United States, and increasing worldwide competition for skilled technology professionals may lead to a shortage in the availability of qualified personnel in the locations where Valtech operates and hires.
- *Increases in wage rates in countries where Valtech operates, particularly with respect to IT professionals*. Wage rates of IT professionals in the countries in which Valtech operates have increased in recent years, driven, among other factors, by increased competition for such professionals' services. Salaries are the most significant operating expense, and if wage costs for IT professionals increase at unanticipated rates, it may reduce the profitability. The impact of wage inflation is mitigated to a limited extent by several factors, including the Group's ability to rely on subcontractors for short-term staffing needs and its ability to pass some costs to its clients through specific contractual provisions.

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Strategic report

Business Performance

Major Events of the Year

Transfer of the company to United Kingdom

The Board of Directors, which met on April 19th, approved the company's proposed transfer of headquarter from Luxembourg to 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 25th 2016. The transfer has no impact on the consolidated financial statements.

Acquisition of the company Graion

On June 1st, Valtech has finalized the acquisition of the business assets of the company Graion, based in Buenos Aires (Argentina). Valtech Argentina (the acquirer of the assets) is part of Valtech's scope of consolidation from 1 June 2016. This acquisition enables Valtech to strengthen its production capacity in the Americas thanks to 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 until 15 months after the acquisition, measured against indicators defined in the asset purchase agreement. As of the date of issuance of these financial statements, the management of Valtech estimates that the purchase price will be paid in full. The analysis of assets and liabilities that are now part of Valtech's consolidation scope is ongoing. The provisional goodwill resulting from this transaction is estimated at € 0.7 million.

Acquisition of the company eFocus Strategy & Webdesign B.V

On July 1, 2016, Valtech acquired the digital agency eFocus Strategy & Webdesign B.V. based in the Netherlands. The company are part of Valtech's scope of consolidation from July 1, 2016. eFocus turnover amounted to €19.1 million in 2015 and the company employs over 200 people in four Netherland offices. The purchase price varies depending on the performance of the company until 36 months after the acquisition. Part of the purchase price can be paid by shares in Valtech S.E, and is accounted for in nominal value. The analysis of assets and liabilities that are now part of Valtech's consolidation scope is ongoing. . The determination of the fair value of assets acquired and liabilities assumed has been finalized and is detailed in note 11.2 to the consolidated financial statements. The goodwill resulting from this transaction is at €11.4 million.

Disposal of business unit in Toulouse

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.

Share based earn-out amendment

On July 12, 2016 a share-based earn-out amendment agreement between Valtech and the founders of Valtech Digital Australia PTY Ltd was established. According to the agreement Valtech will, no later than June 30th 2017, issue an additional 20,000 shares and totally 60,000 shares subject to an extension of the lock up period until December 31st 2018. As per December 31st, 2016, no shares have been issued. The shares have been valued at 12.5 euro in accordance with the simplified tender offer.

Issue of bonds

On July 27th, 2016, Valtech issued bonds in 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 issue is to support Valtech´s future growth. The issue of bonds has increased the debt. In 2016 interest related to the issue of the bonds amounts to € 0.8 million.

Settlement of disputes in the USA

In the second half of 2016, Valtech settled two unrelated disputes in the USA. One of them originated in 2010 when the American subsidiary of Valtech started discussing with a former client about services delivered until 2007. The services that were disputed in this litigation were part of the historical US business and the financial consequences of this dispute are reported according to the IFRS 5 standard.

In the second dispute the American subsidiary of Valtech sued several plaintiffs on the grounds of tortuous interference in its business. The American subsidiary of Valtech negotiated with the plaintiffs and reached a settlement agreement with them. The financial consequences of this settlement are reported as other revenues in the consolidated profit and loss statement of Valtech.

Simplified tender offer

On December 15, 2015, VALTECH S.E's controlling shareholder, SiegCo, which held, in conjunction with the group Verlinvest, 73.32% of the capital, presented a simplified tender offer for Valtech shares, at a price of 11.50 € per share, to Valtech's Board of Directors, which approved it.

In accordance with the applicable regulations, SiegCo, via Degroof Petercam Bank, filed with the French Financial Markets Authority on 15th December 2015, a simplified tender offer for the existing shares not held by SiegCo or Verlinvest, excluding the company's treasury shares. The offer therefore focused on a maximum number of 6,418,198 shares, representing 23.34% of the capital and theoretical voting rights of Valtech.

After the offer which was open from 12th January to 1st February 2016 and the Extraordinary General Meeting of 5th February 2016, SiegCo held together with Verlinvest, 90.9% of Valtech S.E.'s capital.

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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, 2015 and 2016:

	For the year ended December 31			
(€ in thousands and as a % of total revenue, unless noted)	**2015**		**2016**	
Income statement data:				
Revenue	€184,119	99.6%	€204,589	98.5%
Other revenue	787	0.4%	3,212	1.5%
Total revenue	184,906	100.0%	207,801	100.0%
Cost of sales	(122,032)	(66.0)%	(135,872)	(65.3)%
Gross margin	62,874	34.0%	71,929	34.6%
Commercial costs	(11,462)	(6.2)%	(13,900)	(6.7)%
Administrative costs	(40,922)	(22.1)%	(43,259)	(20.8)%
Restructuring costs	(921)	(0.5)%	(1,360)	(0.7)%
Other income and operating expenses	428	0.2%	(214)	(0.1)%
Operating result	9,997	5.4%	13,196	6.4%
Cost of gross financial debt	(168)	(0.1)%	(804)	(0.4)%
Interest income on cash and cash equivalents	25	0.0%	51	0.0%
Other financial income and expenses	218	0.1%	(142)	0.1%
Net income before tax from continuing business	€10,072	5.4%	€12,301	5.9%
Income tax expense	(3,135)	(1.7)%	(3,416)	(1.6)%
Income (loss) from discontinued operations	(1,519)	(0.8)%	(4,703)	(2.3)%
Net income attributable to equity holders of the parent	€5,418	2.9%	€4,182	2.0%
Net income attributable to non-controlling interests	-	-	-	-

Financial performance

Revenue

Revenue grew from €184.1 million in 2015 to €204.6 million in 2016, representing an increase of €20.5 million, or 11.1%. The increase was primarily attributable to:

- the growth of our business in Germany, from €34.3 million in 2015 to €41.4 million in 2016, an increase of 20%, caused by the continuing development of our business in the automotive sector,
- the full year impact of the acquisition of a company in Canada in 2015, which added €7.6 million to our revenue in 2016,

- to the acquisition of eFocus (Netherlands) which was consolidated for a period of six months in 2016 and contributed €10.7 million to our revenue. To a lesser extent, revenue in Australia was also a contributor to revenue growth and increased from €2.1 million in 2015 to €5.3 million in 2016, representing an increase of €3.2 million. This growth was primarily attributable to the development of our business in Australia in our core digital marketing capabilities.

Revenue was negatively affected by the drop in the value of the British Pound compared to the Euro: the contribution of our revenue in the United Kingdom decreased from €34.9 million in 2015 to €30.6 million in 2016, a decrease of €4.3 million or 12%, of which €4.1 million was due to the drop in the value of the British Pound.

Other revenue

Other revenue grew from €0.8 million in 2015 to €3.2 million in 2016, representing an increase of €2.4 million, or 308%. The increase was primarily attributable to the proceeds of a settlement agreement resolving a dispute between one of its competitors and Valtech in the United States.

Cost of sales

Cost of sales increased from €122.0 million in 2015 to €135.9 million in 2016, representing an increase of €13.9 million, or 11%. The increase was primarily attributable to an increase in staff costs, which grew by €10.1 million, or 14%, from €83.9 million in 2015 to €95.3 million in 2016, and an increase in subcontractors' costs, which grew by €3.6 million, or 10%, from €35.5 million in 2015 to €39.1 million in 2016. The increase in staff costs was mostly due to a higher headcount in digital marketing experts: we had 1,367 revenue-generating staff members as of December 31, 2015 and 1,571 as of December 31, 2016.

Consolidation with the businesses Valtech acquired in the Netherlands and in Argentina added €6.2 million to its cost of sales in 2016. The full year impact of the company Valtech acquired in Canada in 2015 added another €2.5 million to our cost of sales in 2016.

Commercial costs

Commercial costs increased from €11.5 million in 2015 to €13.9 million in 2016, representing an increase of €2.4 million, or 21%. The cost of sales and marketing staff increased by €1.7 million, or 19%, from €8.9 million in 2015 to €10.5 million in 2016. Valtech reduced its marketing expenses by €0.2 million, or 7%, from €2.5 million to €2.3 million as Valtech continuously reviews and takes action to lessen the cost impact of its marketing efforts, including, for example, by leveraging existing marketing materials. Other commercial costs, which include depreciation costs of Valtech's new sales automation software rose from €0.1 million in 2015 to €0.5 million in 2016.

Commercial costs of the recently acquired business in the Netherlands, which was consolidated as of July 1 2016, account for €0.6 million of the total increase in our commercial costs in 2016.

Administrative costs

Administrative costs increased from €41.0 million in 2015 to €43.3 million in 2016, representing an increase of €2.2 million, or 6%. The increase was primarily attributable to higher office rent costs, which grew by €0.7 million due to the relocation of office space in London and the expansion of office space in New York, partially offset by savings in other locations. Other factors that contributed to the increase of administrative costs were human resources expenses (training, events and recruitment fees), which grew by €0.6 million, and depreciation expense, which grew by €0.3 million in 2016 in connection with investments in new offices and our continuing investments in business information systems.

In 2016, the impact on administrative costs of companies that became financially consolidated with us was an additional €3.1 million.

Restructuring costs

Restructuring costs increased from €0.9 million in 2015 to €1.4 million in 2016, representing an increase of €0.5 million, or 56%. The increase was primarily attributable to the cost of restructuring a non-core business in France and includes the cumulative loss on a sublease contract for premises that were no longer needed.

Other income and operating expenses

Other income and operating expenses decreased from a gain of €0.4 million in 2015 to a loss of €0.2 million in 2016, representing a net decrease of €0.6 million. The decrease was primarily attributable to the net impact of the sale of a business in France and to the reevaluation of debt associated with an acquisition, both of which occurred in 2016, compared to the diminution of the same debt on acquisition in 2015.

Cost of gross financial debt

Cost of gross financial debt increased from €0.2 million in 2015 to €0.8 million in 2016, representing an increase of €0.6 million, or 300.0%. The increase was primarily attributable to the interest accrued on the €42.5 million principal amount of our 4.25% notes due July 2022, which were issued in July 2016.

Interest income on cash and cash equivalents

Interest income on cash and cash equivalents increased from €25,000 in 2015 to €51,000 in 2016, representing an increase of €26,000, or 104%. The increase was primarily attributable to the interest received on cash held at banks or invested in liquid mutual funds holding treasury instruments.

Other financial income and expenses

Other financial income and expenses produced a gain of €0.2 million in 2015 and a loss of €0.1 million in 2016.

Income tax expenses

Income tax expense increased from €3.1 million in 2015 to €3.4 million in 2016, representing an increase of €0.3 million, or 10%. The increase was primarily attributable to tax losses carried forward in 2015 in Germany resulting in a higher tax rate in Germany and less deferred tax assets recognized in 2016, partially offset by reduced income tax expense in India due to the settlement of several tax audits in Valtech's favor.

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Strategic report

Income (loss) from discontinued operations

Valtech had a loss from discontinued operations of €1.5 million in 2015 and €4.7 million in 2016, representing an increase of €3.2 million, or 213%. The increase was primarily attributable to the settlement of a legal dispute with a former customer of its disposed subsidiary in the United States.

Net income attributable to equity holders of the parent

Net income attributable to equity holders of the parent decreased from €5.4 million in 2015 to €4.2 million in 2016, representing a decrease of €1.3 million, or 22%.

The financial position of the group is set out on page 35.

The Company has taken advantage of the exemption provided by s408 of the Companies Act 2006 not to include the profit and loss account of the parent company. The profit of the parent company for the year ended 31 December 2016 was 20,169 thousand euros (2015 – a profit of 1,292 thousand euros)

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Strategic report

Balance Sheet

	For the years ended December 31,	
	2015	2016
	Euros (in thousands)	
Balance sheet data:		
Goodwill	€15,778	€28,247
Net intangible assets.....................	2,215	11,111
Net tangible assets	4,304	7,411
Non-current financial assets, net	2,887	2,754
Deferred tax assets.......................	3,335	3,559
Assets available for sale	1,981	-
Accounts receivable and related accounts	55,532	57,950
Other current assets	9,350	10,838
Cash and cash equivalents	17,577	48,577
TOTAL ASSETS	€112,959	€170,447
Equity	€59,158	€63,529
Provisions for risks and expenses (current and non-current)...............................	3,482	2,019
Pensions and severance pay on retirement	528	1,009
Borrowings from credit institutions (current and non-current)...............................	115	42,506
Deferred tax liabilities....................	894	3,013
Accounts payable and related accounts	20,329	19,248
Financial liabilities – current portion	28,452	38,346
Liabilities (current and non-current)	€53,801	€106,918
TOTAL LIABILITIES	€112,959	€170,447

Net assets increased by €4.1m as a result of retained profit for the year. Increases in goodwill reflect investment in acquired businesses. Net current assets rose by €27.2m as a result of both operating cash flow and an increase in longer term borrowings.

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.

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

In the year ended December 31, 2015, 78.7% of revenue was derived from operations located in Europe and 18.1% was derived from operations located in North America. In the year ended December 31, 2016, 77.5% of revenue was derived from operations located in Europe and 17.8% of revenue was derived from operations located in North America. Any weakening of economic conditions in European economies or in North America could depress the pricing for services and cause its clients to reduce or postpone their technology spending significantly, which may in turn lower the demand for services and negatively affect the business, results of operations and financial condition. Additionally, if unable to successfully anticipate changing economic and other conditions affecting markets, in particular in Europe and in North America, the Group may be unable to effectively plan for or respond to those changes and the results of operations could be negatively affected.

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

Valtech intends to continue its expansion in the foreseeable future to pursue existing and potential market opportunities. As engaging with new clients, introduce new services, enter into new markets and acquire new businesses, Valtech may face new market, technological and operational risks and challenges with which it is unfamiliar with, and may not be able to mitigate these risks and challenges to successfully expand its business. The Group may hence not be able to achieve the anticipated growth, which could materially adversely affect its business, results of operations, financial condition and prospects.

Rapid growth may strain the Group's by definition limited resources, and a failure to manage this growth could have a material adverse effect on the quality of provided services and client support.

The Group has recently experienced rapid growth and expanded business. Revenue grew from €184.9 million in the year ended December 31, 2015 to €207.8 million in the year ended December 31, 2016. As of December 31, 2015, Valtech had 1,590 employees, as compared to 1,836 employees as of December 31, 2016. The Group has also expanded geographically, broadening the operations from nine countries in 2014 to 13 countries in 2016. The rapid growth has placed, and it is expected to continue to place, significant demands on management and administrative, operational and financial infrastructure. Continued expansion increases the challenges faced by the Group in offering its services in the following areas:

- recruiting and retaining sufficiently skilled IT professionals, as well as marketing and management personnel;
- training and supervision of the personnel to maintain high quality standards;
- raising adequate financing to fund our rapid growth;
- developing financial and management controls; and
- preserving the Group's culture, values and entrepreneurial environment.

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

Revenue depends to a large extent on a limited number of clients, and revenue could decline if Valtech loses a major client.

The group has derived, and believe that in the foreseeable future will continue to derive, a significant portion of its revenue from a small number of clients. In 2015, its largest client was Driver and Vehicle Standards Agency United Kingdom, accounting for 7.0% of our revenue in that year, and in 2016 its largest client was Audi AG, accounting for 7.9% of revenue in that year.

Ability to maintain close relationships with these and other major clients is essential to the growth and profitability of the business. However, the volume of work performed for a specific client is likely to vary from year to year, especially since Valtech generally is not clients' exclusive digital transformation services provider and it does not have long-term commitments from any clients to purchase its services.

In addition, a number of factors other than performance could cause the loss of or reduction in business or revenue from a client, and these factors are not predictable. These factors, among others, may include corporate restructuring, pricing pressure, changes to its outsourcing strategy, switching to another digital transformation services provider or bringing work in-house.

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

A substantial portion of Valtech's clients are concentrated in seven specific industry verticals: retail, automotive, government, financial services, travel and hospitality, media and healthcare. Its business growth largely depends on continued demand for its services from clients in these seven industry verticals.

A downturn in any of its targeted industries, a slowdown or reversal of the trend to outsource digital transformation services in any of these industries or the introduction of regulations that restrict or discourage companies from outsourcing, could result in a decrease in the demand for its services and materially adversely affect the business, results of operations and financial condition.

Valtech faces 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, inability to compete successfully, pricing pressures or loss of market share could materially adversely affect 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 competition is expected to intensify. The principal competitive factors that Valtech is facing are: the ability to innovate; client's business and industry knowledge; end-to-end solution offerings; reputation and track record for high-quality and on-time delivery of work; effective employee recruiting; training and retention; responsiveness to clients' business needs; scale; and financial stability.

If Valtech does not continue to innovate and remain at the forefront of emerging technologies and related market trends, it may lose clients and not remain competitive, which could cause revenue and results of operations to suffer.

Valtech's success depends on delivering innovative software solutions that leverage emerging technologies and emerging market trends to drive increased revenue and effective communication with clients. Technological advances and innovation are constant in the technology services industry. As a result, the Group must continue to invest resources in service design and structuring new offerings for its clients, as well as in research and development to stay abreast of technology developments so that it may continue to deliver solutions that clients will wish to purchase. If unable to anticipate technology developments, enhance existing services or develop and introduce new services to keep pace with such changes and meet changing client needs, Valtech may lose clients and revenue and results of operations could suffer.

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 clients.

Valtech's business depends, in part, upon continued growth in the use of digital marketing and technology in business by its clients and prospective clients as well as their customers. In challenging economic environments, 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 clients' spending on technology declines, or if Valtech cannot convince its clients or potential clients to embrace new technological solutions, results of operations and financial condition could be adversely affected.

Valtech may not be able to successfully identify and acquire target companies or integrate acquired companies or technologies

Strategic acquisitions to complement and expand the business have been and will likely remain an important part of Valtech's competitive strategy. If Valtech is are unable to identify and complete the number and kind of acquisitions, or if is inefficient or unsuccessful at integrating any acquired businesses, the Group may not be able to achieve the planned rates of growth or improve its market share, profitability or competitive position in specific markets or services. The process of integrating an acquired company, business or technology has created, and will continue to create, operating difficulties. The risks we face include:

- diversion of management time and focus from operating the core business to acquisition integration challenges;
- excessive costs of deploying business support and financial management tools in acquired companies;
- failure to successfully integrate the acquired business, 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 the strategic objectives for the acquired business or further develop the acquired business.

Although due diligence are conducted in connection with each acquisitions, there may be liabilities arising post closings.

Valtech also cannot predict or guarantee that it 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 the business, results of operations and financial condition.

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

The amount of goodwill and intangible assets in the consolidated financial statements has increased significantly in recent years, primarily due to acquisitions. As of December 31, 2016, the amount of goodwill and intangible assets in the consolidated financial statements is €39.4 million, representing 23% 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 the results of operations.

If negative disruptions arise in clients' businesses or if inadequate service is provided, clients may have claims for substantial damages against Valtech, which could cause clients' loss, have a negative effect on the corporate reputation and adversely affect the results of operations.

If Valtech's employees make errors in the course of delivering services to the 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 the revenue or a claim for substantial damages against the Group. In addition, a failure or inability to meet a contractual requirement could seriously damage the corporate reputation and limit Valtech's ability to attract new business.

The business, results of operations and financial condition could be negatively affected if Valtech incurs legal liability in connection with providing our services and solutions.

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

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

Valtech's business is labor intensive and, accordingly, its success depends upon its ability to attract, develop, motivate, retain and effectively utilize highly-skilled IT professionals. Valtech believes that there is significant competition for technology professionals in Europe, the United States and elsewhere who possess the technical skills and experience necessary to deliver the 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. Valtech plans to continue on hiring and training a significant number of additional technology professionals each year in order to meet anticipated turnover and increased staffing needs.

Valtech cannot assure that it will be able to recruit and train a sufficient number of qualified professionals or that it will be successful in retaining current or future employees. Increased hiring notably by technology companies, particularly in Europe and in the United States, and increasing worldwide competition for skilled technology professionals may lead to a shortage in the availability of qualified personnel in the locations where it operates and hires.

The profitability will suffer if Valtech is not able to maintain the resource utilization levels and productivity levels.

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

Some of the IT professionals are trained to work for specific clients or on specific projects and some of its facilities are dedicated to specific clients or specific projects. Its ability to manage its utilization levels depends significantly on its ability to hire and train high-performing IT professionals and to staff projects appropriately. The ability to manage the utilization levels also depends on the general economy and its effect on clients and their business decisions regarding the use of services. If Valtech's experiences a slowdown or stoppage of work for any client or on any project for which there is dedicated IT professionals or facilities, it 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 Valtech is not able to maintain optimal resource utilization levels without corresponding cost reductions or price increases, the profitability will suffer.

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

Although results of operations are reported in Euros, a majority of net 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 and the Canadian Dollar, could have a material adverse effect on Valtech results of operations.

Valtech's competitive position and future prospects depend on its senior management's expertise, and its business operations may be severely disrupted if it lost their services.

Valtech's 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, the Chief Executive Officer, and Olivier Padiou and Tomas Nores, the 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 the business operations, and Valtech may not be able to replace such a person easily, or at all.

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

Valtech is 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 clients. The Group's 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.

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 Valtech's reputation and cause to lose clients. Similarly, unauthorized access to or through its information systems and networks or those developed or managed for clients, whether by employees or third parties, could result in negative publicity, legal liability and damage to the Group's reputation, which could in turn have a material adverse effect on the business, results of operations and financial condition.

Valtech's global operations expose the Group 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 Valtech provides services to clients throughout the world, it is 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 the business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, damage to the Group's reputation and other unintended consequences such as liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on its ability to process information and allegations by clients that it has not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which it operates, local laws might be insufficient to protect its rights. A failure to comply with applicable legal and regulatory requirements could have a material adverse effect on the business, results of operations and financial condition.

An exit by the United Kingdom from the European Union may have a negative effect on global economic conditions and financial markets and on the 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." Valtech has material operations in the United Kingdom and the rest of Europe and its global operations serve many clients with significant operations in those regions.

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, 2016, Valtech's research development activities have led to the internal generation of intangible assets (see note 12 to the consolidated financial statements).

Corporate and social responsibility

At Valtech, engineering experiences for clients is at core. The fabric of the day-to-day culture is stitched together by a strong focus on initiatives that make a difference. Valtech has crafted programs that support its diverse and global workforce. Valtech invests in strengthening its communities. As part of its global mission, Valtech educates and empowers the future leaders of the tech industry. By bringing technology and people together, Valtech enacts change that inspires new paths forward for employees and communities around the globe.

A Diverse World

At Valtech, Valtech holds the tenet very closely that celebrating different cultures, languages and experiences make us stronger. With over 35 offices in 13 different countries, Valtech brings together the best talents. One of the Group’s most popular programs is the Valtech International Talent Program. Each year, Valtech selects an exclusive group of university students to join the team for an internship unlike any other. The interns will work and travel together to several of the offices, including Paris, Munich and Copenhagen, and manage high-level projects alongside Valtech web teams. At the end of the internship, they will have improved their English and technical skills, as well as gained invaluable work experience. More often than not, interns will have also secured a full-time offer upon leaving. Valtech has 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. Our professional exchange programs are specifically designed to serve dual purposes: combining work and play to nurture well-rounded professionals and worldly people.

A Strong Community

Valtech relies on the communities that support it and believes strongly in investing in people. For example, Valtech established a “Joy of Giving” committee in its India offices to promote philanthropic initiatives. Last year, the committee was able to donate an entire Cardiac Ambulance to Sri Jayadeva Institute of Cardiovascular Sciences and Research.

Another program that Valtech has long been a part of is Arbusta. This program is based in Argentina, where many citizens are below the poverty line and face a slim chance of rising above it. Arbusta aims to increase this chance by providing training, education and job placement to those who might not receive it otherwise. Participants enjoy a multitude of job placement options in the tech industry, from quality control to content management support. Valtech was Arbusta’s first client four years ago and, as of today, is its biggest client - buying an average of 600 manual testing hours per month and involving Arbusta's team in daily activities as a single team. The partnership continues to produce positive outcomes for everyone involved. Valtech values this relationship so much that it has begun recommending Arbusta’s services to its Fortune 500 clients, many of which bought services directly from Arbusta or in combination with Valtech’s digital transformation services. The model has been so successful that now it is spreading to other areas in Latin America as well.

Education for the Future

Lastly, Valtech believes in educating, empowering and inspiring the future of tech. Through different internships and vocational programs, Valtech educates and empowers students and professionals already aiming to work in the digital world. But what about the future tech leaders who do not know that they will be one? One of its favorite programs is the Tech Girl program, aiming 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 Valtech's top developers and UX-engineers. Since 2014 Valtech has run the program six times and has reached out to other companies to start their own Tech Girl program.

Employee gender diversity

The following table shows the breakdown of key executive positions in the group by gender as of December 31, 2016.

	Male	**Female**
Directors of the company	4	0
Employees in other senior executive positions	6	1
Directors of subsidiary companies not included in above	14	3

Approval

This report was approved by the board of directors on July 11, 2017 and signed on its behalf by:

Sebastian Lombardo, Chief Executive Officer

July 13, 2017

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 2016. Details of significant events since the balance sheet date are contained in note 25 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, 2016 include the statements of the companies listed in the table below:

Valtech SE

Directors' report

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

(1) Valtech Global Projects in France is the same legal entity as the former Valtech Technology Partner (dormant company).

(2) Valtech AG merged into Valtech GmbH in 2016.

Valtech SE

Directors' report

Dividends

The Group has not distributed dividends to its shareholders during fiscal years 2016 and 2015.

Capital Structure

The number of ordinary shares to be outstanding is based on 26 591 970 ordinary shares outstanding as of December 31st, 2016 and excludes 3,973,571 ordinary shares issuable upon the exercise of outstanding redeemable equity warrants, or warrants, as of December 31st, 2016.

On 31st December 2016, the capital of VALTECH S.E., of an amount of 3.333.233.31 euros is composed of 26,591,970 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 16.

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 22.

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 Mévius	58	Director
Next Consulting represented by Daniel Grossmann	46	Director
Luckyway Sprl represented by Laurent Schwarz	59	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 CEO 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, Mr. Lombardo serves as President of both Valtech Training and Valtech Technology Consulting and as a director of Valtech Hong Kong Limited. 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 Mévius 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. He is also the non-executive director of a number of companies in Verlinvest's portfolio. 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 and SG Warburg & Co. Mr. de Mevius graduated with a degree in Finance and Economics from the University of Louvain-la-Neuve.

Daniel Grossmann is a representative of Next Consulting SPRL and has been an administrator of the board of directors of Valtech 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 is a representative of Luckyway SPRL and has been an administrator of the board of directors of Valtech in this capacity since December 15, 2015. Previously, 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.

Directors' indemnities

In fiscal year 2016, 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 2016, the capital of VALTECH S.E., of an amount of 3.333.233.31 euros is composed of 26,591,970 ordinary shares without par value. It is fully paid. Changes over the period are as follows:

Number of shares	31/12/16	31/12/15
On 1st January	27 503 262	27 503 262
Increase in capital	-	-
Reduction on capital	(929 721)	-
Exercise of option	18 429	-
On 31st December	**26 591 970**	**27 503 262**

Acquisition of the company's own shares

921,721 treasury shares outstanding have been cancelled pursuant to a decision of a Shareholders' general meeting held on February 5th, 2016.

There were no treasury shares outstanding as of 31st December 2016.

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

July 13, 2017

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	Chief Financial Officer
Sebastian Lombardo	Laurent Pretet
July 13, 2017	July 13, 2017

Independent auditor’s report to the members of Valtech SE

Independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF VALTECH

We have audited the financial statements of Valtech for the year ended 31 December 2016 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated statement of financial position, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 36 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.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s and the parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 31 December 2016 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the group financial statements, the group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Independent auditor’s report to the members of Valtech SE

Opinion on other matter[s] 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors’ Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

James A Bates

James Bates ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Valtech SE
Company balance sheet
For the year ended 31 December 2016

Consolidated statement of income

(in thousands of euros)	2016	2015	Note
Revenue	204,589	184,119	4
Other revenue	3,212	787	4
Total revenue	**207,801**	**184,906**	
Cost of sales	(135,872)	(122,032)	
Gross margin	**71,929**	**62,874**	
Commercial costs	(13,900)	(11,462)	
Administrative costs	(43,259)	(40,921)	
Restructuring costs	(1,360)	(921)	5
Other income and operating expenses	(214)	428	5
Operating result	**13,196**	**9,997**	
Cost of gross financial debt	(804)	(168)	6
Interest income on cash and cash equivalents	51	25	6
Other financial income and expenses, net	(143)	218	6
Net income before tax from continuing operations	**12,301**	**10,072**	
Income tax expense	(3,416)	(3,135)	7
Income (loss) from discontinued operations (*)	(4,703)	(1,519)	
Net income attributable to equity holders of the parent	**4,182**	**5,418**	
Average number of basic shares (thousand)	*26,575*	*26,940*	16
Average number of fully diluted shares (thousand)	*29,443*	*29,196*	16
Earnings per basic share	0.33	0.26	16
Earnings per diluted shares	0.30	0.24	16

(*)On January 1, 2016, Valtech disposed of its business assets which were held by Valtech Services (see Note 3.1.4). The share in net loss from discontinued operations related to this disposal for the year ended December 31, 2016 and 2015 amounts to €4,703 thousand and €1,519thousand respectively, presented separately on the face of the income statement as required by IFRS 5 - Non-current assets held for sale and discontinued operations.

Consolidated statement of comprehensive income

(in thousands of euros)	2016	2015
Net income for the period	**4,182**	**5,418**
Foreign currency translation adjustment	(851)	1,286
Items that will not be reclassified to the statement of income	***(851)***	***1,286***
Actuarial gains/losses on retirement allowances	-	-
Items that will be reclassified to the statements of income	***-***	***-***
Total comprehensive income attributable to equity holders of the parent	**3,331**	**6,704**
Total comprehensive income attributable to non-controlling interests	**-**	**-**

Valtech SE
Company balance sheet
For the year ended 31 December 2016

Consolidated statement of financial position

(in thousands of euros)	31/12/2016	31/12/2015	Notes
Goodwill	28,247	15,778	11
Intangible assets, net	11,111	2,215	12
Tangible assets, net	7,411	4,304	13
Non-current financial assets, net	2,754	2,887	14
Deferred tax assets	3,559	3,335	7
Assets available for sale	-	1,981	
Non-current assets	**53,082**	**30,500**	
Accounts receivable and related accounts	57,950	55,532	15
Other current assets	10,838	9,350	15
Cash and cash equivalents	48,577	17,577	19
Current assets	**117,365**	**82,459**	
TOTAL ASSETS	**170,447**	**112,959**	

	31/12/2016	31/12/2015	Notes
Capital	3,333	3,331	16
Additional paid-in capital	95,604	102,437	
Reserves	(43,318)	(48,736)	16
Deferred share-based compensation	5,435	4,395	
Net income attributable to equity holders of the parent	4,182	5,418	16
Treasury shares	-	(6,877)	16
Transalation difference	(1,707)	(810)	
TOTAL EQUITY	**63,529**	**59,158**	
Provisions for risks and expenses - non-current portion	563	101	17
Pensions and severance pay on retirement	1,009	528	17
Borrowings from credit institutions - non-current portion	42,506	115	20
Deferred tax liabilities	3,013	894	7
Non-current liabilities	**47,091**	**1,638**	
Provisions for risks and expenses - current portion	1,456	3,382	17
Borrowings from credit institutions - current portion	777	-	20
Accounts payable and related accounts	19,248	20,329	18
Financial liabilities - current portion	38,346	28,452	18
Current liabilities	**59,827**	**52,163**	
TOTAL LIABILITIES	**106,918**	**53,801**	
TOTAL EQUITY AND LIABILITIES	**170,447**	**112,959**	

Valtech SE
Company balance sheet
For the year ended 31 December 2016

Company balance sheet

	Notes	2016 k€	2015 k€
Non-current assets			
Other intangible assets		2 925	2 758
Fixed assets		629	754
Investment in subsidiaries	28	106 719	61 557
Loans and receivables		15 085	9 375
Own shares		-	6 993
Other financial assets		374	317
		125 732	81 754
Current assets			
Trade and other receivables	29	25 375	23 083
Cash and bank balances		30 053	3 547
		55 428	26 630
Total assets		**181 160**	108 385
Current liabilities			
Trade and other payables	30	31 185	13 862
Bank overdrafts		6	10
Current tax and social liability		4 923	5 678
		36 114	19 550
Total assets less current liabilities		145 046	88 835
Non-current liabilities			
Borrowings		-	-
Loan notes	32	42 500	-
Other reserves	33	1 502	982
		44 002	982
Total liabilities		80 116	20 532
Net assets		101 044	87 853
Equity			
Share capital	34	3 333	3 331
Share premium account	34	95 967	95 953
Capital reserve	35	430	97
Own shares		-	6 993
Retained earnings		1 315	(18 521)
Shareholder's equity		101 044	87 853

The Company reported a profit for the financial year ended 31 December 2016 of 20 169 thousand €.
The financial statements of Valtech SE (registered number SE 106) were approved by the board of directors and authorised for issue on July 11, 2016 They were signed on its behalf by:

Sebastian Lombardo, Chief Executive Officer

July 13, 2017

Company statement of changes in equity

	Share capital k€	Share premium account k€	Equity reserve k€	Own shares reserve k€	Retained earnings k€	Profit & Loss account k€	Total Equity k€
Balance at 1 January 2016	3 331	95 953	97	6 993	(19 813)	1 292	87 853
Profit for the past year			333		959	(1 292)	-
Issue of share subscription redeemable		(9)					(9)
Issue of new shares	2	44					46
Cancellation of own shares		(21)		(6 993)			(7 014)
Dividends							
Balance at 31 December 2016	3 333	95 967	430	-	(18 854)	-	80 876
Profit for the year						20 169	20 169
Other comprehensive income for the year							
Total comprehensive income for the year						20 169	20 169
Issue of share capital							
Dividends							
Balance at 31 December 2016	3 333	95 967	430	-	(18 854)	20 169	101 044

Consolidated statement of cash flows

(in thousands of euros)	2016	2015
Net income	4,182	5,418
- Depreciation and amortization, net	3,977	2,347
- Increase (decrease) in provision for loss	(225)	905
- Capital losses (gains) on disposal of assets	271	48
- Share-based compensation expense	1,040	1,129
Financial expenses	919	143
Change of income tax for the period	3,499	3,249
Change in deferred tax for the period	(83)	(114)
Income tax paid	(3,415)	(3,249)
Net change in working capital	(1,388)	(7,176)
Net cash provided (used) by operating activities	**8,777**	**2,700**
Acquisition of tangible assets	(4,994)	(2,864)
Acquisition of intangible assets	(3,943)	(1,192)
Proceeds from the sale of non current assets	915	1,519
Payments for acquired businesses, net of cash acquired	(10,206)	(2,663)
Increase (Decrease) of the financial investments	(1,803)	685
Net cash provided (used) by investing activities	**(20,031)**	**(4,515)**
Interest paid	(267)	(143)
Cash received from exercise of share-based options	46	723
Issuance (repayment) of financial liabilities	42,500	(828)
Cash paid to redeem shares	(21)	(6,283)
Net cash provided (used) by financing activities	**42,258**	**(6,531)**
Impact of changes in foreign exchange rates	(4)	(125)
Increase (Decrease) in cash and cash equivalent	**31,000**	**(8,471)**
Cash flows from operations being discontinued	-	**(168)**
Overall net cash flows	**31,000**	**(8,639)**
Cash and cash equivalents at the beginning of the fiscal year	17,577	26,216
Cash and cash equivalents at the end of the fiscal year	48,577	17,577
Reference Note	16	16

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.*

Consolidated statement of changes in shareholders' equity

The changes in shareholders' equity during the years ended December 31, 2015 and 2016 are as follows:

(in thousands of euros)	Number of shares	Capital	Additional paid-in capital	Reserves	Deferred share-based compensation	Net income	Treasury shares	Translation difference	Total Group share	Minority interests	Total
On December 31, 2014	**27,503,262**	**3,331**	**102,437**	**(50,445)**	**2,543**	**1,709**	**(710)**	**(2,057)**	**56,808**	**-**	**56,808**
Appropriation of income	-	-	-	1,709	-	(1,709)	-	-	-	-	-
Net income for the FY	-	-	-	-	-	5,418	-	-	5,418	-	5,418
Gains and losses recognized in equity	-	-	-		-	-	-	1,247	1,247	-	1,247
Overall result	**-**	**-**	**-**	**-**	**-**	**5,418**	**-**	**1,247**	**6,665**	**-**	**6,665**
Share-based compensation	-	-	-	-	1,852	-	-	-	1,852	-	1,852
Increase of capital	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	(6,167)	-	(6,167)	-	(6,167)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Total of transactions with the shareholders	**-**	**-**	**-**	**-**	**1,852**	**-**	**(6,167)**	**-**	**(4,315)**	**-**	**(4,315)**
On December 31, 2015	**27,503,262**	**3,331**	**102,437**	**(48,736)**	**4,395**	**5,418**	**(6,877)**	**(810)**	**59,158**	**-**	**59,158**
Appropriation of income	-	-	-	5,418	-	(5,418)	-	-	-	-	-
Net income for the FY	-	-	-	-	-	4,182	-	-	4,182	-	4,182
Gains and losses recognized in equity	-	-	-	-	-	-	-	(897)	(897)	-	(897)
Overall result	**-**	**-**	**-**	**-**	**-**	**4,182**	**-**	**(897)**	**3,285**	**-**	**3,285**
Share-based compensation			-	-	1,040	-	-	-	1,040	-	1,040
Increase of capital	18,429	2	44	-	-	-	-	-	46	-	46
Cancellation of treasury shares	(929,721)	-	(6,877)	-	-	-	6,877	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Total of transactions with the shareholders	**(911,292)**	**2**	**(6,833)**	**-**	**1,040**	**-**	**6,877**	**-**	**1,086**	**-**	**1,086**
On December 31, 2016	**26,591,970**	**3,333**	**95,604**	**(43,318)**	**5,435**	**4,182**	**-**	**(1,707)**	**63,529**	**-**	**63,529**

Valtech SE
Notes to the consolidated financial statements
For the year ended 31 December 2016

The accompanying notes to the consolidated financial statements form an integral part of such consolidated financial statements (notes 4 to 10 primarily relate to the statement of income and notes 11 to 25 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

The Company prepared its Consolidated Financial Statements for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or 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, 2016. Comparative figures are presented for December 31, 2015.

As a result of being a *Societas Europeae,* the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU”) on December 31, 2016.

As of December 31, 2016, all IFRS that the IASB has published and that are mandatory are the same as those endorsed by the EU and mandatory in the EU, with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* (revised December 2003), or IAS 39, which the EU only partially adopted. The exclusion of IAS 39 has no impact on the Consolidated Financial Statements. As a result, the Consolidated Financial Statements comply with International Financial Reporting Standards as published by the IASB and as adopted by the EU.

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 Company’s balance sheet at 31 December 2016 shows that the Company had net current assets of € 55.4 million and net assets of €181.2 million.

The Directors are satisfied that, as at the date of approval of these financial statements, having made appropriate enquires of management of the group, the group has sufficient cash resources for a period of not less than 12 months from the date of approval of these financial statements, and thus that the Company will continue to meet its liabilities as they fall due. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

1.2.1. New standards, amendments and interpretation implemented in the financial statements of the group for the year ended December 31, 2016

The Company has applied, in its Consolidated Financial Statements for the year ended December 31, 2016, new standards and amendments, for which the application is mandatory as of January 1, 2016. The new standards have no material impact on the Group’s financial statement.

The new standards and interpretations applicable on a mandatory basis for fiscal years beginning on or after January 1, 2016, mainly relate to:

- Amendment to IAS 1 *« Disclosure initiative »*
- Amendment to IAS 19 *« Defined Benefit Plans – Employee Contributions »*
- Amendment to IAS 16 and IAS 38 *«Clarification of acceptable methods of depreciation and amortization»*

- Annual Improvements 2012-2014

The group elected not to early adopt any new standard.

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, 2016 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 will be applicable to annual periods beginning on or after January 1, 2018 and is permitted to be applied retrospectively using one of two methods: either by calculating the cumulative effect of the new method at the opening date of initial application, or by restating the comparative periods presented.

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

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

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

The group has not applied in advance any of the standards, interpretations and amendments adopted or being adopted by the European Union and whose mandatory application is subsequent to December 31, 2016. The impact of these standards on the Group's results and financial situation is being evaluated.

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.

These three items all represent operating expenses which, when deducted from revenue, in addition to other deductions, results in operating income, a performance indicator of the Group's business.

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 2.26 to our consolidated financial statements.

Subsidiaries Full consolidation

Pursuant to IFRS 10, 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 for fixed-price projects which includes an estimate of the project progress rate and margin rate,
- Allowance for uncollectible accounts receivable,
- impairment of goodwill, subject to impairment testing, which is based primarily on assumptions of future cash flows, discount rates and terminal values based on rates of long-term growth,
- valuation of assets and liabilities related to pension obligations through the recognition of actuarial assumptions in effect as of the closing date (discount rate, wage evolution rate, inflation rate and mortality rate),
- valuation of financial instruments,

- recognition of deferred tax assets related to tax loss carry forwards
- provisions for litigation and related assumptions underlying the assessment of the legal position and the measurement of risks

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

1.6. Business combinations and accounting for goodwill

Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3 – *Business Combinations* ("IFRS 3") 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 IFRS 3.

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 3, any adjustments of the purchase price beyond the twelve-month period are recognized in the consolidated statement of income.

On the acquisition date, the goodwill corresponds to the difference between:

- the fair value of the consideration transferred in exchange for control of the company, incorporating any earn-outs, plus the amount of non-controlling interests in the acquired company and, in the case of a business combination achieved in stages, the fair value, on the date of acquisition, of the equity interest previously held by the acquirer in the acquired company, and,

- the fair value of identifiable assets acquired and liabilities assumed on the acquisition date.

If the initial accounting for a business combination cannot be completed before the end of the annual period in which the business combination is affected, the initial accounting must be completed within twelve months of the acquisition date.

Moreover, the earn-outs are included in the cost of acquisition at their fair value as of the acquisition date, whatever their probability of occurrence is. During the evaluation period, subsequent adjustments result in goodwill when they relate to facts and circumstances existing at the time of acquisition. Beyond that, the earn-out adjustments are recorded directly in the consolidated statement of income, unless the earn-outs include equity instrument as consideration. In the latter case, the earn-out is not subsequently re-evaluated. A position of the IFRIC (IFRS Interpretations Committee) of January 2013 has clarified the accounting for contingent consideration with conditions of attendance, which must now be considered as elements of compensation.

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*.

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 3.

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 2.7 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 11.2 to our consolidated financial statements.

In case the annual impairment test reveals a recoverable amount less 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.

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

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 are 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 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 ranging 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 and a share which can be directly linked to production overheads.

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 amortized 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 derecognition of financial assets

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

Doubtful accounts receivable 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 borrowing from credit institutions - non-current portion, borrowings from credit institutions - current portion and financial liabilities – current portion.

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, 2016 and 2015.

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, 2016 and 2015.

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 21 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).

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

· fair value hedges, when hedging the exposure to changes in the fair value of a recognized asset or liability;

· cash flow hedges, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction; and

· hedges of a net investment in a foreign operation.

The Group did not have any derivatives qualifying as hedges of a net investment in a foreign operation during the years ended December 31, 2016 and 2015.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below.

- Fair value hedges: the change in the fair value of a hedging derivative is recognized in the statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement.
- Cash flow hedges: the effective portion of the gain or loss on the hedging instrument is recognized directly in equity (other comprehensive income in the cash flow hedge reserve), while any ineffective portion is recognized immediately in the statement of income.

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 table 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 or insurance contracts), 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 accretion 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, stock option plans and performance shares.

The issuance of redeemable share subscription warrants in July 2013, December 2014 and July 2015 are valued on the date of grant using the Monte Carlo valuation model which allows for obtaining the fair value on the grant date and takes into account various parameters such as stock price, exercise price, expected volatility, expected dividends, the risk free interest rate and the life of the option.

The cost thus determined is recorded as personnel expenses for the period of vesting, with the counterparty under net position in consolidated reserves

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 11 – *Construction Contracts* ("IAS 11").

• Fixed price projects

In cases where contracts are concluded in fixed price project mode with a contractual obligation to deliver a specific outcome, revenues and expenses are recorded in accordance with IAS 18 – *Revenue* using the method of progress defined by the IAS 11 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, the stock options as well as free shares with 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, 2016 and 2015 include the statements of the companies listed in the table below:

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

(1) Valtech Global Projects in France is the same legal entity as the former Valtech Technology Partner (dormant company).

(2) Valtech AG merged into Valtech GmbH 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 €28.2m

NOTE 3 – Major events of the period

3.1 Year 2015

3.1.1. Transfer of the company to Luxembourg

The Board of Directors which met on April 21, 2015 approved the company's proposed transfer to Luxembourg. This proposal was approved by the Combined General Meeting of Shareholders held on June 30, 2015. According to the indicative timetable which was made available to the General Meeting, the transfer of the company took place on October, 2015. The transfer had no impact on the financial statements, apart from calculation of company income tax.

3.1.2. Acquisition of the company w.illi.am (henceforth Valtech Canada)

Valtech has finalized on July 3, 2015 the acquisition of the digital agency w.illi.am located in Montreal (Canada). The company is integrated in Valtech's scope of consolidation from July 1, 2015. w.illi.am employs around 50 people. The acquisition was fully paid for in cash, the purchase price amounting to €4,0 million. The goodwill resulting from this transaction is €1.7 million.

3.1.3. Simplified tender offer

On December 15, 2015, Valtech S.E's controlling shareholder, SiegCo, which held, in conjunction with the group Verlinvest, 73.32% of the capital, presented a simplified tender offer for Valtech shares, at a price of €11.50 per share, to Valtech's Board of Directors, which approved it.

In accordance with the applicable regulations, SiegCo, via Degroof Petercam Bank, filed with the French Financial Markets Authority (*Autorité des Marchés Financiers)* on December 15, 2015, a simplified tender offer for the existing shares not held by SiegCo or Verlinvest, excluding the Company's treasury shares. The offer therefore covered a maximum number of 6,418,198 shares, representing 23.34% of the capital and theoretical voting rights of Valtech.

After the offer which was open from January 12 to February 1, 2016 and the Extraordinary General Meeting of February 5, 2016, SiegCo held together with Verlinvest, 90.9% of Valtech S.E.'s capital.

3.1.4. Disposal of assets Valtech Services, United States

During the first half of 2015, the Group took the decision to sell certain of its American assets and dedicated IT staff as this business was no longer deemed to be consistent with the Groups's strategy. On December 31, 2015, the Group concluded an agreement to sell this business, and the effective sale occurred on January 1, 2016.

According to iFRS 5, assets held for sale are not depreciated, are measured at the lower of carrying amount and fair value less cost to sell, and are presented separately in the statement of financial position. The disposal of Valtech Services has been accounted for according to IFRS 5 – *Non-current assets held for sale and discontinued operations*. The loss from discontinued operation has been reported separately in the consolidated statement of income and assets available for sale has been reported separately in the consolidated statement of financial position.

3.2 Year 2016

3.2.1. 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.

3.2.2. 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. As of the date of issuance of these Consolidated Financial Statements, management estimates that the purchase price will be 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 €0.7 million.

3.2.3 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 in 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, 2016, our best estimate of the earn-out payments is €3.6 million. The total consideration is €20.3 million. The determination of the fair value of assets acquired and liabilities assumed has been finalized and is detailed in note 11.2. The goodwill resulting from this transaction is at €11.4 million.

3.2.4. 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.

3.2.5. 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, 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 €12.50 in accordance with the simplified tender offer (see Note 25.1).

3.2.6. 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.

3.2.7. 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 (see Note 3.1.4 to our consolidated financial statements) 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.

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)
- Australia (AU)
- Canada (CA)
- Argentina (AR)
- India (IN)
- Switzerland (CH)
- Singapore (SG)
-

Given their low individual importance, the business in India, Argentina, Singapore and Switzerland 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, 2016 and 2015 is presented as follows:

31/12/2016	Corp.	FR	SW	DK	UK	GE	NL (1)	USA	AU	CA	IN	Others	Interco elim.	Total
Revenue with third parties	-	29,040	33,250	14,191	30,585	41,358	10,675	29,379	5,318	7,648	2,534	3,823	-	**207,801**
Intercompany revenue	9	1,763	688	1,133	186	492	95	916	258	167	8,906	731	(15,335)	-
Total of revenue	**9**	**30,803**	**33,938**	**15,324**	**30,771**	**41,850**	**10,770**	**30,295**	**5,576**	**7,815**	**11,440**	**4,554**	**(15,335)**	**207,801**
Adjusted EBITDA (2)	**(743)**	**(575)**	**3,376**	**2,293**	**3,367**	**5,873**	**996**	**2,437**	**33**	**751**	**1,662**	**(403)**		**19,067**
Operating income	**(2,391)**	**(1,416)**	**3,142**	**2,083**	**2,883**	**5,483**	**428**	**2,202**	**(578)**	**643**	**1,147**	**(430)**	**-**	**13,196**
Interest income and (expense), net	**-**	**(32)**	**6**	**(48)**	**(20)**	**(4)**	**2**	**-**	**(12)**	**-**	**-**	**-**	**-**	**(108)**
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**	**1,120**	**1,811**	**2,864**	**735**	**-**	**28,247**
Fixed assets (net value)	**2,110**	**505**	**645**	**746**	**2,830**	**864**	**9,020**	**2,488**	**63**	**376**	**1,329**	**300**	**-**	**21,276**
Average workforce	**-**	**239**	**233**	**103**	**102**	**171**	**93**	**128**	**35**	**62**	**495**	**37**	**-**	**1,698**

31/12/2015	Corp.	FR	SW	DK	UK	GE	NL (1)	USA	AU	CA	IN	Others	Interco elim.	Total
Revenue with third parties	-	30,493	31,813	13,364	34,874	34,309	-	29,997	2,098	3,385	3,667	906	-	**184,906**
Intercompany revenue	-	2,287	504	888	295	704	-	297	214	138	7,776	27	(13,130)	-
Total of revenue	**-**	**32,780**	**32,317**	**14,252**	**35,169**	**35,013**	**-**	**30,294**	**2,312**	**3,523**	**11,443**	**933**	**(13,130)**	**184,906**
Adjusted EBITDA (2)	**(1,070)**	**698**	**4,102**	**1,800**	**3,649**	**3,792**	**-**	**1,157**	**(600)**	**322**	**1,991**	**(1,023)**		**14,818**
Operating income	**(3,122)**	**150**	**3,601**	**1,492**	**3,410**	**3,550**	**-**	**737**	**(618)**	**305**	**1,534**	**(1,042)**	**-**	**9,997**
Interest income and (expense), net	**-**	**(31)**	**3**	**(6)**	**1**	**(5)**	**-**	**(5)**	**(2)**	**-**	**-**	**-**	**-**	**(45)**
Income tax income and (expense), net	**(19)**	**-**	**(853)**	**(319)**	**(841)**	**(1,179)**	**-**	**730**	**-**	**(92)**	**(563)**	**-**	**-**	**(3,136)**
Goodwill (net value)	**-**	**2,037**	**739**	**444**	**-**	**2,042**	**-**	**6,853**	**1,098**	**1,699**	**2,847**	**-**	**-**	**17,759**
Fixed assets (net value)	**2,082**	**1,350**	**395**	**779**	**725**	**824**	**-**	**1,818**	**54**	**204**	**930**	**245**	**-**	**9,406**
Average workforce	**-**	**268**	**245**	**106**	**98**	**148**	**-**	**109**	**25**	**52**	**462**	**7**	**-**	**1,520**

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

(2) We define Adjusted EBITDA as Earnings before Interest, Taxes, Depreciation and Amortization. Adjusted EBITDA is calculated as Operating income to which is added all amortizations of intangible and tangible assets, all movement of depreciation of assets and allocations and reversal of provisions, all share-based payment and compensation expenses, all restructuring costs, and all gains or losses on sale of assets. Adjusted EBITDA is not a measure calculated in accordance with IFRS. We have included Adjusted EBITDA in the financial statements because it is a key measure used by our management to evaluate operational performance, create forecasts, and to make strategic decisions regarding the use of Company resources.

NOTE 5 – Other income and expenses

(in thousands of euros)	2016	2015
Capital gains or (losses) on disposal	271	(48)
Restructuring costs	(1,360)	(921)
Other non-recurring income / (loss) on NEON acquisition	(572)	555
Others	87	(79)
Total of other operating expenses by nature	**(1,574)**	**(493)**

Capital gains of €271 thousand relate to the sale of the Toulouse business in France (detailed in Note 3.2.4 to our consolidated financial statements).

The non-recurring loss on acquisition of €572 thousand relates to the modification of the payment terms of the company Neon (Valtech Digital Australia), acquired in 2014 (detailed in Note 3.2.5. to our consolidated financial statements). The non-recurring income on acquisition of €555 thousand 2015 results from a modification of the payment terms of the company Neon (Valtech Digital Australia), acquired in 2014.The restructuring costs mainly relate to:

- 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.

NOTE 6 – Financial income and expenses

(in thousands of euros)	2016	2015
Interest expense on borrowings	(804)	(168)
Financial income	51	25
Net cost of debt	**(753)**	**(143)**
Change in provisions for non-current assets	132	-
Other financial income (expenses)	(100)	22
Exchange differences	(174)	196
Other financial income and expenses	**(142)**	**218**
Financial result	**(895)**	**75**

NOTE 7 – Income taxes

7.1. Analysis of the tax expense

The tax expense for the period can be analysed as follows:

(in thousands of euros)	2016	2015
Current income tax	(3,499)	(3,249)
Change in deferred taxes	83	114
Total	**(3,416)**	**(3,135)**

7.2. Tax Reconciliation

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows (18.0% in 2016 – UK tax rate, and 29.2% in 2015 – Luxembourg tax rate) to the income before tax for the period.

(in thousands of euros)	2016	2015
Net income for the period	4,182	5,418
Tax expense	3,416	3,135
Earnings before tax	**7,598**	**8,553**
Theoretical tax income (expense)	**(1,368)**	**(2,499)**
Impairment of goodwill	-	-
Other permanent differences	1,043	(515)
Use of tax loss carryforwards	462	865
Change in estimate on the recoverability of the tax receivable	227	977
Deferred tax assets on tax loss carryforwards not recognized during the period	(2,836)	(1,951)
Other taxes	(105)	(242)
Effect of differences in tax rates between jurisdictions	(839)	230
Actual tax income (expense)	**(3,416)**	**(3,135)**
Effective tax rate	**45.0%**	**36.7%**

The improved operating performance and expected taxable profit forecasts of Valtech Solutions in the US has resulted in the recognition of an additional €227 thousand of deferred tax assets, for the year ended December 31, 2016.

The net deferred tax balance at December 31, 2016 amounts to €546 thousand and to €2,441 thousand at December 31, 2015:

- Tax loss carry forwards activated for €3,132 thousand (€2,802 thousand in 2015) for the United States (with a positive currency impact of €103 thousand in 2016).
- Deferred tax asset concerning temporary differences of €427 thousand in 2016 for India and UK, and €533 thousand for India and Canada in 2015.
- Deferred tax liabilities of €3,013 thousand in 2016 for the recognition of intangible assets in the context of the purchase price allocation of eFocus, and for temporary differences in Sweden (€894 thousand in 2015).

7.3. Deferred taxes

The breakdown by nature of deferred taxes on December 31, 2016 is as follows:

(in thousands of euros)	Intangible assets	Tax loss carryforwards	Others	Total
Net values on December 31, 2014	**-**	**2,044**	**(193)**	**1,851**
Items recognized in profit/loss	-	815	(701)	114
Impact of exchange rate changes	-	223	-	223
Items recognized in shareholders' equity	-	-	-	-
Change of scope	-	253	-	253
Net values on December 31, 2015	**-**	**3,335**	**(894)**	**2,441**
Items recognized in profit/loss	106	66	(89)	83
Impact of exchange rate changes	-	103	37	140
Items recognized in shareholders' equity	-	-	-	-
Change of scope	(2,118)	-	-	(2,118)
Net values on December 31, 2016	**(2,012)**	**3,504**	**(946)**	**546**

Analysis of the deferred taxes by nature is as follows:

	31/12/2016			31/12/2015		
	DTA	DTL	**2016**	DTA	DTL	**2015**
Tax loss carryforwards	3,132		3,132	2,964	-	2,964
Intangible assets		(2,012)	(2,012)	-	-	-
Other elements	427	(1,001)	(574)	371	(894)	(523)
Recognized taxes	**3,559**	**(3,013)**	**546**	**3,335**	**(894)**	**2,441**

DTA – Deferred tax assets, DTL – Deferred tax liabilities

Unrecognized deferred tax assets related to tax loss carry forwards amounts to €19,308 thousand and €15,977 thousand as at December 31, 2016 and 2015, respectively, and breaks down as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Valtech SE	12,233	8,981
Valtech Training (France)	1,337	1,264
Valtech Solution, Inc	5,738	5,732
Total	**19,308**	**15,977**

NOTE 8 – Profit for the year

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

(in thousands of euros)	Continuing operations 2016	2015	Discontinued operations 2016	2015	Total 2016	2015
Net foreign exchange losses/(gains)	175	198	226	-	402	198
Research and development costs	1,905	541	-	-	1,905	541
Depreciation of property, plant and equipment	3,412	1,483	-	1	3,412	1,484
Amortization of internally-generated intangible assets included in other operating expenses	316	128	-	-	316	128
Staff costs (see note 10)	116,219	104,016	-	5,558	116,219	109,574

NOTE 9 – Auditor's remuneration

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

		FY2016 €	FY2015 €
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts		281	184
Fees payable to the company's auditor and their associates for other services to the group			
–The audit of the company's subsidiaries		121	155
	Total audit fees	402	339
- Audit-related assurance services		50	10
- Taxation compliance services		42	9
- Other taxation advisory services			
- Internal audit services			
- Other assurance services			
- Corporate finance services		202	
- Other services			
	Total non-audit fees	294	19
Fees payable to the company's auditor and their associates in respect of associated pension schemes		0	

NOTE 10 – Staff costs

The average monthly number of employees (including executive directors)

	2016 Number	2015 Number
Billable staff	1,456	1,299
Non-billable staff	242	221

Their aggregate remuneration comprised:

(in thousands of euros)	2016	2015
Wages and salaries	97,204	88,005
Social security costs	18,907	15,898
Other pension costs	109	113
Total	116,219	104,016

NOTE 11 – Goodwill

11.1. Breakdown of the goodwill balance

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

(in thousand euros)	ADEA	ADEA	Synaris	Majoris	Valtech A/S	ACDSI	Kiara	Neon	Wi.il.am	Graion	Efocus	Total
	USA	(*)	GE	India	Denmark	France	Sweden	AU	Canada	AR	NL	Total
Net value on December 31, 2014	**6,179**	**-**	**2,042**	**2,640**	**445**	**2,037**	**723**	**1,102**	**-**	**-**	**-**	**15,168**
Increase on subsidiary acquisition	-	-	-	-	-	-	-	-	1,904	-	-	1,904
Sale of a subsidiary	(1,928)	1,928	-	-	-	-	-	-	-	-	-	-
Foreign exchange fluctuations	622	53	-	207	(1)	-	16	(5)	(205)	-	-	687
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net value on December 31, 2015	**4,873**	**1,981**	**2,042**	**2,847**	**444**	**2,037**	**739**	**1,097**	**1,699**	**-**	**-**	**17,759**
Increase on subsidiary acquisition	-	-	-	-	-	-	31	-	-	735	11,418	12,184
Sale of a subsidiary	-	(1,949)	-	-	-	-	-	-	-	-	-	(1,949)
Foreign exchange fluctuations	159	(32)	-	17	2	-	(28)	23	112	-	-	253
Other	-	-	-	-	-	-	-	-	-	-	-	-
Net value on December 31, 2016	**5,032**	**-**	**2,042**	**2,864**	**446**	**2,037**	**742**	**1,120**	**1,811**	**735**	**11,418**	**28,247**

(*) Available for sale

Key to country codes: GE: Germany ; AU: Australia ; AR: Argentina; NL: Netherlands

Disposal of the US assets in 2015 resulted in the derecognition of the related goodwill for €1,981 thousand (detailed in Note 3.1.4. to our consolidated financial statements).

Acquisitions of Graion and eFocus (detailed in Notes 3.4 and 3.5 respectively) resulted in an increase in the goodwill balance of €12,153 thousand as of and for the year ended December 31, 2016.

11.2. Business combinations

eFocus

eFocus was acquired on July 1st 2016. The determination of the fair value of assets acquired and liabilities assumed has been finalized. The table below sets out the consideration transferred, the fair values of the assets identified at the acquisition date, and the goodwill generated.

The fair value of net assets acquired amount to 8,838 thousand euros, out of which 8,476 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 10 years and 3 years respectively. These assets are amortized from the date of acquisition over 10 and 3 years respectively.

Total consideration for this acquisition is €20.3 million. As a result, the goodwill arising out of this acquisition is €11.4 million.

(in thousand euros)	**E-Focus**
Cash consideration paid as of December 31, 2016	9,375
Price adjustments and deferred payments	10,881
Total consideration	**20,256**
Intangible assets	
Customer relationships	7,857
Technology	616
Inventory	48
Accounts receivable	3,121
Other assets	1,444
Cash and cash equivalents	602
Trade and other payables	(746)
Tax and social security debts	(1,051)
Provisions	(80)
Deferred taxes liabilities	(2,118)
Other liabilities	(855)
Fair value of net assets	**8,838**
Goodwill (Note 8.1.)	**11,418**

Graion

The assets of Graion were acquired on June 1st 2016. The determination of the fair value of assets acquired and liabilities assumed has been finalized. Neither assets nor liabilities have been identified. The total consideration for the assets of Graion is €0.7 million and the resulting goodwill is €0.7 million.

11.3. Impairment tests

In accordance with IAS 36 – *Impairment of Assets* (“IAS 36”), goodwill and other non-financial assets of the cash generating units (CGUs) have 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 from the management forecasts. A terminal value is then determined on the basis of the capitalization to perpetuity of the cash-flow projections of the past year.

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 loss	
	31/12/2016	n to n+5	terminal	31/12/2016	31/12/2015	2016	2015
Adea (US)	5,032	2.7%	1.0%	8.7%	10.0%	-	-
Germany	2,042	7.6%	1.0%	6.4%	7.5%	-	-
India	2,864	0.6%	1.0%	14.8%	17.7%	-	-
Denmark	446	3.8%	1.0%	6.6%	7.7%	-	-
France	2,037	1.0%	1.0%	9.1%	9.3%	-	-
Sweden	742	3.2%	1.0%	6.6%	7.5%	-	-
Australia	1,120	10.4%	1.0%	10.4%	11.9%	-	-
Canada	1,811	13.5%	1.0%	9.8%	10.6%	-	-
Argentina	734	21.6%	1.0%	24.0%	N/A		
Netherlands	17,950	6.8%	1.0%	8.6%	N/A		
Total or average	**34,778**	**7.1%**	**1.0%**	**10.5%**	**10.3%**	-	-

Sensitivity of the value in use of CGUs to change in discount rates and perpetual growth rate

	Perpetual growth rate		Discount rate	
Rate fluctuation	**+1%**	**-1%**	**+1%**	**-1%**
Adea (US)	634	<824>	<1,211>	967
Germany	12,589	<18,300>	<22,811>	15,670
India	234	<271>	<424>	367
Denmark	4,022	<5,782>	<7,489>	5,205
France	1,579	<2,026>	<2,666>	2,078
Sweden	7,996	<11,506>	<13,998>	9,719
Australia	508	<629>	<796>	638
Canada	1,263	<1,588>	<2,113>	1,674
Argentina	49	<53>	<115>	105
Netherlands	3,600	<4,697>	<6,693>	5,121

NOTE 12 – Intangible assets

(in thousands of euros)	Technology	Customer relationship	Software purchased	Capitalized development costs	Total
On December 31, 2015					
Gross values	-	-	3,499	1,263	4,762
Amortizations	-	-	(2,217)	(330)	(2,547)
Net values on December 31, 2015	**-**	**-**	**1,282**	**933**	**2,215**
Increase	-	-	1,521	1,474	2,995
Disposals	-	-	-	(899)	(899)
Acquisitions	616	7,857	-		8,473
Translation difference	-	-	(35)	20	(15)
Amortization	(31)	(393)	(918)	(316)	(1,658)
Other changes	-	-	-	-	-
On December 31, 2016					
Gross values	616	7,857	4,985	1,858	15,316
Amortization	(31)	(393)	(3,135)	(646)	(4,205)
Net values on December 31, 2016	**585**	**7,464**	**1,850**	**1,212**	**11,111**

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

The fair value of net assets acquired in technology and customer relationship relate to intangible assets identified when performing the purchase price allocation analysis (Note 11.2. Business combination).

The useful lives of customer relationships and of the technology have been determined to be 10 years and 3 years respectively. These assets are amortized from the date of acquisition over 10 and 3 years respectively.

NOTE 13 – Tangible assets

Changes in tangible assets are presented as follows:

(in thousands of euros)	Fixtures	Office furniture	Computer hardware	Others	Finance leases	Total
On December 31, 2015						
Gross values	3,731	2,279	7,603	726	279	14,618
Amortization	(2,254)	(1,457)	(5,782)	(542)	(279)	(10,314)
Net values on December 31, 2015	**1,477**	**822**	**1,821**	**184**	**-**	**4,304**
Increases	2,819	719	1,344	68	-	4,950
Disposals	(362)	(87)	(21)	-	-	(470)
Acquisitions	-	465	524	21	-	1,010
Translation difference	(50)	(8)	(13)	4	-	(67)
Amortization	(500)	(414)	(1,347)	(55)	-	(2,316)
Other changes						-
On December 31, 2016						
Gross values	5,060	3,680	9,335	846	279	19,200
Amortization	(1,676)	(2,183)	(7,027)	(624)	(279)	(11,789)
Net values on December 31, 2016	**3,384**	**1,497**	**2,308**	**222**	**-**	**7,411**

NOTE 14 – Other non-current assets

Changes in financial assets are presented as follows:

(in thousands of euros)	Non-current financial assets	Deposit	Total
On December 31, 2015			
Gross values	373	2,514	2,887
Amortization	-	-	-
Net values on December 31, 2015	**373**	**2,514**	**2,887**
Increases and reclassification	73	791	864
Disposals or repayments	(10)	(971)	(981)
Acquisitions	-	-	-
Translation difference	1	(13)	(12)
Amortizations	-	-	-
Exceptional amortizations	-	-	-
Other changes	43	(47)	(4)
On December 31, 2016			
Gross values	480	2,274	2,754
Amortizations	-	-	-
Net values on December 31, 2016	**480**	**2,274**	**2,754**

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

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

NOTE 15 – Receivables and other financial assets

15.1. Accounts receivable and related accounts

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Changes during the fiscal year of the accounts receivable and related accounts on December 31, 2016 are presented as follows:

(in thousands of euros)	
Net value on December 31, 2015	**55,532**
-Gross value	57,136
-Loss allowance	(1,604)
Change in gross value	(423)
Allowance recognized (revised)	1,141
Acquisitions	3,121
Translation difference	(1,456)
Net value on December 31, 2016	**57,950**
-Gross value	58,378
-Provision for depreciation	(428)

Maturity of the accounts receivables is as follows:

Aging report of receivables without provisions (in thousand euros)	31/12/2016	31/12/2015
Not due or due since less than 30 days	41,172	43,990
Due for more than 30 days and less than 60 days	4,976	5,447
Due for more than 60 days and less than 90 days	3,767	2,351
Due for more than 90 days	8,035	3,744
Total	**57,950**	**55,532**

The changes during the year for doubtful accounts associated with accounts receivable on December 31, 2016 and 2015 are as follows:

Movement of doubtful accounts (in thousand euros)	31/12/2016	31/12/2015
On January 1	**(1,604)**	**(1,214)**
Loss allowance	(309)	(223)
Non-recoverable claims	1,043	-
Reversal of loss allowance	407	2
Translation adjustment	35	(169)
On December 31	**(428)**	**(1,604)**

The detail by due date of provisions for depreciation is as follows:

Aging report of receivables with provisions (in thousand euros)	31/12/2016	31/12/2015
Not due or due since less than 30 days	-	-
Due for more than 30 days and less than 60 days	(8)	(19)
Due for more than 60 days and less than 90 days	(54)	(47)
Due for more than 90 days	(366)	(1,538)
Total	**(428)**	**(1,604)**

15.2. Other current assets

(in thousand euros)	31/12/2016	31/12/2015
Tax and social security receivables	4,937	4,199
Other receivables	3,065	3,086
Deferred expenses	2,836	2,065
Total	**10,838**	**9,350**

NOTE 16 – Capital

16.1. Capital

On December 31, 2016, the capital of Valtech S.E., in the amount of €3,330,923.32 is composed of 26,591,970 ordinary shares without par value. It is fully paid. Changes over the period are as follows:

Number of shares	31/12/2016	31/12/2015
On January 1	**27,503,262**	**27,503,262**
Increase in capital	-	-
Reduction in capital	(929,721)	-
Exercise of option	18,429	-
On December 31	**26,591,970**	**27,503,262**

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 unlisted.

16.2. Treasury shares – liquidity contract

On June 13, 2013, Valtech entrusted to a financial institution the task of implementing a liquidity contract on its ordinary listed shares. The company made an additional contribution of €650 thousand to the liquidity contract. As such, as of December 31, 2015, the following assets appeared on the liquidity account:

- Number of shares: 59,081 securities
- Cash balance in the liquidity account: €315 thousand, recognized under other current liabilities.

Securities held under the liquidity contract are deprived of voting rights. The value of treasury shares held is €685 thousand.

All treasury shares have been cancelled pursuant to a decision of the Board on February 5, 2016. There were no treasury shares outstanding as of December 31, 2016.

16.3. Treasury shares – share repurchase program

During the year ended December 31, 2015, the Company purchased its own shares in accordance with the following authorizations:

1. The General meeting of April 25, 2014 approved the implementation of a share repurchase program of a maximum duration of 18 months, with the number of shares purchased during the program period not to exceed 10% of the shares comprising the company's capital at any time whatsoever, this percentage applying to capital adjusted according to transactions affecting it after the general meeting. The maximum

purchase price of shares under the program is €10. The total amount allocated to the share buyback program may not exceed €21,220,000.

2. The General Meeting of June 2015 approved the implementation of two share repurchase programs of a maximum duration of 18 months: one under French law, the other under Luxembourg law, after transferring the registered office to Luxembourg. For both programs, the features are identical: the number of shares purchased during the duration of the program shall not exceed 10% of the Company's share capital at any time whatsoever, this percentage applying to capital adjusted according to transactions affecting it after the general meeting. The maximum purchase price of shares under the program is €18. The total amount allocated to the share repurchase program may not exceed €49.5 million.

The objectives of this program in force on December 31, 2015 as authorized by the Combined General Meeting of June 30, 2015 and subject to Luxembourg law, are:

- The implementation of any Company stock option plan under the provisions of articles 49-2 and seq. of the law of 1915; or
- The allotment or transfer (with or without discount) of shares to the employees and corporate officers of the Company and companies linked to it, under the statutory profit-sharing scheme or the implementation of an employee savings plan under the conditions stipulated by law; or
- The free allocation of shares under the provisions of Articles 49-2 and seq. of the law of 1915; or
- The delivery of shares upon the exercise of rights attached to securities giving access to capital by redemption, conversion, exchange, presentation of a warrant or in any other manner; or
- The cancellation of all or part of the securities thus purchased; or
- The delivery of shares (in exchange, as payment or otherwise) in connection with transactions of external growth, merger, demerger or contribution; or
- The market making operations under a liquidity agreement with an investment service provider that complies with the code of ethics recognized by the French Financial Markets Authority.

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 €6,307 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. There were no treasury shares outstanding as of December 31, 2016.

16.4. Basic and diluted earnings per share

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

	Net income	Mean number of shares	Earnings per share
2015			
Basic earnings per share	6,937	26,940,179	0.26
Dilutive impact of stock options		2,256,578	0.00
Earnings per diluted share	**6,937**	**29,196,757**	**0.24**
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**

16.5. Dividends

The Group has not distributed dividends to its shareholders during fiscal years 2016 and 2015.

NOTE 17 – Provisions

17.1. Change to the provisions

(in thousands of euros)	Litigations	Rent for unused premises	Retirement obligations	Others	Total
On December 31, 2014					
-Current	678	341	309	718	2,046
-Non-current	-	485	508	-	993
Net values on December 31, 2014	**678**	**826**	**817**	**718**	**3,039**
Increase	1,352	-	155	613	2,120
Recovery	-	-	(42)	-	(42)
Recovery (use)	(485)	(713)	-	-	(1,198)
Change in scope	-	-	-	-	-
Translation difference	25	42	20	5	92
Other changes	-	-	-	-	-
On 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)
Change in scope					-
Translation difference	113	(2)	2	(4)	109
Other changes					-
On 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**

17.2. Provisions for litigation

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

The amount of provisions is based on the risk assessment on a case by case basis and depends largely on factors other than the progress of the proceedings, provided that the occurrence of events during the procedure, however, may lead to a reassessment of the risk.

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; however it intends to dispute.

Commercial litigation in the US

Discussions with an American client have taken place since 2010 on the final acceptance of services provided since 2007. The dispute has been settled in the second half of 2016 and the consequences of the settlement have been presented in “Income (loss) from discontinued operations (detailed in Note 3.2.7. to our consolidated financial statements).

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

To the Company's knowledge, there is no other litigation, arbitration or exceptional event likely to have, or that has had in the recent past, a significant impact on the financial position, results of operations or cash flows of the Group. Neither the company Valtech SE nor any of its subsidiaries are a party to proceedings or any arbitration where management believes that the result could reasonably have an adverse effect on its financial position, results of operations or cash flows.

17.3. Provisions for empty premises

The French subsidiary Valtech Training concluded in July 2013 and in October 2014, two sub-lease agreements for the premises of its head office which it no longer intends to use. Income from the sublease rents is lower than the rental expenses of the subsidiary. As a result, under IAS 37, the loss on this onerous contract is recognized as a provision based on the aggregate amount until the end of the commitment of the subsidiary under the lease term for €114 thousand as of December 31, 2015. Furthermore, an agreement was reached with the main lessor and subtenants to terminate these real estate leases in 2016. As of December 31, 2016, there is no remaining provision for this lease agreement.

The US subsidiary Valtech Solutions has recorded a provision of €419 thousand in 2014 for the same reason, using the same measurement method. This provision was increased by €89 thousand in 2015 to reflect the extension of the lease term to take into account the use of the new premises. As of December 31, 2016, there is no remaining provision for this lease agreement.

The US subsidiary Valtech Solutions also has 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 has been used, and the remaining provision as of December 31, 2016 amounts to €57 thousand.

The United Kingdom subsidiary Valtech Ltd started a new office lease in July 2016. The new office has excess space planned to be sub-leased. A sub-lease agreement starting March 1, 2017 has now been signed, and the provision for excess space amounts to €66 thousand as per December 31, 2016.

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.

17.4. Provisions for social protection, 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 and paid.

- 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 2.17 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
31 December, 2014	**508**	**309**	**817**
Cost of services rendered	20	93	113
Other changes	-	-	-
Translation difference	-	20	20
31 December, 2015	**528**	**422**	**950**
Cost of services rendered	77	32	109
Other changes	-	-	-
Translation difference	-	3	3
31 December, 2016	**605**	**457**	**1,062**

The social benefits granted in India correspond to defined benefit plans, those made in France correspond to defined contribution plans.

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.

On December 31, 2016, the discount rates refer to the 20 year Iboox 20 rate.

Key assumptions used	31/12/2016	31/12/2015
Discount rate	1.05%	2.00%
Increase in salaries	2.00%	2.00%
Date of retirement	65	65

NOTE 18 – Financial liabilities

18.1. Non-current portion of financial liabilities

The non-current portion of financial liabilities totalling €42,506 thousand on the statement of financial position corresponds mainly to bonds issued in July 2016, which mature in full in July 2022 (detailed in note 3.2.6. to our consolidated financial statement). In 2015 the non-current debt of €115 thousand corresponds mainly to a security deposit received.

18.2. Current portion of financial liabilities

Current portion of financial liabilities is presented as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Tax and social security liabilities	14,014	14,393
Customer advances	5,389	4,856
Deferred income	4,634	6,045
Liabilities related to acquisitions	10,691	159
Others	3,618	2,999
Financial liabilities - current portion	**38,346**	**28,452**

The increase in liabilities related to acquisitions correspond to cash due by Valtech to the sellers of companies acquired in 2016.

18.3. 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	31/12/2015
Not due or due since less than 30 days	16,482	15,230
Due for more than 30 days and less than 60 days	816	3,055
Due for more than 60 days and less than 90 days	301	184
Due for more than 90 days	1,649	1,860
Total	**19,248**	**20,329**

The changes in accounts payable over the year are as follows:

Change in accounts payable in thousand of euros	31/12/2016	31/12/2015
On January 1	**20,329**	**16,015**
Change	567	3,474
Translation difference	(568)	574
Change in scope	(1,080)	266
On December 31	**19,248**	**20,329**

NOTE 19 – Cash and cash equivalents

The Group concluded in 2012 a contract for assignment of receivables for a maximum amount of €4,000 thousand. This contract transfers to the financial institution all risks of collection.

(in thousands of euros)	31/12/2016	31/12/2015
Cash and cash equivalents	48,577	17,577
Bank overdrafts	-	-
Assignment of receivables	-	-
Total	**48,577**	**17,577**

NOTE 20 – Financial debt and financial instruments

20.1. Analysis of the financial liabilities by nature

(in thousands of euros)	31/12/2016	31/12/2015
Borrowings	42,500	-
Deposits and securities received	6	115
Financial liabilities - non-current portion	**42,506**	**115**
Borrowings	777	-
Finance leases	-	-
Bank overdrafts	-	-
Financial liabilities - current portion	**777**	**-**
Total financial liabilities	**43,283**	**115**

For more information, see details in Note 3.2.6. to our consolidated financial statements.

20.2. Analysis of financial liabilities by maturity

(in thousands of euros)	31/12/2016	31/12/2015
Maturity less than 1 year	783	115
Maturity between 1 and 5 years	-	-
Maturity greater than 5 years	42,500	-
Total financial debt	**43,283**	**115**

Maturity over a year corresponds to the bonds issued in July 2016, which is denominated in euros.

20.3. Analysis of the debt by rate

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

20.4. 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.

As of December 31, 2016, the Leverage Ratio was 0.29 and the Gearing Ratio was 0.68.

NOTE 21 – Management of financial risks and financial instruments

The Group's financial liabilities comprise mainly borrowings, 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.

21.1. 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 and ARS) is summarized in the table below. These amounts are not subject to any hedging policy.

In 2016, the change in foreign currency translation adjustments recorded in consolidated equity on the net assets exposed to currency risk is a loss of €897 thousand. In 2015 the amount was €1,247 thousand.

Division by currency, in thousands of euros	EUR	USD	INR	SEK	DKK	GBP	AUD	CAD	OTHERS	TOTAL
on 31/12/2015										
Assets	39,906	26,866	6,070	9,951	8,328	13,983	1,799	5,270	786	112,959
Liabilities excl. equity	21,083	9,505	3,225	6,267	4,209	7,222	744	1,294	152	53,701
Net exposure (in euros)	**18,823**	**17,361**	**2,845**	**3,684**	**4,119**	**6,761**	**1,055**	**3,976**	**634**	**59,258**
Hedging	-	-	-	-	-	-	-	-	-	-
Net position after hedging (in euros)	**18,823**	**17,361**	**2,845**	**3,684**	**4,119**	**6,761**	**1,055**	**3,976**	**634**	**59,258**
on 31/12/2016										
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**
Hedging	-	-	-	-	-	-	-	-	-	-
Net position after hedging (in euros)	**18,074**	**17,756**	**3,796**	**4,895**	**3,597**	**7,702**	**1,069**	**4,686**	**2,616**	**64,191**

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 €1,776 thousand.

21.2. Management of interest rate risk

On December 31, 2016 and 2015, 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 of 6 years. Therefore, a change in indices will not have an impact on Valtech’s income before tax.

The group has not put in place any hedging strategy to cover the interest risk.

- **Bank guarantees**

All of Valtech’s bank guarantees are indexed on country-specific fixed rates. The Group has given bank guarantees amounting to €323 thousand.

21.3. Liquidity risk

In addition to the available cash of €48,577 thousand, the Group’s financing as of December 31, 2016 is based mainly on three lines related to assignment of receivables totalling €6.2 million concluded by Valtech SE and the German and Danish subsidiaries. This agreement transfers to the financial institution all the risks associated with collection of the receivables.

21.4. 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 22 – Share-based payment and equity-based compensation plans

22.1. Features of the 2013 plan

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

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

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

- Maximum number of warrants to be issued: 23,153,666
- Subscription price: €0.03
- Exercise price: €0.27
- The warrants are non-transferable and not available for:
  - the first 3 years (until July 12, 2016) - all warrants
  - the first 4 years for 50% of warrants
- Exercise periods:
  - The 4th year (from July 12, 2016 to July 11, 2017) for a minimum 25 % and maximum of 50% of warrants
  - The 5th year (from July 12, 2017 to July 12, 2018) for the remaining warrants.
- Advance redemption at €0.01 at the Company's warrant to be considered from the beginning of the third year, or from July 12, 2015 until maturity, i.e. July 12, 2018, provided that the market value (average of the opening prices on 10 sessions chosen from 20 which precede the date of dispatch of the early redemption notice) represents 274 % of the exercise price before consolidation (or €0.74 before consolidation and €5.92 after consolidation). In the event the Company implements the redemption of the warrants at a price of €0.01 (before consolidation), the title holders may avoid such redemption by exercising their warrants. The purchased warrants will be cancelled.
- In case of departure from the Company, as applicable:

  (i) if a warrant holder took the initiative to leave for a reason that is not attributable to the Company or,

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

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

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

- The underlying share is the Valtech share listed on Euronext Paris market, Eurolist Compartment C (ISIN FR0004155885). These shares have been listed since April 12, 1999. Shares will be created on exercise of the warrants and will be subject to periodic requests for admission to trading. This is about common shares that may be freely transferred by the holder turned shareholder. Three managers will receive 67% of the warrants, the remaining 33% being distributed among the other managers. One of the three managers, Sebastian Lombardo, is beneficiary to the extent of 42% of the warrants.
- If all 23,153,666 subscribed should be exercised, this will result in the issuance and admission of 2,894,208 new consolidated shares representing 12% of the Company's capital (or 13.62% before capital increase).

22.2 Features of the 2014 plan

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

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

The number of subscribed warrants is 6,485,155 and leads to an encashment of €324 thousand for the company. If all 6,485,155 subscribed warrants are exercised, this would lead to the issue and admission of 810,644 new consolidated shares, representing 2.95% of the share capital of the company. The issue proceeds would amount to €3,162 thousand.

22.3 Features of the 2015 plans

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

- Number of REWs subscribed and issued: 492,625

- one warrant will lead to the exercise of a (new consolidated) Valtech share;

- the issue price of one REW will be €0.80;

- the subscription price of one REW will be €0.32 (except for 70,000 REWs, subscription at €7.55)

- these warrants may be exercised, in part (between 25% and 50% of the subscribed warrants) between June 1, 2018 and May 31, 2019, and partly (the balance) between June 1, 2019 and May 31, 2020;

- the maturity of these warrants will be for a part (25%) May 31, 2019, and for the balance (75%), May 31, 2020;

- these securities may be redeemed early at an amount of €0.50 for one warrant, from June 1, 2017, and until maturity, provided the share price (opening average on 10 sessions selected from 20 preceding the date of dispatch of the early redemption notice) represents 274% of the exercise price i.e. €20.06; if the Company implements the redemption of the warrants at a price of €0.50 for one warrant, the warrant holders can avoid such redemption by exercising their warrants. The warrants so redeemed will be cancelled;

- the warrants will not be transferable;

- the warrants, in case of departure of the Holder from the Company, shall be repaid or maintained, in accordance with the application forms of the warrant holders. The warrants thus reimbursed will be cancelled.

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

22.4 Summary of the main features of the equity warrant plans

The main features of the warrants plan existing as of December 31, 2016 are described in the table below:

	2013 plan	2014 plan	2015 plan	2016 plan
Grant date	2013-06-12	2014-12-05	2015-04-21	2015-07-03
Contractual term of the plan	4 to 5 years	3 to 4 years	3 to 4 years	3 to 4 years
Number of warrants issued	23,153,666	6,485,155	422,625	70,000
Number of warrants required to purchase one share	8	8	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
Number of beneficiaries	58	30	25	2
Subscription price (euros)	0.03	0.05	0.50	0.80
Exercise price (euros)	0.27	0.33	7.32	7.32
Settlement method	Equity	Equity	Equity	Equity

The movements on the equity warrant plan are the following:

	31/12/2016		31/12/2015	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Warrants not exercised at the beginning of the period	**28,577,622**	**0.27**	**28,294,997**	**0.27**
Warrants attributed over the period			492,625	0.54
Warrants cancelled/maturing over the period	(46,250)	1.98	(210,000)	0.27
Warrants exercised over the period	(294,851)	0.28	-	-
Change in scope	-	-	-	-
Other changes	-	-	-	-
Warrants not exercised at the end of the period	**(341,101)**	**0.51**	**282,625**	**0.46**
Warrants exercisable at the end of period	**28,236,521**		**28,577,622**	

22.5 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 date	2013-05-10	2013-05-17	2013-05-10	2013-05-17
Market value of the underlying on the grant date	0,34	0,35	0,34	0,35
Subscription price (in euros)	0,03	0,03	0,03	0,03
Exercise price (in euros)	0,27	0,27	0,27	0,27
Volalitility expected (1)	56,10%	55,90%	56,10%	55,90%
Contractual life of the warrant	4 years	4 years	5 years	5 years
Risk-free return rate (2)	0,45%	0,38%	0,62%	0,53%
Dividend rate (3)	-	-	-	-
Fair value of warrants (4)	14,84	15,43	15,47	16,03

	Plan of 5 Dec. 2014 - 3 years	Plan of 5 Dec. 2014 - 4 years	Plan of 11 May 2015 - 4 years	Plan of 3 July 2015 - 4 years
Plan date	2014-12-05	2014-12-05	2015-05-11	2015-07-03
Market value of the underlying on the grant date (0)	4,70	4,70	7,55	8,35
Subscription price (in euros)	0,05	0,05	0,80	0,80
Exercise price (in euros)	0,33	0,33	7,32	7,55
Volalitility expected (1)	56,10%	55,90%	34,00%	34,00%
Contractual life of the warrant	4 years	4 years	4 years	4 years
Risk-free return rate (2)	0,45%	0,38%	0,20%	0,20%
Dividend rate (3)	-	-	-	-
Fair value of warrants (4)	14,84	15,43	20,06	20,06

(0) 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.

(1) Volatility weighted according to the schedule.

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

(3) 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.

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

22.6. Maturity of share-based warrants

22.6.1 2013 plan

The redeemable equity warrants (REW) have a variable vesting period between 4 and 5 years, at the initiative of the beneficiaries:

- The number of warrants of a period of 4 years is at least equal to 25% (5,788,417) and at most 50% of the warrants allocated (11,576,833) ;
- The proportion of warrants of a 5 year vesting period is therefore at least 50% and at most 75%.

The 4-year warrants will mature on July 12, 2017 and the 5 year warrants on July 12, 2018.

The warrants are exercisable during the period below:

- The 4-year warrants are exercisable from July 12, 2016 to July 11, 2017;
- The 5-year warrants are exercisable from July 12, 2017 to July 12, 2018.

The maturity of the warrants is equal to their life expectancy.

22.6.2 2014 plan

The REWs have a variable vesting period between 3 and 4 years, at the initiative of the beneficiaries:

- The number of warrants of a period of 3 years is at least equal to 25% (1,621,289) and at most 50% of the warrants allocated (3,242,578);
- The proportion of warrants of a 4 year vesting period is therefore at least 50% and at most 75%.

The 3 year warrants will mature on July 12, 2017 and the 4 year warrants on July 12, 2018.

The warrants are exercisable during the last year of their life:

- The 3 year warrants are exercisable from July 12, 2016 inclusive to July 11, 2017 inclusive;
- The 4 year warrants are exercisable from July 12, 2017 inclusive to July 12, 2018 inclusive.

The maturity of the warrants is equal to their life expectancy.

22.6.3 2015 plans

The REWs have a variable vesting period between 4 and 5 years, at the initiative of the beneficiaries:

- The number of warrants of a period of 3 years is at least equal to 25% and at most 50% of the warrants allocated;
- The proportion of warrants of a 4 year vesting period is therefore at least 50% and at most 75%.

The 3 year warrants will mature on May 31, 2019 and the 4 year warrants on May 31, 2020.

The warrants are exercisable during the last year of their life:

- The 3 year warrants are exercisable from June 1, 2018 inclusive to May 31, 2019 inclusive;
- The 4 year warrants are exercisable from June 1, 2019 inclusive to May 31, 2020 inclusive.

The maturity of the warrants is equal to their life expectancy.

22.7. Volatility of the share price

The Group has elected to retain a volatility calculated over a history of 3 years preceding the allocation of the plans (duration corresponding to the expected life of the warrants) and has applied a different volatility, calculated on the grant date, corresponding to each of the maturities envisaged by the schedule of the exercise. The stock of the Group was still listed on Euronext when the warrants were granted.

Consequently, the estimation of the share compensation expense associated with the warrants has been based on volatility and share price data on Euronext.

22.8. Expenses accounted for under share-based payments

The total expense recognized in the statement of income with a corresponding entry under shareholders' equity for share-based payments amounted to €1,040 thousand and €1,129 thousand for the years ended December 31, 2016 and 2015.

NOTE 23 – Off-balance sheet commitments

23.1. Contractual obligations

Commitments related to operating leases can be presented as follows:

Leases (in thousand euros)	31/12/2016	31/12/2015
Less than a year	7,123	5,160
Between 1 and 5 years	19,077	6,849
Beyond 5 years	6,554	838
Lease agreements	**32,754**	**12,847**

The contractual obligations are primarily related to rental commitments.

23.2. Guarantees given

The Valtech Group has agreed to the following guarantees:

Guarantees given (in thousand euros)	31/12/2016	31/12/2015
Guarantees for real estate leases	5,818	698
Guarantee to the buyer of a divested business	500	-
Total commitment	**6,318**	**698**

Guarantee given in connection with real estate leases:

The guarantees relate to a bank guarantee granted in France to the lessor of the Paris 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.

23.3. 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 24 – Related parties

24.1. Related parties

Transactions (including fees for specific assistance missions of S. Lombardo) concluded with normal market conditions between the group and related parties, are as follows:

(in thousand euros)

Company	Services	Link	31/12/2016	31/12/2015
Revenues				
NetWerk Group	Other revenues	Management in eFocus	20	-
Tumble group B.V	Other revenues	Management in eFocus	11	-
Medicor B.V	Consulting	Management in eFocus	1	-
Cure4 B.V	Other revenues	Management in eFocus	1	-
		Total revenues	**33**	-
Costs				
A3 Investissements	Consulting	Sebastian Lombardo	-	1209
Executive Technologies Partner Twenty Plus Consulting	Consulting	Tomas Nores	270	828
Verlinvest	Interest		27	-
The Three Tress B.V	Office rental	Management in eFocus	272	-
NetWerk Group	Group costs	Management in eFocus	1,034	-
NetWerk Group	Other expenses	Management in eFocus	8	-
Digital Tribes	Other expenses	Management in eFocus	65	-
A van Urk Management B.V	Consulting	Management in eFocus	96	-
Laurens Simonse Group	Other expenses	Management in eFocus	82	-
Brandt Management B.V	Consulting	Management in eFocus	98	-
Arnoud B.V	Consulting	Management in eFocus	96	-
		Total cost	**2,048**	**2,037**

24.2. Gross remuneration allocated to the board of directors

For the years ended December 31, 2016 and 2015, 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, subject to the provisions of Article L225-38 of the Commercial Code, companies that the CEO owns or controls, fees are paid by the Group to Mr. Lombardo. These fees amounts to €1,209 thousand in 2015 (none in 2016), as disclosed in the table above in Note 24.1.

24.3. 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, 2016 and 2015 amounted to €1,276 thousand and €2,913 thousand, respectively.

In 2016, this amount comprises €270 thousand of fees, detailed in the table above in Note 24.1 and €1.006 thousand of remuneration.

NOTE 25 – Events after closing date

25.1. 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.

25.2 Acquisition of People Interactive

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

People Interactive is consolidated in the Valtech accounts as of February 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €6.5 million upon closing with a €0.7 million holdback payment and subsequently paid them €3.6 million in shares of Valtech S.E. Subject to certain exceptions and the achievement of certain targets, the sellers are also entitled to receive €3.6 million in cash in December 2017. The analysis of assets and liabilities that are now part of Valtech's consolidation scope is ongoing. The goodwill resulting from this transaction is estimated at €12.7 million. The acquisition has no impact on the Consolidated Financial Statements.

25.3 Acquisition of the company El Chalten

On March 31, 2017, Valtech acquired the British company El Chalten Ltd, a leader in ecommerce platform development with around 100 employees in Ukraine. El Chalten Ltd is consolidated in the Valtech accounts as of April 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €0.9 million upon closing with a €0.5 million holdback payment. An additional €1.2 million will be paid in shares of Valtech S.E on or before December 31st 2017. The goodwill resulting from this transaction is estimated at €2.6 million. The acquisition has no impact on the consolidated financial statements.

25.4 Acquisition of the company Nonlinear

On June 1st, 2017, Valtech acquired the company Nonlinear, with offices in three countries, Canada, Brazil and United Kingdom. This digital agency has 80 employees with digital experience around Sitecore solutions and Microsoft. Nonlinear is consolidated in the Valtech accounts as of June 1st, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €4.5 million upon closing with a €0.4 million holdback payment. An additional €3.3 million will be paid in shares of Valtech S.E on or before December 31st, 2019. The goodwill resulting from this transaction is estimated at €5.8 million. The acquisition has no impact on the consolidated financial statements.

Notes to the company financial statements
For the year ended 31 December 2016

NOTE 26 – 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. They should be served no later than [*date*].

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 3 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 27 – 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 2016 was 20,169 thousand euros (2015 1,292 thousand euros)

The auditor's remuneration for audit and other services is disclosed in Note 9 to the consolidated financial statements.

NOTE 28 – Investment in subsidiaries

Cost	**k€**
At 1 January 2016	112,981
Additions	21,313
Disposals	-
At 31 December 2016	134,294
Provisions for impairment	
At 1 January 2016	51,424
Written off	-
Written back	23,921
Disposals	-
At 31 December 2016	27,575
Net book value	106,719

NOTE 29 – Trade and other receivables

	2016	**2015**
	k€	**k€**
Amounts falling due within one year:		
Amounts owed by group undertakings (net)	2,298	6,621
Other debtors (net)	23,077	16,462
	25,375	23,083

Notes to the company financial statements
For the year ended 31 December 2016

NOTE 30 – Trade and other payables

	2016	2015
	k€	k€
Amounts falling due within one year:		
Trade payables	12,375	7,757
Amounts owed to group undertakings	8,102	6,105
Other payables	10,708	-
	31,185	13,862

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

Note 31 – 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, 2016.

NOTE 32 – Loan notes

	2016	**2015**
	k€	**k€**
Amounts due for settlement within 12 months	0	0
Amounts due for settlement between one and five years	0	0
Amounts due for settlement after five years	42,500	0

Details of the convertible loan notes are given in notes 3.2.6 and 20.4 to the consolidated financial statements.

NOTE 33 – Other reserves

Other reserves for an amount of €1,501,940 are provisions for risks arising out of litigations, provisions for onerous contracts and provisions for unrealized foreign exchange losses.

Notes to the company financial statements
For the year ended 31 December 2016

NOTE 34 – Share capital and share premium account

The movements on these items are disclosed in notes 16 to the consolidated financial statements.

NOTE 35 – Equity reserve

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

NOTE 36 – Retained earnings

	k€
Balance at 1 January 2015	(19,813)
Dividends paid	-
Net profit for the year	1,292
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 31 December 2016	1,315

Five year summary
For the year ended 31 December 2016

FIVE YEAR SUMMARY

	2016	2015	2014	2013	2012
	€	€	€	€	€
Results					
Revenue	28,550,060	29,494,415	26,568,866	33,233,404	30,027,423
Profit from operations	(5,186,654)	(3,182,808)	(5,118,694)	100,636	(771,008)
Profit before tax	20,016,339	1,048,418	(3,882,895)	259,207	(505,442)
Profit attributable to equity holders of Valtech SE	20,169,336	1,292,460	(3,695,972)	597,478	(127,720)
Assets employed					
Non-current assets	125,732,096	81,754,398	66,285,970	61,271,536	61,036,193
Current assets	55,428,137	26,630,128	40,446,527	17,621,200	17,153,673
Current liabilities	36,114,079	19,549,659	20,088,964	15,559,622	16,143,836
Non-current liabilities	44,001,940	982,043	809,227	761,543	766,547
Long-term provisions		-	-	-	-
Net assets	101,044,214	87,852,824	85,834,306	62,571,571	61,279,483
Financed by					
Equity	101,044,214	87,852,824	85,834,306	62,571,571	61,279,483
Non-controlling interests		-	-		
Key statistics					
Earnings per share	0.76	0.05	(0.13)	0.03	(0.00)