

VALTECH SE
Consolidated financial statements
Year ended December 31st 2018

Registered number: SE 106

Valtech SE

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Strategic Report

Principal activities

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

Valtech's clients primarily consist of medium and large corporations located across Europe, North America, South America, Asia and Australia. 82.7% of 2018 revenues were generated from our operations in Europe, 12.9% from operations located in North America and 4.4% from operations located in the rest of the world.

Valtech has become one of the leading independent digital transformation services providers in the world, with 2,591 employees as of December 31, 2018, and with broad geographic and industry diversification. Revenues have grown from €233.7 million in 2017 to €272.0 million in 2018, representing a growth rate of 16.4%.

Key Performance Indicators

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

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

Factors

The most significant factors affecting results of operations include:

- *Market demand for digital transformation services and related market trends.* The demand for digital transformation services has grown significantly in recent periods in Europe and North America, which are the regions in which most of our clients operate. The growth in demand has and may continue to positively impact our revenue and results of operations. Conversely, if the growth in demand for digital transformation services slows or declines in key regions in which we operate, our revenue and results of operations may be negatively affected.
- *Economic conditions in the industries and countries in which our clients operate and their impact on our clients' spending on digital transformation services.* A substantial majority of our clients are concentrated in seven specific industry verticals (retail, automotive, government, financial services, travel and hospitality, media and healthcare), which accounted for 82.1% of our revenue for the year ended December 31, 2017 and 79.7% of our revenue for the year ended December 31, 2018. In addition, most of our revenue is derived from clients located in Europe or the United States. Changing economic conditions in any of our targeted industries or in the countries where our clients operate may affect the amount and

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

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

Business Performance

Major Events of the Year

Acquisition of the company True Clarity Ltd (United Kingdom)

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

True Clarity is consolidated in the Valtech accounts as of February 1, 2018. Pursuant to the purchase agreement, Valtech paid the sellers €9.1 million upon closing with an additional €2.2 million holdback payment and subsequently paid them €7.3 million in shares of Valtech SE. Depending on the level of certain KPI targets in 2018, Valtech had the right to buy back a certain number of shares. This buy back has been assessed at a level of €0.4 million (included in the other receivables), leading to a goodwill of €18.2 million.

The determination of the fair value of assets acquired and liabilities assumed is finalized. The fair value of net assets acquired amounts to €7,560 thousand, out of which €6,127 thousand (net of deferred taxes) relate to intangible assets identified when performing the purchase price allocation. The goodwill resulting from this transaction is €10.5 million before exchange rate fluctuation.

Valtech also agreed to issue warrants to certain key employees. In August 2018, 26,960 warrants were issued (see details about warrant features in Note 25).

Increase in capital

On January 10, 2018, the Board of Valtech decided to issue 59,268 new shares at €16 per share as payment for the acquisition of Codehouse A/S, leading to a capital increase of €948 thousand (out of which €7 thousand in share capital).

On January 30, 2018, the Board decided to issue 457,480 new shares at €16 per share as payment for the contingent consideration of the acquisition of True Clarity Ltd, leading to a capital increase of €7,320 thousand (out of which €58 thousand in share capital).

Signing of Joint Venture Agreement with Audi Electronics Venture GmbH

On March 27, 2018, our German subsidiary Valtech GmbH entered into a Joint Venture Agreement with Audi Electronics Venture GmbH. The general business objective of the joint-venture partners is to establish a long-term cooperation concerning the development and providing of competitive digital products and enablers using a joint-venture utilizing common synergies which are not possible on a stand-alone basis.

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The joint-venture Valtech Mobility GmbH was formed on June 29, 2018, owned 51% by Valtech GmbH and 49% by Audi Electronics Venture GmbH (AEV). On that date AEV contributed €7.5 million in cash. Valtech GmbH has contributed to Valtech Mobility with net assets amounting to €7.8 million.

On July 1, 2018, pursuant to the Joint Venture Agreement, Valtech GmbH transferred to the joint-venture a digital mobility business unit with approximately 172 employees. The operations started on July 1, 2018 and the new company is fully consolidated in the Valtech accounts from this date.

Dispute with buyer of business in USA

Valtech Services (USA) sold its business assets on January 1, 2016. In August 2018, Valtech Services introduced claims against the buyer to recover payments due under the sale contract, plus legal expenses. Following trials held in 2018, a judgement was rendered in December 2018 which awarded \$3.3 million to Valtech Services in payment for the assets sold, plus interest, sanctions and legal fee and costs. The judgment has been appealed by the buyer of the business assets and therefore no receivable has been recognized as of December 31, 2018. Legal fees related to the litigation is recorded under discontinued operations.

Hyperinflation in Argentina

Entities with a functional currency of the Argentine peso are required to apply IAS 29 in accounting periods ending on or after 1 July 2018. Valtech's Argentinian business represented 1.2% of the third party turnover 2018.

Adoption of IAS 29 requires the non-monetary assets and liabilities and the income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. Loss in net monetary position due to restatement amounts to less than €100 thousand for the year 2018, unrecorded as immaterial.

Dividend

On September 14, 2018, the Board of Valtech decided to pay an interim dividend of €0.25 per share to the shareholders of the company. The dividend amounts to €7,091 thousand, fully paid as of December 31, 2018.

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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, 2017 and 2018:

(in thousands of euros and as % of)	2017		2018	
Revenue	233,414	99.9%	271,776	99.9%
Other revenue	281	0.1%	196	0.1%
Total revenue	233,695	100.0%	271,972	100.0%
Cost of sales	(154,368)	-66.1%	(174,176)	-64.0%
Gross margin	79,327	33.9%	97,796	36.0%
Commercial costs	(16,523)	-7.1%	(17,571)	-6.5%
Administrative costs	(50,625)	-21.7%	(59,662)	-21.9%
Restructuring costs	(1,627)	-0.7%	(646)	-0.2%
Other income and expenses	(126)	-0.1%	(12)	0.0%
Goodwill impairment	(1,141)	-0.5%	-	0.0%
Operating result	9,285	4.0%	19,905	7.3%
Cost of gross financial debt	(2,378)	-1.0%	(3,573)	-1.3%
Interest income on cash and cash equivalents	127	0.1%	141	0.1%
Other financial income and expenses, net	(1,219)	-0.5%	478	0.2%
Income before tax from continuing operations	5,815	2.5%	16,951	6.2%
Income tax expense	(5,583)	-2.4%	(3,768)	-1.4%
Net income (loss) from continuing operations	232	0.1%	13,183	4.8%
Income (loss) from discontinued operations	(1,684)	-0.7%	(2,621)	-1.0%
Net income (loss)	(1,452)	-0.6%	10,562	3.9%
Net income (loss) attributable to:				
Equityholders of the parent	(1,452)	-0.6%	9,401	3.5%
Non-controlling interests	-	-	1,161	0.4%

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Financial performance

Revenue

Revenue grew from €233.7 million in 2017 to €272.0 million in 2018, representing an increase of €38.3 million, or 16.4%. On a constant currency basis, our total revenue growth was 19.4% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily attributable to:

- The growth in revenue from our existing activities in Germany from €57.1 million in 2017 to €72.6 million in 2018, which is mainly attributable to the development of our business in the automotive sector of which €19.0 million were invoiced by the joint-venture with Audi from July 2018 to December 2018; the growth in revenue in the Netherlands from €24.0 million in 2017 to €28.8 million in 2018; the growth of the revenue in our business in North America, from €32.7 million in 2017 to €35.2 million in 2018, and increase of €2.5 million; the growth of the revenue in our existing business in Sweden, from €31.1 million in 2017 to €33.1 million in 2018; the growth in revenue in the Argentina from €1.7 million in 2017 to €3.2 million in 2018; and the increase in revenue of our Global Delivery business from €4.9 million in 2017 to €8.4 million in 2018.
- The acquisition of True Clarity in February 2018 in the United Kingdom, which added €5.9 million of revenue in 2018.
- The full-year impact of the acquisitions of El Chalten in April 2017, Non-Linear in June 2017 and Codehouse in November 2018, which added €7.1 million of revenue in 2018.

These positive contributors to our revenue in 2018 were partially offset by the decrease in revenue in Australia from €4.1 million in 2017 to €1.9 million in 2018.

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

- *Retail*: Revenue from retail grew €5.3 million, from €69.7 million in 2017 to €75.0 million in 2018. The increase in revenue in this industry vertical was primarily attributable to the growth of our revenue with our top 10 clients in this industry vertical.
- *Automotive*: Revenue from automotive grew €15.7 million, from €35.7 million in 2017 to €51.4 million in 2018. The increase in revenue in this industry vertical was primarily attributable to the growth of revenue with Volkswagen Group resulting from the joint-venture agreement signed on July 01, 2018.
- *Financial services*: Revenue from financial services grew €3.8 million, from €23.3 million in 2017 to €27.1 million in 2018. The increase in revenue in this industry vertical was primarily attributable to the addition of several new clients.
- *Manufacturing*: Revenue from manufacturing grew €6.1 million, from €6.5 million in 2017 to €12.6 million in 2018. The increase in revenue in this industry vertical was primarily attributable to the growth of revenue with our top 10 clients.

Cost of sales

Cost of sales increased from €154.4 million in 2017 to €174.2 million in 2018, representing an increase of €19.8 million, or 12.8%. The increase was primarily attributable to an increase in staff costs, which grew €17.4 million, or 15.6%, from €112.0 million in 2017 to €129.4 million in 2018, mainly due to an increase in our headcount of IT professionals from 1,936 for the year ended December 31, 2017 to 2,214 for the year ended December 31, 2018, an increase in subcontractor costs, which grew by €2.0 million, or 5.1%, from 2017 to 2018, and the negative impact of the decrease of internally-generated assets, which decreased by €0.8 million, or 32.3%, partially offset by a decrease of software costs and miscellaneous costs, which decreased by €1.9 million, or 39.8%, from €4.9 million in 2017 to €2.9 million in 2018, mainly due to the unusually high amount of software

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expense in 2017 that was driven by the addition of new information systems for our delivery teams. Consolidation with the UK business we acquired in 2018 added €2.2 million to our cost of sales from acquisition in February 2018 to merge with our existing UK entity in October 2018.

Commercial costs

Commercial costs increased from €16.5 million in 2017 to €17.6 million in 2018, representing an increase of €1.1 million, or 6.3%. The cost of our sales and marketing staff decreased by €0.1 million, or 1.4%, from €11.0 million in 2017 to €10.9 million in 2018. Our marketing expenses increased by €0.1 million, or 5.7%, from €2.6 million in 2017 to €2.7 million in 2018. Other commercial costs excluding marketing expenses increased by €1.4 million, or 52.6%, from €2.6 million in 2017 to €4.0 million in 2018, which is primarily due to the €1.1 million increase of the depreciation of acquired intangibles from €1.6 million in 2017 to €2.7 million in 2018. Consolidation with the UK business we acquired in 2018 added €0.7 million to our commercial costs from acquisition in February 2018 to merge with our existing UK entity in October 2018.

Administrative costs

Administrative costs increased from €50.6 million in 2017 to €59.7 million in 2018, representing an increase of €9.1 million, or 17.9%. The cost of our management and administrative staff increased from €23.0 million in 2017 to €26.1 million in 2018, an increase of €3.1 million, or 13.2%, of which €1.0 million is due to the consolidation of recently acquired businesses. The cost of our offices and offices-related costs increased from €14.4 million in 2017 to €17.0 million in 2018, an increase of €2.6 million, or 17.8%, of which €0.9 million is due to additional costs to support the growth of our business in Germany and €0.6 million was due to the cost of leasing offices for our newly acquired businesses. Recruiting, training and internal events costs increased from €3.8 million in 2017 to €6.1 million in 2018, an increase of €2.3 million, or 59.5%, which is primarily attributable to the increased expenses of our European businesses to recruit and retain the staff required for the growth of our business. Professional fees increased by €1.2 million, or 23.3%, from €5.0 million in 2017 to €6.2 million in 2018, primarily due to the cost of various consulting services related to M&A activity, corporate reorganization, and additional audit costs. Administrative costs of recently acquired businesses added €2.0 million to our administrative costs in 2018.

Restructuring costs

Restructuring costs decreased from €1.6 million in 2017 to €0.6 million in 2018, representing a decrease of €1.0 million, or 60.3%, which is primarily attributable to the non-recurring effect of a one-time cost related to the merger of our subsidiary in Germany, severance costs in France, and unused offices in Denmark and Sweden.

Other income and expenses

Other income and expenses decreased from a loss of €0.2 million in 2017 to a loss of €0.0 million in 2018.

Goodwill impairment

No charge for goodwill impairment was recorded in 2018 as opposed to a €1.1 million goodwill impairment expense in 2017 related to our business in Australia.

Cost of gross financial debt

Cost of gross financial debt increased from €2.4 million in 2017 to €3.6 million in 2018, an increase of €1.2 million, or 50.2%. The increase was primarily attributable to the impact of the issuance of notes in October 2017.

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Other financial income and expenses, net

Other financial income and expenses produced a loss of €1.2 million in 2017 and an income of €0.5 million in 2018. The variation is due to the impact of the movements of currency exchange rates.

Income tax expense

Income tax expense decreased from €5.6 million in 2017 to €3.8 million in 2018, a decrease of €1.8 million, or 32.5%. The decrease was primarily attributable to the recognition in 2018 of deferred tax assets for an amount of €3.7 million for a portion of the available unused tax losses in France, as opposed to the reduction for an amount of €1.2 million in 2017 of the deferred tax assets related to the lower corporate income tax rate in the US introduced by the U.S. Tax Cuts and Jobs Act. The positive impact of the changes in deferred tax assets is partially offset by the increase of our current income tax expense from €4.6 million in 2017 to €7.2 million in 2018, which is primarily attributable to the increase in our income before tax from continuing operations, which increased from €5.8 million in 2017 to €17.0 million in 2018, an increase of €11.2 million, or 191.5%.

Income (loss) from discontinued operations

We had a loss from discontinued operations of €1.7 million in 2017 and a loss from discontinued operations of €2.6 million in 2018, representing an increase of €0.9 million, or 55.6%. The increase is primarily attributable to the cost of a legal dispute with the buyer of our disposed business in the United States, which is related to the payment of a portion of the price for the sale of this disposed business.

Non-controlling interests

Non-controlling interests were nil in 2017 and €1.2 million in 2018. Non-controlling interest represent the portion of the net income of our joint-venture with Audi that is attributable to our venture partner.

Net income (loss) attributable to equity holders of the parent

As a result of the foregoing, we had a loss of €1.5 million in 2017 and an income of €9.4 million in 2018, representing an increase of €10.9 million.

Liquidity and capital resources

Our financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- changes in working capital needs;
- the level of our outstanding indebtedness and the interest we are obligated to pay on this indebtedness;
- the availability of public and private debt and equity financing;
- changes in exchange rates which will impact our generation of cash flows from operations when measured in Euros; and
- our capital expenditure requirements.

Overview

As of December 31, 2018, our primary sources of liquidity were €39.1 million of cash and cash equivalents net of bank overdrafts and one non-recourse factoring credit line related to assignment of receivables that collectively provide up to €4.0 million of additional liquidity. Historically, we have been able to generate cash from our operations and through equity and debt financings, including €42.5 million of notes issued on July 27, 2016, which bear a fixed interest rate of 4.25% and mature in July 2022, and €33 million of notes issued on October 17, 2017, which bear a fixed interest rate of 4.50% and mature in October 2024. Currently, our subsidiaries invoice their local clients and receive cash in the countries in which they operate, while our subsidiaries in Ukraine, Argentina and India depend on transfer of funds from other subsidiaries of Valtech to fund their liquidity. Our

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primary cash needs are for working capital requirements, capital expenditures and acquisitions of new businesses.

Comparative cash flows

The following table summarizes our cash flows from operational, investing and financing activities for the years indicated:

	2016	2017	2018
Net cash provided by operating activities	14 903	7 257	9 860
Net cash used in investing activities	-20 031	-25 898	-21 200
Net cash used in financing activities	42 258	30 415	-3 991
Impact of changes in foreign exchange rates	-4	-465	-362
Cash flows from operations being discontinued	-6 126	-1 322	-2 649
Overall net cash flows	31 000	9 987	-18 342
Cash and cash equivalents at the beginning of the period	17 577	48 577	58 564
Cash and cash equivalents at the end of the period	48 577	58 564	40 222

Operating activities

	2016	2017	2018
Net income (loss)	4 182	-1 452	6 902
- Depreciation and amortization, net	3 977	6 307	9 118
- Goodwill impairment		1 141	
- Increase (decrease) in provision for loss	-225	643	-324
- Capital losses on disposal of assets	271	-7	394
- Share-based compensation expense	1 040	699	290
Financial expenses	919	3 470	2 954
Change of income tax for the period	3 499	4 600	7 173
Change in deferred tax for the period	-83	983	255
Income tax paid	-3 415	-2 434	-7 292
Net change in working capital	4 738	-6 693	-9 610
Net cash provided by operating activities	14 903	7 257	9 860

Net cash provided by operating activities was €7.3 million in 2017 as compared to net cash provided by operating activities of €9.9 million in 2018. This change was primarily attributable to the increase of our net income, from a loss of €1.5 million in 2017 to a profit of €10.6 million in 2018, partially offset by an increase of the amount of tax paid, from €2.4 million in 2017 to €7.3 million in 2018 and by a larger increase of our working capital, from €6.7 million in 2017 to €9.6 million in 2018. Increase in the amount of Income tax paid in 2018 as compared to 2017 is attributable to the increase of Income before tax from continuing operations from €5.8 million in 2017 to €17.0 million in 2018. The larger increase in our working capital in 2018 compared to 2017 is primarily attributable to the expansion of our activity in automotive business in Germany and the acquisition of a business in United Kingdom in February 2018.

Investing activities

	2016	2017	2018
Acquisition of tangible assets	-4 994	-3 871	-4 565
Acquisition of intangible assets	-3 943	-5 872	-4 081
Proceeds from the sale of non current assets	915	198	0
Payments for acquired businesses, net of cash acquired	-10 206	-16 264	-12 554
Increase (decrease) of the financial investments	-1 803	-89	
Net cash used in investing activities	-20 031	-25 898	-21 200

Net cash used in investing activities was €25.9 million in 2017, compared to €21.2 million in 2018. The decrease in net cash used in investing activities was primarily attributable to a lower amount of cash paid in relation to the

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acquisition of businesses in 2018 – one business acquired in United Kingdom - as compared with the cash paid in relation to the acquisition of businesses in 2017.

Financing activities

	2016	2017	2018
Interest paid	-267	-1 847	-3 474
Cash received from subscription of warrants		150	20
Cash received from exercise of warrants	46	240	619
Capital increase			
Cash received from non controlling interest			7 512
Issuance (repayment) of financial liabilities	42 500	31 938	0
Purchase of treasury shares		-66	-1 577
Redeemed warrants	-21		
Dividends paid			-7 091
Others			
Net cash used in financing activities	42 258	30 415	-3 991

Net cash provided by financing activities was €30.4 million in 2017, compared to net cash used by financing activities of €4.0 million in 2018. This decrease in net cash provided by financing activities was primarily attributable the absence of an issuance of note in 2018, compared to the net proceeds of the issuance of notes in October 2017 of €33.0 million principal amount. The one-time positive impact of the cash contribution of Audi Electronics Venture to our subsidiary Valtech Mobility GmbH for an amount of €7.5 in 2018 is partially offset by the \$7.1 million dividend paid to Valtech shareholders.

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Consolidated statement of financial position

(in thousands of euros)	31/12/2017	31/12/2018
Goodwill	46,417	56,458
Intangible assets, net	20,045	25,849
Tangible assets, net	8,339	9,135
Non-current financial assets, net	2,825	2,906
Other non-current assets	-	71
Deferred tax assets	2,008	5,756
Non-current assets	79,634	100,175
Accounts receivable and related accounts	66,059	76,058
Other current assets	13,234	18,609
Cash and cash equivalents	61,703	40,222
Current assets	140,996	134,889
Total assets	220,630	235,064
Share capital	3,446	3,519
Reserves	60,890	57,921
Net income attributable to equity holders of the parent	(1,452)	9,401
Equity attributable to owners of the Company	62,884	70,841
Non-controlling interests	-	8,673
Total equity	62,884	79,514
Provisions-non-current portion	2,854	2,520
Long-term borrowings	74,438	74,626
Other financial debt-non-current portion	16,671	5,095
Deferred tax liabilities	4,884	6,533
Non-current liabilities	98,847	88,774
Provisions-current portion	779	789
Short-term borrowings and bank overdrafts	4,218	1,080
Accounts payable and related accounts	24,001	24,231
Other financial debt-current portion	3,377	11,136
Other current liabilities	26,524	29,540
Current liabilities	58,899	66,776
Total liabilities	157,746	155,550
Total equity and liabilities	220,630	235,064

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Principal risks and uncertainties

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

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

In the year ended December 31, 2018, 79.9% of our revenue was derived from clients located in Europe and 12.9% of our revenue was derived from clients located in North America. Any weakening of economic conditions in European economies or in North America could depress the pricing for our services and cause our clients in these markets to reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our business, results of operations and financial condition. Additionally, if we are unable to successfully anticipate changing economic and other conditions affecting the markets in which we operate, in particular in Europe and in North America, we may be unable to effectively plan for or respond to those changes and our business, results of operations and financial condition could be negatively affected.

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

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

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

We have recently experienced rapid growth and significantly expanded our business. Our total revenue has grown from €184.9 million in the year ended December 31, 2015 to €207.8 million in the year ended December 31, 2016, to €233.7 million in the year ended December 31, 2017 and to € 272.0 million in the year ended December 31 2018, representing year-over-year annual growth rates of 12.4%, 12.5%, and 13.7 % respectively. As of December 31, 2015, we had 1,590 employees, as compared to 1,836 employees as of December 31, 2016, 2,266 employees as of December 31, 2017 and 2,591 Employees as of December 31, 2018. We have also expanded geographically, broadening our operations from nine countries in 2014 to 16 countries in 2018. Our rapid growth has placed, and we expect it to continue to place, significant demands on our management and our administrative, operational and financial infrastructure. Continued expansion increases the challenges we face in offering our services in the following areas:

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

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

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

We have derived, and believe that in the foreseeable future we will continue to derive, a significant portion of our revenue from a small number of clients. In 2015, our largest client was accounting for 7.0% of our revenue in that year; in 2016 our largest client was accounting for 8.0% of our revenue in that year; in 2017 our largest client was accounting for 7.7% of our revenue in that year and in 2018 our largest client accounted for 8.5% of our revenue in that year. In 2015, 2016, 2017 and 2018, our top 10 clients accounted for 31.9%, 28.9%, 28.0% and 36.2% of our revenue, respectively.

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

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

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

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

A substantial portion of our clients are concentrated in seven specific industry verticals: retail, automotive, financial services, government, travel and hospitality, healthcare, and media. In the year ended December 31, 2018, we derived 27.6%, 18.9%, 10.0%, 8.5%, 5.4%, 5.4%, and 4.0% of our revenue, respectively, from clients operating in these seven industries. Our business growth largely depends on continued demand for our services from clients in these seven industry verticals.

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

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

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

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

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

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

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

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

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

Our business depends, in part, upon continued growth in the use of digital marketing and technology in business by our clients and prospective clients. In challenging economic environments, our clients or prospective clients may reduce or defer their spending on new marketing initiatives or technologies in order to

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

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

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

The risks we face include:

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

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

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

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

The amount of goodwill and intangible assets in our consolidated financial statements has increased significantly in recent years, primarily due to acquisitions. As of December 31, 2018, the amount of goodwill

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and intangible assets in our consolidated financial statements was €82.3 million, representing 35.0% of total assets. Goodwill and acquisition-related intangibles are subject to impairment review at least annually. Impairment testing under IFRS may lead to impairment charges in the future. Any significant impairment charges could have a material adverse effect on our results of operations.

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

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

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

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

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

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients or other parties with whom we conduct business with respect to certain matters. These arrangements can include provisions whereby we agree to hold the indemnified party and certain of their affiliates harmless with respect to third-party claims, including matters such as our breach of certain representations or covenants, our infringement of the intellectual property of others or our gross negligence or willful misconduct. Payments by us under any of these arrangements are generally conditioned on the client making a claim and providing us with full control over the defense and settlement of such claim. It is not possible to determine our maximum potential exposure under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. If events arise requiring us to make payment for indemnification claims under our contractual indemnification obligations, such payments could have a material impact on our business, results of operations and financial condition.

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

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

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

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

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

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

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

Wage costs for IT professionals may increase at a faster rate than in the past, driven by increased competition for their services or other factors, which ultimately may make us less competitive unless we are able to increase the efficiency and productivity of our IT professionals as well as the prices we can charge for our services. Wages are our most significant operating expense and increases in wage costs may reduce our

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profitability. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive, and we may not be able to pass on these increased costs to our clients. In addition, the issuance of equity-based compensation to our IT professionals would also result in additional dilution to our shareholders. Unless we are able to continue to increase the efficiency and productivity of our employees as well as the prices we can charge for our services, wage inflation and increased wages may materially adversely affect our financial condition and results of operation.

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

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

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

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

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

Some of our IT professionals are trained to work for specific clients or on specific projects and some of our facilities are dedicated to specific clients or specific projects. Our ability to manage our utilization levels depends significantly on our ability to hire and train high-performing IT professionals and to staff projects appropriately. Our ability to manage our utilization levels also depends on the general economy and its effect on our clients and their business decisions regarding the use of our services. If we experience a slowdown or stoppage of work for any client, or on any project for which we have dedicated IT professionals or facilities, we may not be able to efficiently reallocate these IT professionals and facilities to other clients and projects to keep their utilization and productivity levels high. If we are not able to maintain optimal resource utilization levels without corresponding cost reductions or price increases, our profitability will suffer.

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

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

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

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

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

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

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

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

Our corporate reputation is a significant factor in our clients' and prospective clients' determination of whether to engage us. We believe the Valtech brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented IT professionals. However, our corporate reputation is susceptible to damage by actions or statements made by current or former employees or clients, competitors, vendors, adversaries in legal proceedings and government regulators, as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely

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affect our business, results of operations and financial condition. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the Valtech brand name.

Most of our contracts with our clients are short-term and our business, results of operations and financial condition could be adversely affected if our clients terminate their contracts on short notice.

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

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

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

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

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

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

A majority of our client contracts provide that the client may terminate the contract without cause prior to the end of the term of the agreement by providing us with relatively short prior written notice of the termination and without significant early termination costs. As a result, the existence of contractual relationships with our clients is not an assurance that we will continue to provide services for our clients through the entire term of their respective agreements. If clients representing a significant portion of our revenue terminated their agreements unexpectedly, we may not be able to replace the revenue and income from such contracts, which would adversely affect our business, results of operations and financial condition. In the event of contract termination on short notice, we may be unable to reassign our IT professionals to new engagements without

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delay. The cancellation of an engagement could, therefore, reduce the utilization rate of our IT professionals, which would have a negative impact on our business, results of operations and financial condition. In addition, client contract terminations could harm our reputation which could negatively impact our ability to obtain new clients.

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

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

In addition to our time-and-materials contracts, we undertake some engagements on a fixed-price basis. Revenue from our fixed-price contracts represented 15.6%, 20.3% and 25.1%, 30.7% of total revenue for the years ended December 31, 2015, 2016, 2017 and 2018, respectively. In the future, the share of total revenue which will be derived from fixed-price contracts may increase if we secure large fixed-price engagements. Our pricing in a fixed-price contract is highly dependent on our assumptions and forecasts about the costs we will incur to complete the related project, which are based on limited data and could turn out to be inaccurate. Any failure by us accurately to estimate the resources and time required to complete a fixed-price contract on time and on budget or any unexpected increase in the cost of our employees assigned to the related project, office space or materials could expose us to risks associated with cost overruns and could have a material adverse effect on our business, results of operations and financial condition. In addition, any unexpected changes in economic conditions that affect any of the foregoing assumptions and predictions could render contracts that would have been favorable to us when signed unfavorable.

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

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

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

Our ability to successfully manage large and complex projects depends significantly on the skills of our management personnel and IT professionals, some of whom do not have experience managing large-scale or complex projects. In addition, large and complex projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. Such cancellations or delays may make it difficult to plan our project resource requirements. If we fail to successfully obtain engagements for large and complex projects, we may not achieve our revenue growth and other financial goals. Even if we are successful in obtaining such engagements, a failure by us to effectively manage these large and complex projects could damage our reputation, cause us to

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lose business, impact our margins and adversely affect our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

Factors that are likely to cause variations include:

- the number, timing, scope and contractual terms of business transformation projects in which we are engaged;
- delays in project commencement or staffing delays due to difficulty in assigning appropriately skilled or experienced IT professionals;
- the accuracy of estimates of resources, time and fees required to complete fixed-price projects and costs incurred in the performance of each project;

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

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

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

We have issued warrants under our equity incentive plans and entered into certain other share-based incentive arrangements in the past, as a result of which we have recorded €1.1 million, €1.0 million, €0.7 million and €0.3 million as share-based compensation expenses for each of the years ended December 31, 2015, 2016, 2017 and 2018, respectively.

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

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

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

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confidential information or other proprietary business information as a result of such an incident could adversely affect our competitive position and reduce marketplace acceptance of our services. Although we intend to continue to implement security measures, any failure, unauthorized access or breach of the networks or computer systems used by us or our clients could result in a claim for substantial damages against us and significant reputational harm, regardless of our responsibility for the failure, unauthorized access or breach.

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

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

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

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

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

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

In addition, our operations in Argentina expose us to risks associated with the unpredictable and significant levels of inflation Argentina has experienced in recent years. Our operating costs in Argentina are denominated in Argentine Pesos. Inflation in Argentina, without a corresponding Peso devaluation, could result in an increase in our operating costs without a commensurate increase in our revenue, which could adversely affect our results of operations and financial condition. Since July 1, 2018, inflation in Argentina has reached a level of hyperinflation as defined by IFRS, hence entities with the Argentinian Peso as their functional currencies are required to apply IAS 29 Financial Reporting in Hyperinflationary Economies. Adoption of IAS 29 requires the non-monetary assets and liabilities and the income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. While the loss in net monetary position due to such restatement is not material as of December 31, 2018, the continuation or worsening of a hyperinflation situation in Argentina may adversely affect our results of operations, financial condition and cash flows.

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

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

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

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

In addition, strict labor regulations in certain of the jurisdictions in which we operate, including France, may make it difficult for us to make changes to our workforce in response to changes in demand for our services, which could materially adversely affect our business, results of operations and financial condition. The terms of certain national collective bargaining agreements that apply to all businesses within specific industries are

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applicable to certain of our French employees. Certain of our French employees are also represented by an elected works council with which we have entered into collective bargaining agreements that provide, among other things, for terms of employment that are mandated under French law. These collective bargaining agreements may limit our ability to make changes to the terms of employment of certain of our French employees, for example to reduce costs, which could materially adversely affect our business, results of operations and financial condition.

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

Our clients include national, provincial, state and local governmental entities. Revenue from our government clients represent 16.0%, 12.7%, 8.8% and 8.5% of our total revenue for the years ended December 31, 2015, 2016, 2017 and 2018 respectively. Our government work carries various risks inherent in the government contracting process, which may affect our operating profitability.

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

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

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

We believe that our available cash and cash equivalents, cash flows expected to be generated from operations, borrowings available to us will be sufficient to meet our projected operating and capital expenditure requirements for at least the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to sell

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additional equity or debt securities or obtain another credit facility in addition to our existing credit lines related to assignment of receivables. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of business transformation services companies;
- conditions of the United States and other capital markets in which we may seek to raise funds;
- our future results of operations and financial condition.

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

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

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

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

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

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

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

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

We conduct business globally and file income tax returns in multiple jurisdictions, including jurisdictions located in Europe, North America, Asia, Australia and Latin America. Our effective tax rate, results of operations and financial condition could be materially adversely affected by a number of factors, including changes in the amount of income taxed by or allocated to the various jurisdictions in which we operate that have different statutory tax rates; the resolution of issues arising from tax audits or examinations and any related interest or penalties; and changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions. Certain jurisdictions, including France, are actively contemplating tax reform and tax policy changes, which could adversely affect our business, results of operations and financial condition.

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

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

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

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

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

In France and the United States, we have material tax losses that have been carried forward, some of which have been recognized as deferred tax assets. Should our net income be less favorable than what we anticipated

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when we determined the amount of deferred tax assets, we would be forced to impair the value of these deferred tax assets, which could adversely and materially impact our result of operations, net income, cash flows and financial condition.

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

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

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

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

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

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

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

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

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

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

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

- improve segregation of duties related to data entry and review of journal entries by hiring additional personnel with the adequate expertise; and
- implement a new enterprise resource planning framework worldwide with the appropriate documentation of control procedures and controls embedded in the enterprise resource planning software.

However, if we do not successfully remediate these issues or if we fail to design and operate effective internal controls in the future, it could result in material misstatements in our financial statements, result in the loss of investor confidence in the reliability of our financial statements and subject us to regulatory scrutiny and sanctions, which in turn could harm the market value of our Class A ordinary shares.

An exit by the United Kingdom from the European Union may have a negative effect on global economic conditions and financial markets and on our business, results of operations and financial condition.

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

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The current deadline for the United Kingdom to formally exit the European Union is April 12, 2019. If the United Kingdom's membership in the European Union terminates without a formal withdrawal agreement, there could be further political and economic uncertainty in the United Kingdom and the European Union that may impact our global operations.

In addition, we are currently an SE with our registered office in England. We may be required to change our corporate form or country of registration prior to or concurrently with the completion of Brexit. A change to our corporate form would likely deprive us of certain of the advantages of being an SE, including the ability to transfer our registered office to another European Union jurisdiction with relatively few restrictions. A change to our country of registration would subject us to a new legal regime that may have disadvantages compared to English law. As a result of the foregoing factors, our financial condition and results of operation may be significantly impacted by the effects of Brexit and the uncertainties surrounding it.

For the year ended December 31, 2018, revenue from our clients in the United Kingdom and the rest of Europe represented 12.1% and 79.0%, respectively, of our consolidated revenue. A significant portion of our revenue from clients in the United Kingdom is denominated in British Pounds. This exposure subjects us to revenue risk with respect to our clients in the United Kingdom as well as to risk resulting from adverse movements in foreign currency exchange rates. In addition, for the year ended December 31, 2018, revenue from our financial services clients represented 10.0% of our consolidated revenue. Uncertainty regarding future U.K. financial laws and regulations, the withdrawal terms of the United Kingdom from the European Union and the future trade terms between the United Kingdom and the European Union could negatively impact the financial services sector globally, including our clients in such sector, and as a consequence adversely impact our financial condition and results of operations. Further, it is uncertain what impact the withdrawal of the United Kingdom from the European Union will have on general economic conditions in the United Kingdom, the European Union and globally. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

International hostilities and acts of terrorism, violence or war, natural disasters, global health risks or pandemics or the threat or perceived potential for these events could materially adversely affect our operations and our ability to provide services to our clients. We may be unable to protect our people, facilities

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and systems against any such occurrences. Such events may cause clients to delay their decisions on spending for business transformation services and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our clients, which could materially adversely affect our financial results. By disrupting communications and travel, giving rise to travel restrictions and increasing the difficulty of obtaining and retaining highly-skilled and qualified IT professionals, these events could make it difficult or impossible for us to deliver services to some or all of our clients. Travel restrictions could cause us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled IT professionals we need for our operations. In addition, any extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients.

Certain factors relating to our intellectual property

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

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

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

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

We expect that the risk of infringement claims against us will increase if our competitors are able to obtain patents or other intellectual property rights for software products and methods, technological solutions and processes relevant to our business. We also may be subject to intellectual property infringement claims from certain individuals or companies (including non-practicing entities) that have acquired patent portfolios for the primary purpose of asserting such claims against other companies to obtain licensing revenue or other

Valtech SE Strategic report

settlement payments. The risk of infringement claims against us may also increase as we continue to develop and license our intellectual property to our clients and other third parties. Any infringement claims or litigation against us could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

Depending on the circumstances, we might need to grant a specific client greater rights in intellectual property developed or used in connection with a contract than we normally do. In certain situations, we might forego all rights to the use of intellectual property we create and intend to reuse across multiple client engagements, which would limit our ability to reuse that intellectual property for other clients. Any limitation on our ability to

Valtech SE Strategic report

provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

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

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

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

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

Valtech SE Strategic report

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

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

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

For example, in October 2015, the European Court of Justice invalidated the 2000 US-EU Safe Harbor program as a legitimate and legally authorized basis on which the companies could rely for the transfer of personal data from the European Union to the United States. Now that the European Union and the United States have implemented a successor privacy framework called the Privacy Shield, we are reviewing and documenting our practices under the Privacy Shield. However, this new framework also faces a number of legal challenges, is subject to an annual review that could result in changes to our obligations, and also may be challenged by national regulators or private parties. In addition, the EU General Data Protection Regulation, or GDPR, which will be effective in May 2018, contains numerous requirements and changes, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. In addition, the GDPR will include significant penalties for non-compliance. Complying with the GDPR may cause us to incur substantial operational costs or require us to change our business practices. Despite our efforts to bring practices into compliance before the effective date of the GDPR, we may not be successful either due to internal or external factors such as resource allocation limitations or a lack of vendor cooperation. Furthermore, Brexit could require us to make additional changes to the way we conduct our business and transmit data between the United States, the United Kingdom, the European Union and the rest of the world.

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

Valtech SE

Strategic report

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, 2018, Valtech's research development activities have led to the internal generation of intangible assets.

Climate risk

Our business doesn't rely heavily on natural resources, nor is it dependent on weather, climate or natural phenomenon. As a professional services company, our consumption of and dependence on natural resources that may be affected by climate change is limited to the consumption of energy to power our computer equipment and offices or when our staff travel, and to the use of natural resources to manufacture and deliver our office and computer equipment, all of these representing a small portion of our total costs of doing business. Should the cost of energy or natural resources increase dramatically in the future due to climate change we estimate that the impact on our business would be limited due to the above reasons. We also estimate that our competitors would face an increase in their costs that would not be materially different from us, in proportion of our respective size.

Corporate and social responsibility

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

A Diverse World

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

We have other professional exchange programs, including the Valtech Marketing Exchange, where marketing employees enjoy the opportunity to travel internationally for work in order to collaborate alongside different colleagues from around the globe. We specifically design our professional exchange programs to serve dual purposes: combining work and social interaction to nurture well-rounded professionals with a more comprehensive view of the world and our clients.

Valtech SE Strategic report

A Strong Community

We depend on the communities that support us, and we strongly believe in investing in people. For example, we established our “Joy of Giving” committee in our India offices to promote philanthropic initiatives. Last year, the committee was able to donate funds to purchase a Cardiac Ambulance for the Sri Jayadeva Institute of Cardiovascular Sciences and Research.

Similarly, we are committed to Arbusta, an Argentinean-based program aimed at increasing opportunities and providing training, education and job placement to citizens below the poverty line. Participants enjoy a multitude of job placement options in the tech industry, from quality control to content management support. We were Arbusta’s first contributor four years ago and we remain its biggest one. The program has been successful and is now spreading to other countries in Latin America.

Education for the Future

We believe in educating, empowering and inspiring the future of technology. Through different internships and vocational programs, Valtech educates and empowers students and professionals already aiming to work in the digital world. One of our favorite programs at Valtech is the Tech Girl program, where we aim to inspire young girls to develop coding skills and an interest in programming. The course is designed for girls by girls, run by an all-female Valtech teaching team, including some of our top developers and UX-engineers. Since 2014, we have run the program 25 times, 341 girls have participated, and we have reached out to other companies to start their own Tech Girl programs.

Employee gender diversity

The following table shows the breakdown of key executive positions in the group by gender as of December 31, 2018.

	Male	Female
Directors of the company	4	-
Employees in other senior executive positions	7	1
Directors of subsidiary companies not included in above	15	3

Approval

This report was approved by the board of directors on April 3, 2019 and signed on its behalf by:



Sebastian Lombardo, Chief Executive Office

Valtech SE

Directors' report

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 2018. Details of significant events since the balance sheet date are contained in note 28 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, 2018 include the statements of the companies listed in the table below:

Country	Scope	% of interest December 31, 2018	% of interest December 31, 2017	Acq. or creation date	Consolidation method
	Valtech S.E.			Parent company	
United Kingdom	Valtech Ltd.	100%	100%	1996	Full consolidation
	Valtech Inside	100%	100%	2016	Full consolidation
	El Chalten Ltd	100%	100%	2017	Full consolidation
	Non Linear Creations UK Ltd	100%	100%	2017	Full consolidation
Argentina	Valtech Digital SA	100%	100%	2016	Full consolidation
Australia	Valtech Holdings Australia	100%	100%	2014	Full consolidation
	Valtech Digital Australia (formerly Neon Stingray)	100%	100%	2014	Full consolidation
Brazil	Valtech Brasil Technologica Digital Ltda (formerly Non Linear Brasil Technologica Ltda)	100%	100%	2017	Full consolidation
Canada	Valtech Canada (formerly W.illi.am)	100%	100%	2015	Full consolidation
	Valtech Digital Canada (formerly Non Linear Creat	100%	100%	2017	Full consolidation
China	Valtech Digital China Co. Ltd.	100%	100%	2016	Full consolidation
Denmark	Codehouse A/S (1)		100%	2017	Full consolidation
	Valtech A/S	100%	100%	2000	Full consolidation
France	Valtech Training	100%	100%	2002	Full consolidation
	Valtech Global Projects	100%	100%	2006	Full consolidation
Germany	Valtech Mobility GmbH	51%		2018	Full consolidation
	Valtech GmbH	100%	100%	1999	Full consolidation
Hong Kong	Valtech HK Ltd (no operations)	100%	100%	2010	Full consolidation
India	Valtech India Systems Private Ltd	100%	100%	1997	Full consolidation
Netherlands	Valtech BV (formerly eFocus)	100%	100%	2016	Full consolidation
Singapore	Valtech Digital Singapore	100%	100%	2014	Full consolidation
Sweden	Valtech AB	100%	100%	1999	Full consolidation
	Neon Stingray Scandinavia AB (2)		100%	2014	Full consolidation
Switzerland	Valtech Digital Switzerland	100%	100%	2014	Full consolidation
Ukraine	Valtech LLC	100%	100%	2017	Full consolidation
USA	Valtech Technologies, Inc.	100%	100%	1997	Full consolidation
	Valtech Solutions	100%	100%	2010	Full consolidation
	Valtech Services (3)	100%	100%	2014	Full consolidation
	Non Linear Creations Inc	100%	100%	2017	Full consolidation

1) Codehouse A/S has been merged with Valtech A/S as of January 1, 2018.

2) Neon Stingray Scandinavia AB has been merged with Valtech AB in August 2018

3) Business activity in Valtech Services was sold in 2016.

Valtech SE

Directors' report

Dividends

The Group did not distribute dividends to its shareholders during fiscal year 2017. During the year 2018, dividends amounting to €7,091 thousand were distributed.

Capital Structure

The number of ordinary shares to be outstanding is based on 28,073,785 ordinary shares outstanding as of December 31st, 2018 and excludes 3,799,805 ordinary shares issuable upon the exercise of outstanding redeemable equity warrants, or warrants, as of December 31st, 2018.

On 31st December 2018, the capital of VALTECH S.E., of an amount of 3,518,975 euros is composed of 28,073,785 ordinary shares without par value. It is fully paid.

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

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

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

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

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Statutes and prevailing legislation. Details of employee share schemes are set out in note 25.

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.

Valtech SE

Directors' report

Directors

Our board of directors, who served throughout the year or at time for the approval of the consolidated financial statements, are presented in the table below:

Name	Age	Position
Sebastian Lombardo	46	Chairman
Lopo Champalimaud (elected February 28, 2019)	47	Director
Frédéric de Mevius (resigned February 28, 2019)	60	Director
Daniel Grossmann	48	Director
Laurent Schwarz	61	Director

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

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

Lopo Champalimaud was appointed member of the board of directors of Valtech on February 28th, 2019. He is also the founder and CEO of Treatwell (previous Wahanda), the largest hair and beauty booking service in the world that has a market leading position in 11 countries and 31 cities across Europe. Previously, he co-founded the world's first online market research company, Cyber Dialogue, in New York in 1994. This was followed by the creation of Fulcrum Analytics, one the first online CRM companies focused on helping marketers collect, manage and analyse internet customer data. In 2004, Lopo became the MD of Lifestyle at lastminute.com and it is while working there that he realised the potential for digital disruption in the €100bn hair and beauty industry. Mr. Champalimaud holds a degree from the McGill University (Montreal, Canada).

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

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

Laurent Schwarz has been a member of the board of directors of Valtech since December 15, 2015.

Valtech SE Directors' report

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

Directors' indemnities

In fiscal year 2018, 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 December 31, 2018, the capital of Valtech SE, in the amount of €3,518,975 is composed of 28,073,785 ordinary shares. It is fully paid. Changes over the periods (excluding treasury shares) are as follows:

Number of shares	31/12/2017	31/12/2018
On January 1st of each year	26,591,970	27,493,427
Increase in capital	799,170	516,748
Reduction in capital	-	(103,651)
Exercise of warrant options	102,287	167,261
As of the end of each reporting period (1)	27,493,427	28,073,785

(1) Number of shares December 31, 2017, includes 4.375 treasury shares

Acquisition of the company's own shares

During the year ended December 31, 2018, the Company purchased 99,276 own shares, amounting to €1,577 thousand (purchased from employees), giving a total number of treasury shares of 103,651, amounting to €1,643 thousand.

All treasury shares have been cancelled pursuant to decisions of the Board on September 10 and December 19, 2018. There are no treasury shares outstanding as of December 31, 2018.

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

Disabled employees

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

Employee consultation

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

Valtech SE

Directors' report

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

April 3, 2019

Valtech SE

Directors' responsibilities

Directors' responsibility statement

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

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

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

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

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

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

By order of the Board



Chief Executive Officer

Sebastian Lombardo

April 3, 2019



Chief Financial Officer

Laurent Pretet

April 3, 2019

Valtech SE

Independent auditor's report to the members of Valtech SE

Independent auditor's report to the members of Valtech SE

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Valtech SE (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 39.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Valtech SE

Independent auditor's report to the members of Valtech SE

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Valtech SE

Independent auditor's report to the members of Valtech SE

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



James Bates (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Valtech SE

For the year ended 31 December 2018

Consolidated statements of income (loss)

(in thousands of euros)	2017	2018	Note
Revenue	233,414	271,776	4.5
Other revenue	281	196	4.5
Total revenue	233,695	271,972	
Cost of sales	(154,368)	(174,176)	6
Gross margin	79,327	97,796	
Commercial costs	(16,523)	(17,571)	6
Administrative costs	(50,625)	(59,662)	6
Restructuring costs	(1,627)	(646)	7
Other income and expenses	(126)	(12)	7
Goodwill impairment	(1,141)	-	7.13
Operating result	9,285	19,905	
Cost of gross financial debt	(2,378)	(3,573)	8
Interest income on cash and cash equivalents	127	141	8
Other financial income and expenses, net	(1,219)	478	8
Income before tax from continuing operations	5,815	16,951	
Income tax expense	(5,583)	(3,768)	9
Net income (loss) from continuing operations	232	13,183	
Income (loss) from discontinued operations (*)	(1,684)	(2,621)	
Net income (loss)	(1,452)	10,562	
Net income (loss) attributable to:			
Equityholders of the parent	(1,452)	9,401	
Non-controlling interests	-	1,161	
<i>Average number of basic shares (thousand)</i>	<i>27,248</i>	<i>28,055</i>	18
<i>Average number of fully diluted shares (thousand)</i>	<i>29,747</i>	<i>31,253</i>	18
Earnings per basic share (from continuing operations)	0.01	0.47	18
Earnings per basic share (attributable to equity holders)	(0.05)	0.33	18
Earnings per diluted share (from continuing operations)	0.01	0.42	18
Earnings per diluted share (attributable to equity holders)	(0.05)	0.30	18

(*) On January 1, 2016, Valtech disposed of its business assets which were held by Valtech Services. In accordance with IFRS 5 – Noncurrent assets held for sale and discontinued operations, costs related to the disposal have been reclassified in “Income (loss) from discontinued operations” in the amounts of €2,621 thousand for the year ended 2018, €1,684 thousand for the year ended 2017 and €4,703 thousand for the year ended 2016.

Valtech SE

For the year ended 31 December 2018

Consolidated statements of comprehensive income (loss)

(in thousands of euros)	2017	2018
Net income (loss) for the year	(1,452)	10,562
Foreign currency translation adjustment	(1,637)	(1,818)
<i>Items that will not be reclassified to the statement of income</i>	<i>(1,637)</i>	<i>(1,818)</i>
Actuarial gains on employee benefits	210	(157)
<i>Items that will be reclassified to the statements of income</i>	<i>210</i>	<i>(157)</i>
Total comprehensive income (loss) for the year	(2,879)	8,587
Total comprehensive income (loss) attributable to equity holders of the parent	(2,879)	7,426
Total comprehensive income attributable to non-controlling interests	-	1,161

Valtech SE

For the year ended 31 December 2018

Consolidated statements of financial position

(in thousands of euros)	31/12/2017	31/12/2018	Notes
Goodwill	46,417	56,458	13
Intangible assets, net	20,045	25,849	14
Tangible assets, net	8,339	9,135	15
Non-current financial assets, net	2,825	2,906	16
Other non-current assets	-	71	
Deferred tax assets	2,008	5,756	9
Non-current assets	79,634	100,175	
Accounts receivable and related accounts	66,059	76,058	17
Other current assets	13,234	18,609	17
Cash and cash equivalents	61,703	40,222	22
Current assets	140,996	134,889	
Total assets	220,630	235,064	
Share capital	3,446	3,519	18
Reserves	60,890	57,921	18
Net income attributable to equity holders of the parent	(1,452)	9,401	18
Equity attributable to owners of the Company	62,884	70,841	
Non-controlling interests	-	8,673	19
Total equity	62,884	79,514	
Provisions-non-current portion	2,854	2,520	20
Long-term borrowings	74,438	74,626	23
Other financial debt-non-current portion	16,671	5,095	23
Deferred tax liabilities	4,884	6,533	9
Non-current liabilities	98,847	88,774	
Provisions-current portion	779	789	20
Short-term borrowings and bank overdrafts	4,218	1,080	22,23
Accounts payable and related accounts	24,001	24,231	21
Other financial debt-current portion	3,377	11,136	23
Other current liabilities	26,524	29,540	21
Current liabilities	58,899	66,776	
Total liabilities	157,746	155,550	
Total equity and liabilities	220,630	235,064	

Valtech SE

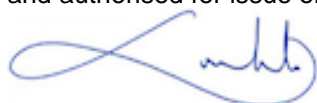
For the year ended 31 December 2018

Company statements of financial position

(in thousand euros)	31/12/2017	31/12/2018	Notes
Other intangible assets	5,165	6,430	
Fixed assets	584	523	
Investments in subsidiaries	152,753	166,764	31
Loans and receivables	12,346	20,472	
Other financial assets	441	495	
Non-current assets	171,289	194,684	
Trade and other receivables	18,634	25,281	32
Cash and bank balances	39,066	4,799	
Current assets	57,700	30,080	
Total assets	228,989	224,764	
Trade and other payables	25,959	24,665	33
Bank overdrafts	3	4	
Current tax and social liability	4,673	5,869	
Current Liabilities	30,635	30,538	
Total assets less current liabilities	198,354	194,226	
Loan notes	75,500	75,500	35
Other reserves	718	747	36
Non-current liabilities	76,218	76,247	
Total liabilities	106,853	106,785	
Net assets	122,136	117,979	
Share capital	3,446	3,519	37
Share premium account	97,455	104,647	37
Capital reserve	365	430	38
Retained earnings	20,870	9,383	
Shareholder's equity	122,136	117,979	

The Company reported a loss for the financial year ended 31 December 2019 of €3,495 thousand.

The financial statements of Valtech SE (registered number SE 106) were approved by the board of directors and authorised for issue on April 3, 2019. They were signed on its behalf by:



Sebastian Lombardo, Chief Executive Officer

April 3, 2019

Company statements of changes in equity

(in thousand euros)	Share capital	Share premium account	Equity reserve	Retained earnings	Profit & Loss account	Total Equity
Balance at 1 January 2018	3,446	97,455	365	1,315	19,555	122,136
Profit for the past year	-	-	-	19,555	-19,555	-
Subscription of new warrants	-	20	-	-	-	20
Exercise of warrants	21	609	-	-	-	630
Increase in capital	65	8,203	-	-	-	8,268
Purchase of treasury shares	-	-	-1,578	-	-	-1,578
Cancellation of treasury shares	-13	-1,630	1,643	-	-	-
Cancellation of warrants	-	-10	-	-	-	-10
Dividends paid	-	-	-	-7,992	-	-7,992
Balance at 31 December 2018	3,519	104,647	430	12,878	0	121,474
Profit for the year	-	-	-	-	-3,495	-3,495
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-3,495	-3,495
Balance at 31 December 2018	3,519	104,647	430	12,878	-3,495	117,979

Valtech SE

For the year ended 31 December 2018

Consolidated statements of cash flows

(in thousands of euros)	2017	2018
Net income (loss)	(1,452)	10,562
- Depreciation and amortization, net	6,307	9,118
- Goodwill impairment	1,141	-
- Increase (decrease) in provisions	643	(324)
- Capital losses on disposal of assets	(7)	394
- Share-based compensation expense	699	290
Financial expenses	3,470	2,954
Change of income tax for the period	4,600	7,173
Change in deferred tax for the period	983	(3,405)
Income tax paid	(2,434)	(7,292)
Net change in working capital	(6,693)	(9,610)
Net cash provided by (used in) operating activities	7,257	9,860
Acquisition of tangible assets	(3,871)	(4,565)
Acquisition of intangible assets	(5,872)	(4,081)
Proceeds from the sale of non-current assets	198	-
Payments for acquired businesses, net of cash acquired	(16,264)	(12,554)
Increase (decrease) of the financial investments	(89)	-
Net cash provided by (used in) investing activities	(25,898)	(21,200)
Interest paid	(1,847)	(3,474)
Cash received from subscription of warrants	150	20
Cash received from exercise of warrants (net of cancellation)	240	619
Cash received from non-controlling interest	-	7,512
Issuance (repayment) of financial liabilities	31,938	-
Purchase of treasury shares	(66)	(1,577)
Dividends paid	-	(7,091)
Others	-	-
Net cash provided by (used in) financing activities	30,415	(3,991)
Impact of changes in foreign exchange rates	(465)	(362)
Increase (decrease) in cash and cash equivalent	11,309	(15,693)
Cash flows from operations being discontinued	(1,322)	(2,649)
Overall net cash flows	9,987	(18,342)
Cash and cash equivalents at the beginning of the period	48,577	58,564
Cash and cash equivalents at the end of the period	58,564	40,222
Reference note	18	18

Valtech SE

For the year ended 31 December 2018

Consolidated statement of changes in shareholders' equity

The changes in shareholders' equity during the years ended December 31, 2018 and 2017 are as follows:

(in thousands of euros)	Number of shares	Capital	Additional paid-in capital	Other reserves	Share-based compensation	Net income	Treasury shares	Translation difference	Total Group share	Non-controlling interest	Total
December 31, 2016	26,591,970	3,333	102,481	(49,472)	4,712	4,182	-	(1,707)	63,529	-	63,529
Appropriation of income	-	-	-	4,182	-	(4,182)	-	-	-	-	-
Net income for the period	-	-	-	-	-	(1,452)	-	-	(1,452)	-	(1,452)
Gains and losses recognized in Other Comprehensive Income	-	-	-	210	-	-	-	(1,637)	(1,427)	-	(1,427)
Overall result	-	-	-	4,392	-	(5,634)	-	(1,637)	(2,879)	-	(2,879)
Share-based compensation	-	-	-	-	699	-	-	-	699	-	699
Subscription of new warrants	-	-	-	150	-	-	-	-	150	-	150
Exercise of warrants	102,287	13	227	-	-	-	-	-	240	-	240
Increase in capital (1)	799,170	100	1,110	-	-	-	-	-	1,210	-	1,210
Purchase of treasury shares	(4,375)	-	-	-	-	-	(66)	-	(66)	-	(66)
Total of transactions with the shareholders	897,082	113	1,337	150	699	-	(66)	-	2,234	-	2,234
December 31, 2017	27,489,052	3,446	103,818	(44,930)	5,411	(1,452)	(66)	(3,344)	62,884	-	62,884
Appropriation of income	-	-	-	(1,452)	-	1,452	-	-	-	-	-
Net income for the period	-	-	-	-	-	9,401	-	-	9,401	1,161	10,562
Gains and losses recognized in Other Comprehensive Income	-	-	-	(157)	-	-	-	(1,816)	(1,973)	-	(1,973)
Overall result	-	-	-	(1,609)	-	10,853	-	(1,816)	7,428	1,161	8,589
Share-based compensation	-	-	-	-	290	-	-	-	290	-	290
Subscription of new warrants	-	-	-	20	-	-	-	-	20	-	20
Exercise of warrants	167,261	21	609	-	-	-	-	-	630	-	630
Increase in capital (1)	516,748	65	8,203	-	-	-	-	-	8,268	-	8,268
Purchase of treasury shares (2)	(99,276)	-	-	-	-	-	(1,577)	-	(1,577)	-	(1,577)
Cancellation of treasury shares	-	(13)	(1,630)	-	-	-	1,643	-	-	-	-
Cancellation of warrants	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Dividends paid	-	-	-	(7,091)	-	-	-	-	(7,091)	-	(7,091)
Scope variation (3)	-	-	-	-	-	-	-	-	-	7,512	7,512
Total of transactions with the shareholders	584,733	73	7,171	(7,071)	290	-	66	-	529	7,512	8,041
December 31, 2018	28,073,785	3,519	110,989	(53,610)	5,701	9,401	-	(5,160)	70,841	8,673	79,514

(1) See details in note 3.1.6 for the year 2017 and note 3.2.2 for the year ended 2018.

(2) See details in note 18.2

(3) See details in note 3.2.3.

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For the year ended 31 December 2018

Notes to the financial statements

The accompanying notes to the consolidated financial statements form an integral part of such consolidated financial statements (notes 3 to 12 primarily relate to the statements of income and notes 13 to 39 primarily relate to the consolidated statements of financial position), which are herein referred to as the “Consolidated Financial Statements”.

NOTE 1 – Accounting policies

1.1. Basis of preparation

Incorporated in November 2016, Valtech SE (hereinafter referred to as “Valtech”, or the “Company” as the parent company or, together with its consolidated subsidiaries, the “Group”) is a *Societas Europea* (“SE”) incorporated and registered in England, United Kingdom. The registered office of the company is located at 46 Colebrooke Row, London, N1 8AF, United Kingdom. The company is a private company, limited by shares, with registered number SE-106.

The Company prepared its consolidated financial statements for the year ended December 31, 2018 in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The term “IFRS” refers collectively to international accounting and financial reporting standards (IASs and IFRSs) and to interpretations of the interpretations committees (IFRIC and SIC), whose application is mandatory for the year ended December 31, 2018. Comparative figures are presented for December 31, 2017 and for December 31, 2016 for consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of cash flows, and consolidated statements of changes in shareholders’ equity. Comparative figures are presented for December 31, 2017 for consolidated statements of financial position.

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

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

The *Societas Europea* is a form of European company with a board of directors, subject to the provisions of United Kingdom law. The consolidated financial statements have been approved and authorized for issuance by the board of directors of Valtech (the “Board of Directors” or the “Board”) on March 7, 2019.

1.2.1. New standards, amendments and interpretation implemented in the financial statements of the Group for the year ended December 31, 2018

The Company has applied, in its Consolidated Financial Statements for the year ended December 31, 2018, new standards and amendments, for which the application is mandatory as of January 1, 2018. The new standards have no material impact on the Group’s financial statements.

The new standards and interpretations applicable on a mandatory basis for fiscal years beginning on or after January 1, 2018, mainly relate to:

1. IFRS 15 – *Revenue from Contracts with Customers*: published in May 2014, provides a new framework for recognizing revenue. IFRS 15 replaces the standards on revenue recognition, in particular IAS 18 - *Revenue*, IAS 11 – *Construction Contracts* and the associated interpretations. The standard introduces a 5-step approach to revenue recognition, and establishes a principle for recognizing revenue upon the

Valtech SE

For the year ended 31 December 2018

transfer of promised goods or services to customers, in an amount that reflects the expected consideration to be entitled to in exchange for those goods or services.

The standard is 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 Company has applied the cumulative effect method. The standard also requires new disclosures about the nature (see notes 5 and 17.3), amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 used the terms “contract asset” and “contract liability” to describe what might more commonly be known as “accrued revenue” and “deferred revenue”. The Group has adopted the terminology used by IFRS 15 to describe such balances.

The transition to IFRS 15 has not resulted in any impact on our financial position, results of operations and cash flows for year ended December 31, 2018.

2. IFRS 9 – *Financial Instruments*: 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.

Classification and measurement: The Group has not recorded any significant impact on its statement of financial position or equity of applying the classification and measurement requirements of IFRS 9. It continues measuring at fair value all financial assets which were previously measured at fair value. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group has analyzed the contractual cash flow characteristics of those instruments and has concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required. The Group has also not introduced any changes in the measurement and classification of financial liabilities under IFRS 9.

Impairment: IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables. When measuring impairment provision for billing receivables the Group uses collectability ratio from previous periods. For other trade receivables the Group performs assessment for each individual debtor taking into account the probability of default in payments and the probability that debtor will enter into financial difficulties or bankruptcy. Under IAS 39 the Group used to recognize impairment of accounts receivables and related accounts at the moment of disconnecting the customer due to breach of the contract. Application of IFRS 9 resulted in recognition of expected impairment loss in relation to the balance of accounts receivables and related accounts existing at the reporting date. The effect of the adoption of IFRS 9 on shareholder's equity as a result of the 12 months expected credit loss reserve has a marginal impact and the retained earnings as of January 1, 2018, has not been restated.

1.2.2 New standards, amendments and interpretations not adopted early (or “not yet effective”)

The recently released standards and amendments whose application is not mandatory for the year ended December 31, 2018 and which the Group has decided not to apply in advance are:

IFRS 16 — *Leases* (January 1, 2019): the new standard on lease accounting will result in almost all operating leases being recognized in the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard an asset (the right to use the leased item) and a financial liability (a liability for discounted future lease installments) are recognized in the statement of financial position.

The standard will affect primarily the accounting for the Group's operating leases and will have a material impact on the consolidated statement of financial position, but it will not have a material impact on the consolidated statement of profit or loss.

Valtech SE

For the year ended 31 December 2018

The most significant impact will be the recognition of right-of-use assets and lease liabilities for leases qualified as operating lease under the current standard, while accounting for leases qualified as finance lease under the current standard remains substantially unchanged. Most of the lease commitments that will be in scope of the standard relate to real estate, vehicles and other assets (IT equipment).

Judgements are required regarding determination of the discount rate and the assessment of renewal, termination, and purchase options.

The Group has decided to apply the new standard based on the modified retrospective approach (cumulative catch-up) and to measure the asset at an amount equal to the liability (adjusted for accruals and prepayments). Therefore, 2018 financial statements will not be restated under the new standard.

With regards to the options and exemptions permitted under IFRS 16, the Group will take the following approach:

- Right-of-use assets will be reported separately in the statement of financial position
- The recognition, measurement and disclosure requirements of IFRS 16 will also be applied in full to short-term leases and leases of low-value assets. These leases will be excluded from the lease liability, with the exception of residual lease payments regarding existing lease obligations with due date less than twelve months as per January 1, 2019.
- A distinction will be made in leases that contain both lease components and non-lease components
- Existing finance lease liabilities will be carried forward
- When calculating outstanding liability for existing operating leases, the incremental borrowing rate at date of transition will be used
- IFRS 16 will not be applied to leases for intangible assets.

The Group's preliminary assessment of the impact of IFRS 16 on our balance sheet as at December 31, 2018 is an increase of the Right-of-use assets and a corresponding increase in the financial liabilities for an approximate amount of €32 million.

During 2019, the Group will record depreciation charges and interest expenses (rather than lease expenses) in the income statement. In the statement of cash-flows, the repayment portion of the lease payments from existing operating leases will impact net cash from or used in financing activities and no longer affect net cash from operating activities.

Under IAS 17, the undiscounted expected operating lease payments are disclosed as off-balance sheet commitments in the notes to the consolidated financial statements (refer to Note 26.1). This disclosure is only indicative for the size of the IFRS 16 lease liability, since in this disclosure anticipated renewals are ignored, the amounts are undiscounted, and new contracts previously not recognized as a lease could now be in scope and vice versa.

1.3. Presentation of the statements

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

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

In addition, in accordance with IAS 1, expenses are provided by nature in Note 6.

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*.

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

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

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

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.5. Use of estimates

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

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

Such estimates and assumptions are related to the following:

- recognition of revenue,
- allowance for uncollectible accounts receivable,
- goodwill, subject to impairment testing, which is based primarily on assumptions of future cash flows, discount rates and terminal values based on rates of long-term growth,
- capitalization of development costs,
- share-based payment,
- recognition of deferred tax assets related to tax loss carry forwards

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

1.6. Business combinations and accounting for goodwill

Business combinations

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

The evaluation of the purchase price, including, where appropriate, the estimated fair value of contingent considerations, is completed within twelve months following the acquisition. In accordance with IFRS 3R,

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any adjustment of the purchase price beyond the twelve-months period are recognized in the consolidated statements of income (loss).

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

Transaction costs directly attributable to an acquisition are recorded as expenses in the period during which the costs are incurred.

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

Accounting for goodwill

Goodwill is allocated to cash generating units, or "CGUs". These units correspond to entities whose economic activity generates cash flows that are largely independent of each other. These are primarily geographical areas.

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

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

1.7. Impairment tests (IAS 36)

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

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

For goodwill, 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.

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

An impairment loss recognised for goodwill is not reversed in a subsequent period.

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1.8. Intercompany transactions

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated at consolidation level.

1.9. Transactions in foreign currencies

Transactions concluded in currencies other than the functional currency of any Group's entity are recorded 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.

1.10. Conversion of financial statements of foreign subsidiaries

The functional currency of the parent company is the euro.

Assets and liabilities of foreign subsidiaries are converted at the exchange rate at the closing date of each reporting period. The statement of income is converted at the average exchange rate for the period. The resulting conversion difference is recorded in the comprehensive income under 'Foreign currency translation adjustment'. 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 (loss).

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 on a straight line bases over their estimated lifetime (3 to 5 years).

Internally-generated intangible assets

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - Its intention of completing the intangible asset to 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.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, these assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

1.12. Tangible assets

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

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

- Fixtures, fitting, technical facilities: depending on term of the real estate lease agreement
- Hardware 3-5 years
- Furniture 5-7 years

1.13. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Financial leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.14. Accounts receivable and de-recognition of financial assets

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

Doubtful accounts receivables are subject to provision allowances determined according to the forward-looking Expected Credit Loss model, considering historic, current & forward-looking information when

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recognizing impairment charges (provision for bad debts). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

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.

As of December 31, 2018, the Group's only subsidiary with factoring is in France, where the working capital requirements are partially met through factoring without recourse, leading to the derecognition of the corresponding receivables.

1.15. Investments and other financial assets

The recognition and measurement of financial assets and liabilities is governed by IFRS 9—*Financial Instruments*.

As of January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group didn't hold any derivatives or employed any form of currency hedging during the years ended December 31, 2018 and 2017.

The Group determines the classification of its financial assets. In the statement of financial position, financial assets are primarily comprised of accounts receivable and related accounts, other current assets and cash and cash equivalents. These financial assets are carried at amortized cost if the business model involves holding the instrument in order to collect contractual cash flows which consist entirely of principal and interest.

Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (fair value with certain changes in fair value reported in other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL (fair value with all changes in fair value reported in profit and loss).

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL:

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- it is held within a business model whose objective is to hold assets to correct contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

The Group's financial assets (non-current financial assets (deposits and loans), accounts receivable and related accounts, other current assets and cash and cash equivalents) are measured at amortised cost, using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment

As of January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

1.16. Cash and cash equivalents

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

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

1.17. Retirement and termination benefit costs

Pension obligations

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

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

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

The expense recognized in the operating result during each period includes the cost of services rendered and the effects of any change, reduction or settlement. The impact of interest recognized on the actuarial debt and the interest income on plan assets is recognized under other financial income and expenses in

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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.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1.18. Share-based payment

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

Equity-settled share-based payments to employees are measured at fair value at grant date using financial valuation methods.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest, in accordance with IFRS 2: *Share-based payment*.

1.19. Provisions

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

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

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

To meet such criteria when reserving for restructuring actions, we consider that the appropriate level of management must approve the restructuring plan and must announce it by the date of the statement of financial position, specifically identifying the restructuring actions to be taken (for example, the number of employees concerned, their job classifications or functions and their locations). Before the statement of financial position date, detailed conditions of the plan must be communicated to employees, in such a manner as to allow an employee to estimate reasonably the type and amount of benefits he/she will

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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 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 Company's services are mainly performed under both time-and-material and fixed-price contracts. For revenues generated under time-and-material contracts, revenues are recognized as services are performed with the corresponding cost of providing those services reflected as cost of sales when incurred. The majority of such revenues are billed on a monthly basis whereby actual time is charged directly to the client. The Company's performance obligations are the hours performed. The Company has assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations continues to be appropriate under IFRS 15.

The Company recognizes revenues from fixed-price contracts in the accounting periods in which services are rendered. The Company has assessed that these performance obligations are satisfied over time, applying the input or output methods depending on the nature of the project and the agreement with the customer, recognizing revenue on the basis of the Company's efforts to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation, or recognizing revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract, respectively. Each method is applied according to the characteristics of each contract and client. Accordingly, the methods used to measure the progress towards complete satisfaction of these performance obligations are appropriate under IFRS 15.

1.21. Accounting for government grants

Government grants that compensate the expenses incurred by the Group are recorded under IAS 20 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*) and in the Netherlands (*Innovation box*). Innovation box allows companies to benefit from an effective tax rate of only 7% for income from intangible assets, if certain criteria are met. The effect of Innovation box is reported in the line item "income tax expense" in the statement of income.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

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The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. 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 tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

In accordance with IAS 33 - Earnings per share, basic and diluted earnings per share are calculated using the weighted average number of outstanding shares during the period, less the average number of treasury shares.

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

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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 SE and its subsidiaries on December 31, 2018 and December 31, 2017, include the statements of the companies listed in the table below. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

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Country	Scope	% of interest December 31, 2018	% of interest December 31, 2017	Acq. or creation date	Consolidation method
	Valtech S.E.				Parent company
United Kingdom	Valtech Ltd.	100%	100%	1996	Full consolidation
	Valtech Inside	100%	100%	2016	Full consolidation
	El Chalten Ltd	100%	100%	2017	Full consolidation
	Non Linear Creations UK Ltd	100%	100%	2017	Full consolidation
Argentina	Valtech Digital SA	100%	100%	2016	Full consolidation
Australia	Valtech Holdings Australia	100%	100%	2014	Full consolidation
	Valtech Digital Australia (formerly Neon Stingray)	100%	100%	2014	Full consolidation
Brazil	Valtech Brasil Technologica Digital Ltda (formerly Non Linear Brasil Technologica Ltda)	100%	100%	2017	Full consolidation
Canada	Valtech Canada (formerly W.lli.am)	100%	100%	2015	Full consolidation
	Valtech Digital Canada (formerly Non Linear Creations)	100%	100%	2017	Full consolidation
China	Valtech Digital China Co. Ltd.	100%	100%	2016	Full consolidation
Denmark	Codehouse A/S (1)		100%	2017	Full consolidation
	Valtech A/S	100%	100%	2000	Full consolidation
France	Valtech Training	100%	100%	2002	Full consolidation
	Valtech Global Projects	100%	100%	2006	Full consolidation
Germany	Valtech Mobility GmbH	51%		2018	Full consolidation
	Valtech GmbH	100%	100%	1999	Full consolidation
Hong Kong	Valtech HK Ltd (no operations)	100%	100%	2010	Full consolidation
India	Valtech India Systems Private Ltd	100%	100%	1997	Full consolidation
Netherlands	Valtech BV (formerly eFocus)	100%	100%	2016	Full consolidation
Singapore	Valtech Digital Singapore	100%	100%	2014	Full consolidation
Spain	Valtech Digital Spain (no operations)			2014	Full consolidation
Sweden	Valtech AB	100%	100%	1999	Full consolidation
	Kiara Scandinavia AB			2008	Full consolidation
	Neon Stingray Scandinavia AB (2)		100%	2014	Full consolidation
Switzerland	Valtech Digital Switzerland	100%	100%	2014	Full consolidation
Ukraine	Valtech LLC	100%	100%	2017	Full consolidation
USA	Valtech Technologies, Inc.	100%	100%	1997	Full consolidation
	Valtech Solutions	100%	100%	2010	Full consolidation
	Valtech Services (3)	100%	100%	2014	Full consolidation
	Non Linear Creations Inc	100%	100%	2017	Full consolidation

(1) Codehouse A/S has been merged with Valtech A/S as of January 1, 2018.

(2) Neon Stingray Scandinavia AB has been merged with Valtech AB in August 2018

(3) Business activity in Valtech Services was sold in 2016.

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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 €56,5 million.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. In note 13.3 assumptions and outcome of the carried out impairment tests are presented. An impairment of goodwill would affect the Group's profit as well as the equity of the Group, the cash flow would not be affected.

NOTE 3 – Major events of the period

3.1. Year 2017

3.1.1. Simplified tender offer

On January 9, 2017, Valtech SE'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.

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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 February 15, 2017, and the enforcement of the Compulsory Transfer Clause, Siegco and Verlinvest held 100% of Valtech SE's capital.

The Company was delisted on March 8, 2017 from the Euronext Stock Exchange.

3.1.2. Acquisition of the company People Interactive (Germany)

On January 30, 2017, Valtech acquired the German company People Interactive. Founded in 1999, in Cologne, Germany, People Interactive is a digital creative agency, employing 80 employees and generating €10 million in revenue for the year ended December 31, 2016.

People Interactive is consolidated in the Valtech accounts as of February 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €6.5 million upon closing with an additional €0.9 million holdback payment and subsequently paid them €3.6 million in shares of Valtech SE. Subject to certain exceptions and the achievement of certain targets, the sellers are also entitled to receive €3.1 million in cash, of which €2.4 million was paid in December 2017 and the remaining €0.7 million in March 2018. The correction of the estimated earn-out has generated an income of €720 thousand in "other income and expense" of the statement of income in the second half year 2017. The total consideration is €14.1 million.

The determination of the fair value of assets acquired and liabilities assumed is finalized. The fair value of net assets acquired amounts to €4,446 thousand, out of which €3,766 thousand relate to intangible assets identified when performing the purchase price allocation. The goodwill resulting from this transaction is €10.4 million (see note 13 to our consolidated financial statements).

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

3.1.3 Acquisition of the company El Chalten (United Kingdom)

On March 31, 2017, Valtech acquired the British company El Chalten Ltd, a company based in Ukraine developing ecommerce engines for a variety of customers with around 100 employees at the time of the acquisition. El Chalten Ltd is consolidated in the Valtech accounts as of April 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €0.9 million upon closing with an additional €0.5 million holdback payment. An additional €1.2 million has been paid in shares of Valtech SE. The determination of the fair value of assets acquired and liabilities assumed is finalized, and when performing the purchase price allocation analysis no value related to intangible assets was identified. The goodwill resulting from this transaction amounts to €2.6 million before exchange rate fluctuations (see note 13 to our consolidated financial statements).

3.1.4. Acquisition of Non-Linear Group

On June 1, 2017, Valtech acquired the company Non-Linear, with offices in three countries, Canada, Brazil and United Kingdom. Non-Linear is a digital agency with 80 employees and digital experience around Sitecore solutions and Microsoft. Nonlinear is consolidated in the Valtech accounts as of June 1st, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €4.5 million upon closing with an additional €0.5 million holdback payment. An additional €3.3 million will be paid in shares of Valtech SE on or before December 31, 2019. The total consideration is €8.3 million. The determination of the fair value of assets acquired and liabilities assumed is finalized. The fair value of net assets acquired amounts to €3,086 thousand, out of which €2,388 thousand relates to intangible assets identified when performing the

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purchase price allocation. The goodwill resulting from this transaction amounts to €5.3 million before exchange rate fluctuation (see note 13 to our consolidated financial statement).

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

On November 1, 2017, Valtech acquired the company Codehouse A/S in Denmark. Codehouse has a team of 21 people working on Sitecore, with offices in Denmark. Codehouse is consolidated in the Valtech accounts as of November 1, 2017. Pursuant to the purchase agreement, Valtech paid the sellers €0.8 million upon closing with a €0.6 million holdback payment and an additional €0.9 million escrow payment. An additional €1.0 million was paid in shares of Valtech SE in January, 2018. The total consideration is €3.2 million. The determination of the fair value of assets acquired and liabilities assumed is finalized. The fair value of net assets acquired amounts to €913 thousand, out of which €684 thousand relate to intangible assets identified when performing the purchase price allocation analysis. The goodwill resulting from this transaction amounts to €2.2 million (see note 13 to our consolidated financial statement).

Valtech also agreed to issue warrants, and in August 2018, 6,796 warrants were issued (see details about warrant features in Note 25).

Codehouse A/S merged into Valtech A/S on January 1, 2018.

3.1.6. Increase in capital

On April 27, 2017, the Board of Valtech issued 784,264 new shares (€15 per share), as part of the payment for the acquisitions of Neon, Graion, eFocus, People Interactive and El Chalten. The issue of new shares led to a capital increase of €11,764 thousand (€98 thousand in share capital and €11,666 thousand in additional paid-in capital). A financial debt corresponding to the put options given to the sellers in the business combinations at €10,792 thousand was recognized and recorded in diminution of equity for an amount of €10,792 thousand (see Note 23.1), leading to a net of €874 thousand in additional paid-in capital.

3.1.7. Listing of bonds

On July 24, 2017, the Bonds (issued on July 27, 2016 for a total nominal amount of €42.5 million) were listed on the Euro MTF market. The Euro MTF market is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments.

3.1.8. New issue and listing of bonds

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

3.2. Year 2018

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

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

True Clarity is consolidated in the Valtech accounts as of February 1, 2018. Pursuant to the purchase agreement, Valtech paid the sellers €9.1 million upon closing with an additional €2.2 million holdback payment and subsequently paid them €7.3 million in shares of Valtech SE. Depending on the level of certain KPI targets in 2018, Valtech had the right to buy back a certain number of shares. This buy back has been assessed at a level of €0.4 million (included in the other receivables), leading to a total consideration of €18.2 million.

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The determination of the fair value of assets acquired and liabilities assumed is finalized. The fair value of net assets acquired amounts to €7,560 thousand, out of which €6,127 thousand (net of deferred taxes) relate to intangible assets identified when performing the purchase price allocation. The goodwill resulting from this transaction is €10.5 million before exchange rate fluctuation.

Valtech also agreed to issue warrants to certain key employees. In August 2018, 26,960 warrants were issued (see details about warrant features in Note 25).

3.2.2. Increase in capital

On January 10, 2018, the Board of Valtech decided to issue 59,268 new shares at €16 per share as payment for the acquisition of Codehouse A/S, leading to a capital increase of €948 thousand (out of which €7 thousand in share capital).

On January 30, 2018, the Board decided to issue 457,480 new shares at €16 per share as payment for the contingent consideration of the acquisition of True Clarity Ltd, leading to a capital increase of €7,320 thousand (out of which €58 thousand in share capital).

3.2.3. Signing of Joint Venture Agreement with Audi Electronics Venture GmbH

On March 27, 2018, our German subsidiary Valtech GmbH entered into a Joint Venture Agreement with Audi Electronics Venture GmbH. The general business objective of the joint-venture partners is to establish a long-term cooperation concerning the development and providing of competitive digital products and enablers using a joint-venture utilizing common synergies which are not possible on a stand-alone basis.

The joint-venture Valtech Mobility GmbH was formed on June 29, 2018, owned 51% by Valtech GmbH and 49% by Audi Electronics Venture GmbH (AEV). On that date AEV contributed €7.5 million in cash. Valtech GmbH has contributed to Valtech Mobility with net assets amounting to €7.8 million.

On July 1, 2018, pursuant to the Joint Venture Agreement, Valtech GmbH transferred to the joint-venture a digital mobility business unit with approximately 172 employees. The operations started on July 1, 2018 and the new company is fully consolidated in the Valtech accounts from this date.

3.2.4 Dispute with buyer of business in USA

Valtech Services (USA) sold its business assets on January 1, 2016. In August 2018, Valtech Services introduced claims against the buyer to recover payments due under the sale contract, plus legal expenses. Following trials held in 2018, a judgement was rendered in December 2018 which awarded \$3.3 million to Valtech Services in payment for the assets sold, plus interest, sanctions and legal fee and costs. The judgment has been appealed by the buyer of the business assets and therefore no receivable has been recognized as of December 31, 2018. Legal fees related to the litigation is recorded under discontinued operations.

3.2.5 Hyperinflation in Argentina

Entities with a functional currency of the Argentine peso are required to apply IAS 29 in accounting periods ending on or after 1 July 2018. Valtech's Argentinian business represented 1.2% of the total revenue in 2018.

Adoption of IAS 29 requires the non-monetary assets and liabilities and the income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. Loss in net monetary position due to restatement amounts to less than €100 thousand for the year 2018, unrecorded as immaterial.

3.2.6. Dividend

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On September 14, 2018, the Board of Valtech decided to pay an interim dividend of €0.25 per share to the shareholders of the company. The dividend amounts to €7,091 thousand, fully paid as of December 31, 2018.

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.

Exception to this principle is Valtech SE for which two segments exist: a business segment for the French activities and another one for the UK activities, management's activities of Valtech SE being the Corporate sector. 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 and Canada (NA)
- India (IN)
- Switzerland (CH)
- Australia (AU)
- Argentina (AR)
- Singapore (SG)
- Brazil (BR)
- Ukraine (UA)
- China (CN)

Given their low individual importance, the businesses in Australia, Argentina, Singapore, Brazil, Ukraine and China 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, 2018 and 2017 are presented as follows:

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31/12/2017													Total
Corp.	FR	SW	DK	UK	GE	NL	NA	IN	CH	Others (2)	Interco elim.		
Revenue with third parties	-	23,715	31,089	16,288	29,185	57,085	23,952	32,686	1,247	3,668	14,780	-	233,695
Intercompany revenue (1)	143	2,440	399	2,447	212	901	2,300	2,594	10,386	19	4,964	(26,805)	-
Total revenue	143	26,155	31,488	18,735	29,397	57,986	26,252	35,280	11,633	3,687	19,744	(26,805)	233,695
Operating result	(2,634)	731	2,362	2,178	2,038	7,087	1,515	250	897	99	(5,238)	-	9,285
Income before tax from continuing operations	(4,590)	357	2,356	2,048	1,910	7,052	1,497	(76)	919	98	(5,756)	-	5,815
Income tax expense	(28)	(12)	(622)	(491)	(394)	(1,977)	(263)	(1,327)	(355)	-	(114)	-	(5,583)
Goodwill (net value)	-	2,037	690	2,692	-	12,395	11,418	10,656	2,677	-	3,852	-	46,417
Intangible, Tangible and Financial assets	3,617	1,354	1,016	1,941	2,760	4,994	8,018	4,921	1,406	123	1,059	-	31,209
Average workforce	-	185	233	112	96	298	199	201	505	9	238	-	2,076
31/12/2018													Total
Corp.	FR	SW	DK	UK	GE	NL	NA	IN	CH	Others (2)	Interco elim.		
Revenue with third parties	-	25,011	33,098	19,323	32,904	72,594	28,826	35,160	1,422	3,000	20,635	-	271,972
Intercompany revenue (1)	-	2,980	282	3,073	129	17,477	1,434	3,242	11,167	76	7,768	(47,627)	-
Total revenue	-	27,991	33,380	22,396	33,033	90,071	30,260	38,402	12,589	3,076	28,402	(47,627)	271,972
Operating result	(3,255)	2,136	3,036	2,549	1,823	9,528	2,169	(1,444)	1,591	501	1,272	-	19,905
Income before tax from continuing operations	(5,962)	2,117	3,014	2,521	1,581	9,504	2,166	(1,657)	2,231	506	932	-	16,951
Income tax expense	(33)	3,358	(691)	(197)	(450)	(3,701)	(337)	(337)	(627)	-	(751)	-	(3,768)
Goodwill (net value)	-	2,037	662	2,775	10,305	12,395	11,418	10,640	2,572	-	3,654	-	56,458
Intangible, Tangible and Financial assets	4,480	1,622	935	1,680	9,427	4,933	7,645	4,153	1,713	106	1,196	-	37,890
Average workforce	-	168	228	163	140	329	223	245	536	8	341	-	2,381

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- (1) *Intercompany revenues consist of revenues related to client projects and do not include revenues for corporate contribution and trademark fees invoiced from Valtech SE to its subsidiaries, nor re-billed expenses*
- (2) *Operating result for Valtech Services US (business sold on January 1, 2016) is included in Others*

NOTE 5 – Types of revenue

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

The Company's services are mainly performed under both time-and-material and fixed-price contracts. For revenues generated under time-and-material contracts, revenues are recognized as services are performed with the corresponding cost of providing those services reflected as cost of revenues when incurred. The majority of such revenues are billed on a monthly basis whereby actual time is charged directly to the client. The Company's performance obligations are the hours performed. The Company has assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations continues to be appropriate under IFRS 15.

The Company recognizes revenues from fixed-price contracts in the accounting periods in which services are rendered. The Company has assessed that these performance obligations are satisfied over time, applying the input or output methods depending on the nature of the project and the agreement with the customer, recognizing revenue on the basis of the Company's efforts to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation, or recognizing revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract, respectively. Each method is applied according to the characteristics of each contract and client. Accordingly, the methods used to measure the progress towards complete satisfaction of these performance obligations are appropriate under IFRS 15.

The following tables present the Company's revenues disaggregated by type of contracts and by revenue source regarding the industry vertical of the client. The Company provides digital services to clients in a range of industry verticals: retail, automotive, financial services, government, travel & hospitality, healthcare, media, manufacturing, technology. The table below disaggregating revenue by industry vertical includes a reconciliation of the disaggregated revenue with the company's reportable segments (Note 4 above).

5.1 Revenue per contract type

	2017	2018
Time and material	74.9%	69.3%
Fixed price	25.1%	30.7%
Total revenue	100.0%	100.0%

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5.2 Revenue per industry vertical

(in thousands of euros)	FR	SW	DK	UK	GE	NL	NA	CH	Others	Total
Retail	18,488	2,500	2,687	2,203	11,653	12,379	14,079	2,753	8,245	74,987
Automotive	184	417	107	371	45,716	4,535	79	-	-	51,409
Financial Services	4,135	9,397	211	5,587	642	2,391	4,187	73	445	27,068
Government	158	5,667	239	15,502	-	742	803	-	-	23,111
Travel	361	2,813	1	1,001	5,789	499	3,583	-	569	14,616
Healthcare	1	1,449	5,319	2,178	3,103	633	1,050	-	991	14,724
Media	653	3,690	207	160	3,741	18	914	-	1,511	10,894
Manufacturing	92	498	4,417	886	334	2,138	4,010	-	199	12,574
Technology	-	844	1,917	1,111	192	343	917	-	650	5,974
Other	939	5,823	4,218	3,904	1,424	5,148	5,539	173	9,447	36,615
Total	25,011	33,098	19,323	32,903	72,593	28,826	35,161	3,000	22,057	271,972

NOTE 6 – Expenses by nature

(in thousand euros)

	2017			
	Cost of sales	Commercial costs	Administrative costs	Total
Staff costs	(111,970)	(11,008)	(20,977)	(143,954)
Subcontractors costs	(39,823)	(380)	(2,055)	(42,257)
Cost of warrants	(111)	-	(593)	(704)
Other employee benefits expense	(102)	-	(69)	(171)
Amortization & depreciation	(1,473)	(2,025)	(2,806)	(6,305)
Capitalized assets	2,335	31	975	3,340
Office rental costs	-	-	(8,061)	(8,061)
Other costs (1)	(3,224)	(3,141)	(17,038)	(23,403)
Total	(154,368)	(16,523)	(50,625)	(221,516)

	2018			
	Cost of sales	Commercial costs	Administrative costs	Total
Staff costs	(129,404)	(10,849)	(23,545)	(163,798)
Subcontractors costs	(41,867)	(216)	(2,528)	(44,611)
Cost of warrants	(61)	-	(229)	(290)
Other employee benefits expense	(280)	-	(47)	(327)
Amortization & depreciation	(2,856)	(2,848)	(3,414)	(9,118)
Capitalized assets	1,579	-	158	1,737
Office rental costs	-	-	(9,112)	(9,112)
Other costs (1)	(1,287)	(3,658)	(20,944)	(25,889)

(1) Other administrative costs mainly refer to other office related costs, it-related and telecommunication costs, legal, audit and insurance fees, M&A transaction costs and human resource costs.

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

(in thousands of euros)	2017	2018
Capital gains or (losses) on disposal of assets	7	(26)
Other non-recurring income / (loss) on Neon Stingray acquisition	(188)	-
Other	55	14
Other income and expenses (total)	(126)	(12)
Restructuring costs	(1,627)	(646)
Goodwill impairment	(1,141)	-
Total	(2,894)	(659)

Restructuring costs for the year 2018, are mainly related to severance costs in the United States, France and the United Kingdom (total €779 thousand), and reversal of provision closure of office in Malmö (Sweden), subleased from June 2018 (reversal of €136 thousand). For the year 2017, the restructuring costs mainly related to the merger of the German entities, severance costs in France and cost for unused office space in Sweden and Denmark, and for the year 2016 mainly related to reorganization of our French subsidiaries and unused office space leased in anticipation of future growth in the US and UK subsidiary.

Goodwill impairment in 2017 is mainly referring to the subsidiary Neon in Australia for €1,110 thousand.

NOTE 8 – Financial result

(in thousands of euros)	2017	2018
Cost of gross financial debt	(2,378)	(3,573)
Interest income on cash and cash equivalents	127	141
Net cost of debt	(2,251)	(3,432)
Other financial income and expenses	(59)	-
Exchange differences	(1,160)	478
Other financial income and expenses, net	(1,219)	478
Financial result	(3,470)	(2,954)

Cost of gross financial debt mainly relates to our bonds issued in July 2016 and October 2017 (see Note 23.1).

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NOTE 9 – Income taxes

9.1. Analysis of the tax expense

The tax expense can be analyzed as follows:

(in thousands of euros)	2017	2018
Current income tax	(4,600)	(7,173)
Change in deferred taxes	(983)	3,405
Total	(5,583)	(3,768)

9.2. Tax Reconciliation

(in thousands of euros)	2017	2018
Net income for the year	(1,452)	9,401
Non-controlling interests	-	1,161
Tax expense	5,583	3,768
Earnings before tax	4,131	14,330
Theoretical tax income (expense) (1)	(785)	(2,723)
Impairment of goodwill	(333)	-
Other permanent differences	(47)	(376)
Use of tax loss carryforwards	10	1,198
Previously unrecognised tax losses used to reduce deferred tax expense	-	3,660
Change in estimate on the recoverability of the tax receivable	(1,217)	-
Deferred tax assets on tax loss carryforwards not recognized during the period	(3,107)	(2,882)
Other taxes	(28)	(805)
Effect of differences in tax rates between jurisdictions	(76)	(1,840)
Actual tax income (expense)	(5,583)	(3,768)

(1) Theoretical tax income (expense) based on 19% UK tax rate

The U.S Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and introduces significant changes to U.S income tax law. Effective in 2018, the Tax Act reduces the U.S statutory tax rate from 35% to 21%. The change in tax rate resulted in the recognition of a loss of €1,217 thousand of deferred assets for the year ended December 31, 2017.

A deferred tax asset has been recognized for an amount of €3,660 thousand as of December 31, 2018 for a portion of the available unused tax losses of the French branch of Valtech SE in consideration of the following:

- For the first time in 2018, the business of Valtech SE in France generated a taxable income for the year
- The expected taxable profit of the business of Valtech SE in France based on management forecasts for a period of 3 years
- The rapidly changing technological environment in which the company operates, which will cause our business to be impacted in the future by technologies. As a consequence, a remaining amount of

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deferred tax asset relating to the French business of Valtech SE amounting to €6,952 thousand as of December 31, 2018 has not been recognized

9.3. Deferred taxes

The breakdown by nature of deferred taxes is as follows:

(in thousands of euros)	31/12/2017	31/12/2018
Deferred taxes (asset)	2,008	5,756
Deferred taxes (liability)	(4,884)	(6,533)
Deferred taxes (net)	(2,876)	(777)

(in thousands of euros)	Intangible assets	Tax loss carryforwards	Others	Total
Net values on December 31, 2017	(3,643)	1,606	(839)	(2,876)
Items recognized in profit/loss	633	3,660	(888)	3,405
Translation adjustment	53	76	(9)	120
Business combination	(1,426)	-	-	(1,426)
Net values on December 31, 2018	(4,383)	5,342	(1,736)	(777)

Analysis of the deferred taxes by nature is as follows:

	31/12/2017			31/12/2018		
	DTA	DTL	Total	DTA	DTL	Total
Tax loss carryforwards	1,606	-	1,606	5,342	-	5,342
Intangible assets	-	(3,644)	(3,644)	-	(4,383)	(4,383)
Other elements	402	(1,240)	(838)	414	(2,150)	(1,736)
Deferred taxes (net)	2,008	(4,884)	(2,876)	5,756	(6,533)	(777)

DTA – Deferred tax assets, DTL – Deferred tax liabilities

Unrecognized deferred tax assets related to tax loss carry forwards amount to €17,545 thousand and €19,516 thousand as at December 31, 2018 and December 31, 2017 respectively, and breaks down as follows:

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(in thousands of euros)	31/12/2017	31/12/2018
Valtech SE	12,331	9,390
Valtech Training (France)	1,170	1,046
Valtech Solution, Inc	4,694	5,874
Valtech Digital Singapore	89	95
Valtech Australia	834	1,140
Valtech China	34	-
Valtech Global Project	73	-
Valtech Ukraine	97	-
Valtech Canada (Non Linear)	188	-
Valtech United Kingdom (Non Linear)	6	-
Total	19,516	17,545

NOTE 10 – Profit for the year

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

(in thousands of euros)	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Net foreign exchange losses/(gains)	(478)	919	-	-	(478)	919
Research and development costs	1,738	3,340	-	-	1,738	3,340
Depreciation of property, plant and equipment intangible assets included in other operating expenses	3,591	4,188	-	-	3,591	4,188
Staff costs (see note 11)	5,527	2,216	-	-	5,527	2,216
	154,280	135,504	-	-	154,280	135,504

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NOTE 11 – Auditor’s remuneration

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

(amount in euros)	2018	2017
Fees payable to the company’s auditor and their associates for the audit of the company’s annual accounts	682	309
Fees payable to the company’s auditor and their associates for other services to the group	325	38
–The audit of the company’s subsidiaries	1,088	412
	<i>Total audit fees</i>	
	2,095	759
- Audit-related assurance services	-	-
- Taxation compliance services	-	41
- Other taxation advisory services	-	12
- Internal audit services	-	-
- Other assurance services	-	-
- Corporate finance services	300	247
- Other services	-	12
	<i>Total non-audit fees</i>	
	300	312
Fees payable to the company's auditor and their associates in respect of associated pension schemes	-	-

NOTE 12 – Staff costs

The average monthly number of employees (including executive directors)

	2018	2017
	Number	Number
Billable staff	2,053	1,755
Non-billable staff	328	320
	<hr/>	<hr/>
Total	2,381	2,075

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Their aggregate remuneration comprised:

	2018	2017
<i>(in thousands of euros)</i>		
Wages and salaries	131,185	114,584
Social security costs	22,776	20,750
Other pension costs	319	171
Total	154,280	135,504

No pension contribution has been paid to the Directors. Director Mr. Lombardo has received emoluments amounting to €256 thousand as fees related to assistance missions. Mr Lombardo has not exercised any share options and has not received any shares in respect of qualifying services under a long term incentive scheme.

NOTE 13 – Goodwill

13.1. Breakdown of the goodwill balance

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

(in thousand euros)	ADEA	Synaris /People Interactive	Majoris	Valtech A/S (1)	ACDSI	Kiara	Wi.il.am	Graion	Efocus	El Chalten (2)	Non Linear	Non Linear	Codehouse A/S (1)	True Clarity Ltd	Total
	USA	GE	IN	DK	FR	SW	CA	AR	NL	UK	CA	BR	DK	UK	
December 31, 2017	4,423	12,395	2,677	445	2,037	690	1,708	548	11,418	2,554	4,525	749	2,248	-	46,417
Business combination	-	-	-	90	-	-	-	-	-	-	-	-	-	10,494	10,584
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange fluctuations	210	-	(105)	(8)	-	(28)	(62)	(264)	-	146	(164)	(79)	-	(189)	(543)
Other	-	-	-	2,248	-	-	-	-	-	-	-	-	(2,248)	-	-
December 31, 2018	4,633	12,395	2,572	2,775	2,037	662	1,646	284	11,418	2,700	4,361	670	-	10,305	56,458

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

- (1) Codehouse A/S has been merged with Valtech A/S on January 1, 2018.
(2) El Chalten is a holding company based in United Kingdom with a subsidiary in Ukraine.

Acquisition of True Clarity (detailed in Note 3.2.1) resulted in an increase in the goodwill balance of €10,305 thousand as of and for the period ended December 31, 2018.

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13.2. Business combinations

True Clarity Ltd

On February 9, 2018, Valtech acquired 100% of the issued share capital of True Clarity Ltd, obtaining control of the company. acquired True Clarity Limited is a digital web services company, with offices in Bristol and London.

The amounts recognized in respect of the identified assets acquired and liabilities assumed are set out in the table below:

(in thousands of euros)	
Financial assets	2,777
Property, plant and equipment	117
Identifiable intangible assets	6,069
Financial liabilities	1,474
Total identified assets	7,489
Goodwill	10,305
Total consideration	17,794
Satisfied by:	
Cash	11,070
Equity instruments (433.462 ordinary shares of parent company)	6,724
Total consideration transferred	17,794
Net cash outflow arising on acquisition:	
Cash consideration	11,290
Less: cash and cash equivalent balances acquired	(1,208)
Total net cash outflow	10,082

The fair value of the financial assets includes accounts receivables, prepayments, deposits and cash, with a fair value equal the gross contractual value of €2.8 million, expected to be fully collected.

The goodwill of €10.3 million arising from the profitability of the acquired business and the strong market position. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of the 433.462 ordinary shares issued as part of the consideration paid for True Clarity Ltd €6.7 million, was determined on the basis of discounted cash flows, trading multiples and transactions on the share capital.

Acquisition-related costs (included in administrative expenses) amount to €277 thousand.

True Clarity contributed €5,9 million revenue and €1.4 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of True Clarity had been completed on the first day of the financial year, group revenues for the year would have been €272,569 thousand and group profit would have been €10,756 thousand.

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13.3. Impairment tests

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

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

Cash-flow projections are made, generally for a period of 5 years based on the management forecasts. Terminal value generally corresponds to the projection of year 5.

Goodwill was subject to annual impairment testing as of December 31, 2018. No impairment expense was recognized during the year ended December 31, 2018.

Impairment test

Impairment tests were carried out using the following assumptions:

Model parameters applied to the cash flow projections							
	Net book value of the goodwill	Growth rate		Discount rate		Recognized impairment charge	
		31/12/2018	CAGR n to n+5	Perpetual growth rate	31/12/2017	31/12/2018	2017
USA	4,633	13.0%	1.0%	8.1%	9.1%	-	-
Germany	12,395	4.0%	1.0%	6.9%	7.9%	-	-
India	2,572	2.0%	1.0%	14.5%	14.6%	-	-
Denmark	2,775	9.2%	1.0%	6.2%	7.3%	-	-
France	2,037	12.0%	1.0%	8.4%	8.5%	-	-
Sweden	662	7.0%	1.0%	6.3%	7.3%	(31)	-
Australia	-	-	-	9.9%	-	(1,110)	-
Canada	1,646	11.5%	1.0%	8.5%	9.0%	-	-
Non Linear Canada	4,361	14.0%	1.0%	9.3%	9.8%	-	-
Argentina	284	13.9%	1.0%	19.9%	30.2%	-	-
Netherlands	11,418	9.0%	1.0%	8.1%	7.9%	-	-
Ukraine	2,700	23.0%	5.0%	18.0%	19.3%	-	-
Brazil	670	18.0%	1.0%	23.0%	22.3%	-	-
United Kingdom	10,305	10.0%	1.0%	-	9.1%	-	-
Total	56,458					(1,141)	-

The goodwill that resulted from the ADEA acquisition in the United States (amounting to €4,6 million as of December 31, 2018) and corresponds to the business of the office in Dallas, has been tested based on a 5-year business plan with the following key assumptions:

- An increase in the gross margin rate of 700 basis points from 2018 to 2019 and onwards
- An increase in the revenue by a compound annual growth rate of 13% over the 2019-2023 period

The sensitivity of the test to variations of these key performance indicators has been calculated and shows that the goodwill would have to be impaired:

- If the gross margin rate increases by 700 basis points from 2018 to 2019 and onwards as planned, but the compound annual growth rate of the revenue is 9% or lower

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- If the revenue increases by a compound annual growth rate of 13% over the 2019-2023 period as planned, but the gross margin rate only increases by 400 basis points from 2018 to 2019 and onwards.

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

NOTE 14 – Intangible assets

	Technology	Customer relationship	Software purchased	Capitalized development costs	Total
Net carrying amount as of December 31, 2016	585	7,464	1,746	1,318	11,113
Gross amount					
As at December 31st, 2016	616	7,857	4,532	1,982	14,987
Increase	-	-	2,532	3,173	5,705
Disposals	-	-	(827)	(274)	(1,101)
Acquisitions	240	6,935	188	-	7,363
Translation difference	(5)	(112)	(89)	(235)	(441)
Reclassification	-	-	700	(700)	-
	851	14,680	7,036	3,946	26,513
Accumulated amortization					
As at December 31st, 2016	31	393	2,786	664	3,874
Disposals	-	-	(827)	-	(827)
Acquisitions	-	-	137	-	137
Translation difference	-	-	(66)	(81)	(147)
Amortization	320	1,631	1,215	265	3,431
	350	2,024	3,246	849	6,468
Net carrying amount as of December 31, 2017	501	12,656	3,791	3,097	20,045
Gross amount					
As of December 31, 2017	851	14,680	7,036	3,946	26,513
Increase	-	-	2,335	1,737	4,071
Disposals	-	-	(256)	(255)	(511)
Business combinations	252	7,324	5	-	7,580
Translation difference	(11)	(266)	(53)	179	(151)
As of December 31, 2018	1,092	21,738	9,066	5,607	37,503
Accumulated amortization					
As of December 31, 2017	350	2,024	3,241	854	6,470
Disposals	-	-	(218)	(88)	(306)
Translation difference	(4)	(41)	(32)	39	(38)
Amortization	359	2,749	1,424	995	5,527
As of December 31, 2018	705	4,733	4,416	1,799	11,654
Net carrying amount as of December 31, 2018	387	17,005	4,650	3,807	25,849

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

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

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

NOTE 15 – Tangible assets

Changes in tangible assets are presented as follows:

(in thousands of euros)	Fixtures	Office furniture	Computer hardware	Others	Total
Gross amount					
As at December 31st, 2016	5,060	3,875	9,335	652	18,923
Increase	871	894	1,980	127	3,871
Disposals	(338)	(505)	(2,369)	(312)	(3,524)
Acquisitions	334	670	300	63	1,366
Translation difference	(351)	(92)	(395)	(47)	(885)
As at December 31, 2017	5,575	4,843	8,850	483	19,751
Accumulated depreciation					
As at December 31st, 2016	1,676	2,344	7,028	462	11,511
Disposals	(338)	(490)	(2,337)	(312)	(3,477)
Acquisitions	229	440	289	54	1,012
Translation difference	(139)	(62)	(278)	(31)	(510)
Depreciation	705	639	1,471	61	2,876
As at December 31, 2017	2,133	2,871	6,174	233	11,412
Net carrying amount as of December 31, 2017	3,442	1,971	2,676	249	8,339
Gross amount					
As of December 31, 2017	5,575	4,843	8,850	483	19,751
Increase	593	1,111	2,612	250	4,565
Disposals	(48)	(269)	(534)	(16)	(867)
Business combinations	45	19	49	-	113
Translation difference	18	(73)	(130)	(12)	(197)
Other changes	77	(137)	(13)	(6)	(77)
As of December 31, 2018	6,261	5,494	10,834	699	23,288
Accumulated depreciation					
As at December 31, 2017	2,133	2,871	6,174	233	11,411
Disposals	(21)	(206)	(431)	(12)	(671)
Translation difference	21	(51)	(50)	(3)	(83)
Depreciation	889	652	1,808	241	3,591
Other changes	50	5	(145)	(6)	(95)
As of December 31, 2018	3,072	3,271	7,357	452	14,153
Net carrying amount as of December 31, 2018	3,188	2,223	3,477	247	9,135

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NOTE 16 – Non-current financial assets

Changes in financial assets are presented as follows:

(in thousands of euros)	Non-current financial assets	Deposit	Total
December 31, 2017	683	2,141	2,824
Acquisitions / increase	196	289	485
Disposals or repayments	(273)	(67)	(340)
Translation adjustment	-	6	6
Other changes	(85)	16	(69)
December 31, 2018	521	2,385	2,906

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

The non-current financial assets are mainly related to a long term loan within a French specific tax regime (€470 thousand).

NOTE 17– Receivables and other current assets

17.1. Accounts receivable and related accounts

Accounts receivables and related accounts are detailed as follows:

(in thousand of euros)	31/12/2017	31/12/2018
Accounts receivables	52,580	58,442
Bad debt allowance	(871)	(837)
Accrued income	11,616	8,894
Contract Assets	2,735	9,558
Accounts receivables and related accounts	66,059	76,058

A contract asset is recognised when the right to consideration is conditional on something other than the passage of time. Amounts relating to contract assets are balances due from customers under fixed price contracts where the customers pay the agreed amounts based on a payment schedule and the services rendered exceed the payments.

A receivable is recognised when the right to consideration is unconditional except for the passage of time. Any amount previously recognized as a contract asset is reclassified to accounts receivables at the point at which it is invoiced to the customer.

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

(in thousands of euros)	
Net value on December 31, 2017	66,059
-Gross value	66,930
-Allowance	(871)
Change in gross value	9,489
Allowance recognized (revised)	34
Business combinations	1,330
Translation difference	(854)
Net value on December 31, 2018	76,058
-Gross value	76,895
-Allowance	(837)

Age analysis of accounts receivables is as follows:

(in thousand euros)	31/12/2017	31/12/2018
Not due or due since less than 30 days	52,199	53,120
Due for more than 30 days and less than 60 days	7,527	17,588
Due for more than 60 days and less than 90 days	2,328	2,995
Due for more than 90 days	4,005	2,355
Total	66,059	76,058

The changes during the corresponding period for doubtful accounts associated with accounts receivable on December 31, 2018 and December 31, 2017 are as follows:

Movement of bad debt allowance (in thousand euros)	31/12/2017	31/12/2018
On January 1st of each year	(463)	(871)
Addition	(1,268)	(518)
Non recovered claims	560	203
Reversal of bad debt allowance	291	353
Translation adjustment	9	(4)
As of the end of each year	(871)	(837)

The first time application of IFRS 9 in the consolidated financial statements as of December 31, 2018 (see note 1.2.1) impacted the provision for bad debt for an amount of €316 thousand, fully booked in operating expenses as of December 31, 2018.

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

Aging of receivables (in thousand euros)	31/12/2017	31/12/2018
Not due or due since less than 30 days	(10)	(229)
Due for more than 30 days and less than 60 days	(85)	(69)
Due for more than 60 days and less than 90 days	(130)	(21)
Due for more than 90 days	(646)	(518)
Total	(871)	(837)

17.2. Other current assets

(in thousand euros)	31/12/2017	31/12/2018
Tax and social security receivables	4,731	5,063
Other receivables	4,305	3,039
Deferred expenses	4,198	10,507
Total	13,234	18,609

Other receivables as of December 31, 2018, mainly refer to factoring (€441 thousand) and tax credits (€760 thousand) in France, received cash on behalf of the acquirer of a business in US (€592 thousand) and receivable regarding buy-back of shares related to correction of earn-out True Clarity (€430 thousand).

Other receivables as of December 31, 2017, mainly refer to factoring in Germany and France (€877 thousand), receivable in Germany due to factoring exceeding the financial limit (€1,960 thousand), tax credits in France (€632 thousand) and received cash on behalf of the acquirer of a business in US (€917 thousand).

The increase in deferred expenses 2018 compared to 2017, €6,309 thousand, mainly refers to cost related to the planned initial public offering on NASDAQ.

17.3. Fixed price projects

For fixed price projects with a contractual obligation to deliver a specific outcome, revenues and expenses are recorded in accordance with IFRS 15 - *Revenue from Contracts with Customers*. The core principle of IFRS 15 is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be entitled in exchange of those goods and services. Revenue is recognized when a performance obligation is satisfied, i.e. when control of the service is transferred to the customer. For fixed price projects revenue is recognized over time, since the performance does not create an asset with alternative use (used for another purpose or by another client without modifications) and there's an enforceable right to payment for performance completed to date.

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 loss is recorded for the difference.

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

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

Contracts in progress at end of the reporting period

(in thousands of euros)	31/12/2017	31/12/2018
Construction cost incurred plus recognised profits less recognised losses to date	18,269	57,280
Less: progress billings	(21,187)	(51,296)
	(2,918)	5,984
Recognized and included in consolidated financials statements as amounts due;		
- from customers under construction contracts	2,735	9,558
- to customers under construction contracts	(5,653)	(3,574)
	(2,918)	5,984

Revenues related to fixed price projects amounted to €80,717 thousand for the year ended December 31 2018, and €58,587 thousand for the year ended December 31, 2017.

NOTE 18 – Equity

18.1. Capital

On December 31, 2018, the capital of Valtech SE, in the amount of €3,518,975 is composed of 28,073,785 ordinary shares. It is fully paid. Changes over the periods (excluding treasury shares) are as follows:

Number of shares	31/12/2017	31/12/2018
On January 1st of each year	26,591,970	27,493,427
Increase in capital	799,170	516,748
Reduction in capital	-	(103,651)
Exercise of warrant options	102,287	167,261
As of the end of each reporting period (1)	27,493,427	28,073,785

(2) Number of shares December 31, 2017, includes 4.375 treasury shares

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

18.2. Treasury shares

During the year ended December 31, 2018, the Company purchased 99,276 own shares, amounting to €1,577 thousand (purchased from employees), giving a total number of treasury shares of 103,651, amounting to €1,643 thousand.

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All treasury shares have been cancelled pursuant to decisions of the Board on September 10 and December 19, 2018. There are no treasury shares outstanding as of December 31, 2018.

18.3. Basic and diluted earnings per share

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

	Net income (*)	Number of shares	Earnings per share
December 31, 2017			
Basic earnings per share	232	27,248,672	0.01
Dilutive impact of warrants		2,498,818	
Earnings per diluted share	232	29,747,490	0.01
December 31, 2018			
Basic earnings per share	13,183	28,055,508	0.47
Dilutive impact of warrants		3,197,498	
Earnings per diluted share	13,183	31,253,006	0.42

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

18.4. Dividends

The Group did not distribute dividends to its shareholders during fiscal year 2017. During the year 2018, dividends amounting to €7,091 thousand were distributed.

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NOTE 19 – Non-controlling interests

The group has one subsidiary with non-controlling interest, Valtech Mobility GmbH, owned 51% by Valtech GmbH and 49% by Audi Electronics Venture GmbH (AEV).

The amounts disclosed are before intercompany eliminations.

(in thousands of euros)	31/12/2017	31/12/2018
Current assets	-	23,268
Non-current assets	-	594
Current liabilities	-	5,477
Non-current liabilities	-	689
Equity attributable to owners of the Company	-	9,023
Non-controlling interests	-	8,673
Revenue	-	18,402
Expenses	-	(16,041)
Profit(loss) for the year	-	2,361
Profit(loss) attributable to the owners of the Company	-	1,200
Profit(loss) attributable to the owners of the non-controlling interests	-	1,161
Profit(loss) for the year	-	2,361
Other comprehensive income attributable to the owners of the Company	-	-
Other comprehensive income attributable to the owners of the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	-	1,200
Total comprehensive income attributable to owners of the non-controlling interests	-	1,161
Total comprehensive income for the year	-	2,361
Net cash inflow (outflow) from operating activities	-	(5,041)
Net cash inflow (outflow) from investing activities	-	(794)
Net cash inflow (outflow) from financing activities	-	10,255
Net cash inflow (outflow)	-	4,420

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NOTE 20 – Provisions

20.1. Movements in provisions

(in thousands of euros)	Litigations	Rent for unused premises	Retirement obligations	Others	Total
December 31, 2017					
-Current	39	173	54	513	779
-Non-current	1,099	118	879	758	2,854
Net values as of December 31, 2017	1,138	291	933	1,271	3,633
Increase	262	-	327	276	865
Recovery	(135)	(136)	(8)	(41)	(320)
Recovery (use)	(59)	(142)	(157)	(571)	(929)
Change in scope	-	-	-	(69)	(69)
Translation difference	2	(9)	(17)	(4)	(28)
Actuarial losses	-	-	157	-	157
December 31, 2018					
-Current	614	-	75	100	789
-Non-current	594	4	1,160	762	2,520
Net values as of December 31, 2018	1,208	4	1,235	862	3,309

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

20.2. Litigations

Costs related to litigation regarding former employees amounting to €1,138 thousand have been provisioned in 2017. During 2018 the increase mainly relates to new provisions regarding litigations with former employees in France and USA, out of which €135 thousand were recovered and €59 thousand were used during the period.

20.3. Rent for unused premises

In 2017, a decision was taken to close down the Swedish subsidiary Valtech AB's office in Malmö with 10 employees. Cost related to the office during the remaining time of the lease agreement until December 2019, amounting to €225 thousand, was provisioned at December 31, 2017. The office was sub-leased in June 2018. Consequently, for the twelve months ended December 31, 2018, this provision was reversed without being used with €136 thousand, based on the sub-lease of the office.

The Danish company Codehouse A/S, acquired in November 2017, has moved to the office of the Danish subsidiary Valtech A/S, resulting in a provision for unused premises amounting to €66 thousand as of December 31, 2017. The provision refers to rent premise related costs until February 2018, when the office lease is surrendered. As of December 31, 2018, there is no remaining provision for this lease agreement.

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.

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20.4. Retirement obligations and other post-employment benefits

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

- Defined contribution pension plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

- Defined benefit pension plans

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries. These calculations include assumptions of mortality, turnover, projection of future salary and pension increases paid.

The post-employment liabilities are determined in accordance with the accounting principles disclosed in note 1.17 to our consolidated financial statements. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. 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.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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

(in thousands of euros)	France	India	Total
December 31, 2017	443	490	933
Service cost	47	123	170
Actuarial gains/losses	147	10	157
Other changes	(8)	-	(8)
Translation adjustment	-	(17)	(17)
December 31, 2018	629	606	1 235

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

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

On December 31, 2018, the discount rates refer to the 10 year iBoxx rate.

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Key assumptions used	31/12/2017	31/12/2018
Discount rate	1.30%	1.57%
Salary inflation rate	2.00%	2.00%
Date of retirement	65	65

20.5. Others

The other provisions mainly relate to tax reassessments and loss making projects.

In the twelve months ended December 2018, the decrease in other provisions mainly reflects the use of provisions for loss making projects.

NOTE 21 –Accounts payable and other current liabilities

21.1. Accounts payable and related accounts

The aging analysis of accounts payable is presented as follows:

Aging analysis of accounts payable (in thousand of euros)	31/12/2017	31/12/2018
Not due or due since less than 30 days	19,521	19,428
Due for more than 30 days and less than 60 days	1,856	2,193
Due for more than 60 days and less than 90 days	151	288
Due for more than 90 days	2,473	2,322
Total	24,001	24,231

21.2. Other current liabilities

(in thousands of euros)	31/12/2017	31/12/2018
Tax and social security liabilities	16,424	20,781
Customer advances	886	254
Deferred income	1,603	3,622
Contract Liabilities	5,653	3,575
Other	1,958	1,309
Total	26,524	29,540

Contract liabilities are mainly balances due to customers related to fixed price projects, where the customer pays the fixed amount based on a payment schedule and the payments exceed the services rendered.

Liability regarding payments received from clients on behalf of the acquirer of a business in US amount to €592 thousand (included in other) as of December 31, 2018 and €917 thousand as of December 31, 2017.

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NOTE 22 – Cash and cash equivalents

(in thousands of euros)	31/12/2017	31/12/2018
Cash and cash equivalents	61,703	40,222
Bank overdrafts	(3,139)	-
Total	58,564	40,222

The working capital requirements of France is partially met through factoring contracts without recourse for a total amount of €3.340 thousand as of December, 2018, included in cash and cash equivalents

NOTE 23 – Financial debt

23.1. Analysis of the financial liabilities

(in thousands of euros)	31/12/2017	31/12/2018
Long-term borrowings	74,438	74,626
Deposits and securities received	301	54
Put option on own shares	10,792	4,792
Debt related to business combinations	5,441	-
Other	137	249
Other financial debt - non current portion	16,671	5,095
Financial liabilities-non-current portion	91,109	79,721
Short-term borrowings and bank overdrafts	4,218	1,080
Debt related to business combinations	3,377	5,136
Put option on own shares	-	6,000
Other financial debt-current portion	3,377	11,136
Financial liabilities-current portion	7,595	12,216
Total financial liabilities	98,704	91,937

Short-term borrowings and bank overdrafts corresponds to accrued interest related to bonds (€1,080 thousand as of December 31, 2018 and €1,079 thousand as of December 31, 2017) and received cash related to factoring with recourse in Germany (none in December 31, 2018 and €3,139 thousand December 31, 2017).

Long-term borrowings correspond to i) bonds issued in July 2016 for a nominal amount of €42,500 thousand bearing interest at 4.25% per annum with a maturity date in July 2022 and ii) bonds issued in October 2017 for a nominal amount of €33,000 thousand bearing interest at 4.5% per annum with a maturity date in October 2024.

The put options on our own shares for €10,792 thousand (€4,792 thousand non-current and €6,000 thousand current) refers to payments in shares for the acquisitions of eFocus, People Interactive and El Chalten, where the sellers have a put option to sell all or a portion of the shares back to Valtech at the initial share price.

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23.1.1. Debt related to acquisitions

(in thousands of euros)	31/12/2017	31/12/2018
eFocus	2,155	-
Non Linear	3,286	-
Non-current debt acquisitions	5,441	-
eFocus	969	1,970
People Interactive	720	-
Codehouse A/S	1,422	-
SoftTech LCC	266	-
Non Linear	-	3,166
Current debt acquisitions	3,377	5,136
Total debt acquisitions	8,818	5,136

23.2. Analysis of financial liabilities by maturity

(in thousands of euros)	31/12/2017	31/12/2018
Maturity less than 1 year	7,595	12,216
Maturity between 1 and 5 years	58,720	47,243
Maturity greater than 5 years	32,389	32,478
Total financial debt	98,704	91,937

Maturity between 1 and 5 years corresponds mainly to the bonds issued in July 2016 and put options on our own shares.

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

23.3. Analysis of the debt by rate

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

23.4. 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

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If these conditions are not met, the notes become due and payable at their principal amount, together with any accrued interest. Leverage and gearing ratios are required to be calculated semi-annually. As of December 31, 2017, and December 31, 2018 these conditions are met.

23.5. Reconciliation between change in financial liabilities and cash flows related to financing

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

(in thousands of euros)	31/12/2017	Cash flows	Non-cash changes				31/12/2018
			Foreign exchange movement	Put options	Debt related to acquisitions	Others	
Long-term borrowings	74,438	-	-	-	-	188	74,626
Deposits and securities received	301	-	-	-	-	(247)	54
Put option on own shares	10,792	-	-	(6,000)	-	-	4,792
Debt related to acquisitions	5,441	-	(95)	-	(5,346)	-	-
Other	137	-	-	-	-	112	249
Financial liabilities-non current portion	91,109	-	(95)	(6,000)	(5,346)	53	79,721
Short-term borrowings and bank overdrafts	4,218	(3,138)	-	-	-	-	1,080
Other financial debt-current portion	3,377	-	(26)	6,000	1,785	-	11,136
Financial liabilities-current portion	7,595	(3,138)	(26)	6,000	1,785	-	12,216
Total financial liabilities	98,704	(3,138)	(121)	-	(3,561)	53	91,937

NOTE 24 – Management of financial risks and financial instruments

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

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

The Group has no derivatives or any interest rate swaps.

24.1. Management of foreign currency risk

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

For the twelve months ended December 31, 2018, the change in foreign currency translation adjustments recorded in consolidated equity on the net assets exposed to currency risk is a loss of €1,816 thousand. For the twelve months ended December 31, 2017, the loss was €1,637 thousand.

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Division by currency, in thousands of euros	EUR	USD	INR	SEK	DKK	GBP	UAH	CAD	OTHERS (1)	TOTAL
December 31, 2017										
Assets	137,292	16,576	5,799	12,216	12,179	13,559	3,498	12,190	7,321	220,630
Liabilities excl. equity	128,211	3,378	3,145	5,659	5,406	4,916	150	4,430	2,451	157,746
Net exposure (in euros)	9,081	13,198	2,654	6,557	6,773	8,643	3,348	7,760	4,870	62,884
December 31, 2018										
Assets	130,720	16,710	6,252	12,203	12,435	31,526	4,119	13,363	7,737	235,064
Liabilities excl. equity	125,667	3,901	3,301	5,694	3,203	5,959	145	5,019	2,661	155,550
Net exposure (in euros)	5,053	12,810	2,950	6,509	9,231	25,567	3,973	8,344	5,076	79,514

(1) Net exposure others consists of SGD €1,518 thousand, BRL €1,407 thousand, ARS €797 thousand, RMB €550 thousand, CHF €538 thousand, and AUD €266 thousand

The Group is mainly exposed to the fluctuation in the exchange rate of the GBP and USD. A 10% appreciation/depreciation of the GBP against the EUR would increase/decrease net assets converted into euros by approximately €2,557 thousand and the same appreciation/depreciation in USD would increase/decrease net assets converted to euros by €1,281 thousand.

24.2. Management of interest rate risk

On December 31, 2018 and December 31, 2017, Valtech is exposed to interest rate risk only regarding bank guarantees, since the current financing is at a fixed interest rate.

Financing

The current financing of the Valtech Group consists of (i) an issue of bonds, amounting to €42,5 million with a fixed annual interest rate of 4.25% and with a maturity date in 2022, and (ii) a second issue of bonds, amounting to €33 million with a fixed annual interest rate of 4.5% and with a maturity date in 2024.

Bank guarantees

All of Valtech's bank guarantees are indexed on country-specific fixed rates. The Group has given bank guarantees amounting to €799 thousand.

24.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

24.4. 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.

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NOTE 25 – Warrants

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

As of December 31, 2018, the Board of Directors has authorized the issuance of warrants as follows:

- July 12, 2013: 23,153,666 warrants
- December 5, 2014: 6,485,155 warrants
- April 21, 2015: 492,625 warrants
- April 7, 2017: 120,400 warrants
- August 23, 2018: 114,752 warrants

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25.1 Main features of the warrants

The main features of the warrants plan existing as of December 31, 2018 and December 31, 2017, are described in the table below:

	2013 plan	2014 plan	2015 plan	2015 plan
Grant date	2013-07-12	2014-12-05	2015-04-21	2015-07-03
Contractual term of the plan	4 to 5 years	3 to 4 years	4 to 5 years	4 to 5 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 (extended until July 31, 2020)	From July 12, 2016 to July 12, 2018 (extended until July 31, 2020)	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	0.80	0.80
Exercise price (euros)	0.27	0.4875	7.32/7.07	7.30
Settlement method	Equity	Equity	Equity	Equity
Redemption conditions	at 0,01€ if share market value equals 0,74€ from July 12, 2015 to July 31, 2020	at 0,025€ if share market value equals 1,37€ from July 12, 2015 to July 31, 2020	at 0,50€ if share market value equals 20,06€ from June 1, 2018 to May 31, 2020	
	2017 plan	2018 plan	2018 plan	
Grant date	2017-04-07	2018-08-23	2018-08-23	
Contractual term of the plan	4 to 5 years	4 to 5 years	4 to 5 years	
Number of warrants issued	120,400	12,523	102,229	
Number of warrants required to purchase one share	1	1	1	
Exercise period	From April 10, 2020 to April 9, 2022	From July 30 2021 to July 29 2023	From July 30 2021 to July 29 2023	
Number of beneficiaries	23	8	22	
Subscription price (euros)	1.25	1.60	-	
Exercise price (euros)	12.25	16.00	17.60	
Settlement method	Equity	Equity	Equity	
Redemption conditions	at 1€ if share market value equals 33,57€ from June 1, 2020 to April 9, 2022	-	-	

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

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The movements on the equity warrant plans are the following:

	31/12/2017		31/12/2018	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Warrants not exercised at the beginning of the period	28.410.197	0.27	27.677.327	
Warrants issued over the period	120.400	12.25	114.752	17.43
Warrants cancelled/expiring over the period	(35,000)	0.27	(11,500)	9.03
Warrants exercised over the period	(818,270)	0.31	(1,037,090)	0.61
Warrants not exercised at the end of period	27.677.327		26.743.489	

25.2. Information on the fair value of warrants allocated

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

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

	Plan of 10 May 2013 - 4 years	Plan of 17 May 2013 - 4 years	Plan of 10 May 2013 - 5 years	Plan of 17 May 2013 - 5 years	Plan of 5 Dec. 2014 - 3 years
Grant date	2013-07-12	2013-07-12	2013-07-12	2013-07-12	2014-12-05
Market value of the underlying on the grant date	0.34	0.35	0.34	0.35	4.70
Subscription price (in euros)	0.03	0.03	0.03	0.03	0.05
Exercise price (in euros)	0.27	0.27	0.27	0.27	0.49
Volatility expected ⁽²⁾	56.10%	55.90%	56.10%	55.90%	56.10%
Contractual life of the warrant	4 years	4 years	5 years	5 years	4 years
Risk-free return rate ⁽³⁾	0.45%	0.38%	0.62%	0.53%	0.45%
Dividend rate ⁽⁴⁾	-	-	-	-	-
Fair value of warrants ⁽⁵⁾	14.84	15.43	15.47	16.03	14.84

	Plan of 11 May 2015 - 4 years	Plan of 3 July 2015 - 4 years	Plan of 7 April 2017 - 4 years	Plan of 23 August 2018 - 4 years	Plan of 23 August 2018 - 4 years
Grant date	2015-04-21	2015-07-03	2017-04-07	2018-08-23	2018-08-23
Market value of the underlying on the grant date ⁽¹⁾	7.55	8.35	12.50	16.53	16.53
Subscription price (in euros)	0.80	0.80	1.25	1.60	0.00
Exercise price (in euros)	7.32/7.07	7.30	12.25	16.00	17.60
Volatility expected ⁽²⁾	34.00%	34.00%	32.56%	31.15%	31.04%
Contractual life of the warrant	4 years	4 years	4 - 5 years	4 - 5 years	4 - 5 years
Risk-free return rate ⁽³⁾	0.20%	0.20%	-0.37%	-0.18%	-0.26%
Dividend rate ⁽⁴⁾	-	-	-	-	-
Fair value of warrants ⁽⁵⁾	20.06	20.06	1.67	5.14	4.50

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

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(2) Volatility weighted according to the schedule.

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

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

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

25.3. Expenses accounted for under share-based payments

The total expense recognized in the statement of income with a corresponding increase in equity in accordance with IFRS 2 paragraphs 10-22 amounted to €290 thousand and €699 thousand for the years ended December 31, 2018 and 2017, respectively.

In September 2018 the board decided to extend the exercise period for the 2013 and 2014 warrant plans until June 30, 2019. The extension has no material impact on the value of these warrants.

In February 2019 the board decided to extend the exercise period for the 2013 and 2014 warrant plans further until July 31, 2020. The extension has no material impact on the value of these warrants.

NOTE 26 – Off-balance sheet commitments

26.1. Contractual obligations

Commitments related to operating leases are as follows:

Leases (in thousand euros)	31/12/2017	31/12/2018
Less than a year	7,374	8,983
Between 1 and 5 years	18,350	21,137
Beyond 5 years	3,622	4,334
Lease agreements	29,346	34,454

The contractual obligations are primarily related to rental commitments.

26.2. Guarantees given

The Valtech Group has agreed to the following guarantees:

Guarantees given (in thousand euros)	31/12/2017	31/12/2018
Guarantees for real estate leases	4,350	3,441
Guarantee to the buyer of a divested business	500	-
Other guarantees	5	5
Total commitment	4,855	3,446

Guarantee given in connection with real estate leases:

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

Guarantee to the buyer of a divested business:

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In connection with the sale of a divested business, Valtech has pledged a guarantee limited to €500 thousand to the buyer, valid for two years and until September 1, 2018.

26.3. Guarantees received

Audi Electronics Venture GmbH has granted a credit line of €10 million on behalf of Valtech Mobility GmbH. The Group holds no other guarantee issued by third parties for its benefit. Guarantees received from financial institutions in its favor and issued at its request are presented under guarantees given.

NOTE 27 – Related parties

27.1. Transactions with related parties

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

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(in thousand euros)

Company	Services	Link	2017	2018
Revenues				
NetWerk Group	Other revenues	Management in eFocus	36	1
Tumble group B.V	Other revenues	Management in eFocus	-	-
Medicor B.V	Consulting	Management in eFocus	23	1
ShopWorks B.V.	Other revenues	Management in eFocus	9	6
Pulsar Four GmbH	Consulting	Sergei Ostapenko	564	17
Pulsar Four LLC	Consulting	Sergei Ostapenko	103	-
Digital Pelican - JOP Inc.	Consulting	Sebastian Lombardo	168	45
Volkswagen Group (1)	Digital Services	Valtech Mobility GmbH	-	18,998
		Total revenues	903	19,068
Costs				
A3 Investissements	Consulting	Sebastian Lombardo	261	256
Executive Technologies Partner				
Twenty Plus Consulting	Consulting	Tomas Nores	377	254
Executive Technologies Partner				
Twenty Plus Consulting	Expenses	Tomas Nores	-	151
Candioti Gatto Bicain & Ocantos SC	Consulting	Alejandro Candioti	262	118
Verlinvest	Interest			
The Three Tress B.V	Office rental	Management in eFocus	629	692
NetWerk Group	Group costs	Management in eFocus	1,788	949
NetWerk Group	Inventory	Management in eFocus	171	153
NetWerk Group	Other expenses	Management in eFocus	22	294
NetWerk Group	Legal services	Management in eFocus	-	71
Digital Tribes	Other expenses	Management in eFocus	275	419
A van Urk Management B.V	Consulting	Management in eFocus	192	240
Laurens Simonse Group	Other expenses	Management in eFocus	-	-
Brandt Management B.V	Consulting	Management in eFocus	192	216
Arnoud B.V	Consulting	Management in eFocus	192	216
ShopWorks B.V.	Other expenses	Management in eFocus	39	13
Cure4 B.V	Other variable costs	Management in eFocus	-	3
Ingo Kriescher Consulting	Consulting	Ingo Kriescher	197	-
Pulsar Four GmbH	Other expenses	Sergei Ostapenko	4	2
Pulsar Four LLC	Other expenses	Sergei Ostapenko	2	2
Arbusta	Consulting	Matias Vidal	-	99
Estudio SVG	Licenes	Sabrina Vieira	-	1
Volkswagen Group (1)	Office costs	Valtech Mobility GmbH	-	76
		Total cost	4,603	4,225

(1) Joint Venture operations with Audi Electronics Venture GmbH started on July 1 2018, and related party transactions refer to the period July 1 to December 31, 2018.

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27.2. Outstanding balances related parties

Outstanding balances with Volkswagen Group as per December 31, 2018, amount to:

(in thousand euros)	31/12/2018
Accounts receivables	7,000
Accrued revenues	1,268
Contract Assets	7,326
Total Assets	15,594
Accounts payables	4
Deferred revenues	38
Contract Liabilities	1,363
Total Liabilities	1,405

27.3. Gross remuneration allocated to the Board of directors

For the years ended December 31, 2018, 2017 and 2016, the corporate officers of Valtech SE, 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 has not been paid and the board has not decided on any allocation of fees among its members for these periods. For the year ended December 31, 2018, an allocation of fee for earlier periods amounting to €100 thousand has been reversed.

The CEO of Valtech SE, Sebastian Lombardo, is entitled to director's fees like the other members of the Board of directors for participation in the board. However, as the Board has not decided on such fees, no remuneration is indicated in the table of remuneration received by Mr. Lombardo. It should be noted that under specific assistance missions, fees are paid by the Group to Mr. Lombardo. These fees amounts to €256 thousand in 2018, €261 thousand in 2017 and none in 2016, as disclosed in the table above in Note 2.1.

27.4. Amounts allocated to the governing bodies

The amounts allocated to the four executive committee members of the Valtech Group in the form of remuneration or fees recorded during the years ended December 31, 2018, 2017 and 2016 amounted to €1,153 thousand, €1,294 thousand and €1.276 thousand respectively.

In 2018 this amount comprises €509 thousand of fees, detailed in the table above in Note 27.1 and €644 thousand of remuneration.

NOTE 28 – Events after closing date

There are no major events after closing date.

NOTE 29 – 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

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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 years. Objections may be served on the Company by shareholder[s] holding in aggregate 5 per cent or more of the total allocated shares in the Company.

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

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

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

NOTE 30 – 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 loss of the company for the year ended 31 December 2018 was (€3,495) thousand (2017 profit €19,555 thousand)

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

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NOTE 31 – Investment in subsidiaries

Cost	(in thousand euros)
As at December 31, 2017	153,774
Additions	14,017
Disposals	-5
As at December 31, 2018	167,786
Provisions for impairment	
As at December 31, 2017	
Written off	1,022
Written back	-
Disposals	-
As at December 31, 2018	1,022
Net book value	166,764

For details about subsidiaries, see note 1.26.

NOTE 32 – Trade and other receivables

(in thousand euros)	31/12/2017	31/12/2018
Amounts falling due within one year:		
Amounts owed by group undertakings (net)	6,791	6,546
Other debtors (net)	11,843	18,735
At the end of each year	18,634	25,281

NOTE 33 – Trade and other payables

(in thousand euros)	31/12/2017	31/12/2018
Amounts falling due within one year:		
Trade payables	8,243	2,378
Amounts owed to group undertakings	6,307	5,447
Other payables	11,409	16,840
At the end of each year	25,959	24,665

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

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Note 34 – 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, 2018.

Note 35 – Loan Notes

(in thousands of euros)	31/12/2017	31/12/2018
Maturity less than 1 year	-	-
Maturity between 1 and 5 years	42,500	42,500
Maturity greater than 5 years	33,000	33,000
Total loan notes	75,500	75,500

Details of the convertible loan notes are given in notes 3.1.7, 3.1.8 and 23 to the consolidated financial statements.

NOTE 36 – Other reserves

Other reserves for an amount of € 747,600 are provisions for risks arising out of litigations, provisions for onerous contracts and provisions for unrealized foreign exchange losses.

NOTE 37 – Share capital and share premium account

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

NOTE 38 – Equity reserve

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

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NOTE 39 – Retained earnings

(in thousand euros)

As at December 31, 2016	1,315
Dividends paid	-
Previous year result allocation to reserve	-
Net profit for the year	19,555
<hr/>	
As at December 31, 2017	20,870
Dividends paid	-7,992
Previous year result allocation to reserve	-
Net profit for the year	-3,495
<hr/>	
As at December 31, 2018	9,383

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Five year summary For the year ended 31 December 2018

Five year summary

	2018	2017	2016	2015	2015
	in euros	in euros	in euros	in euros	in euros
Results					
Revenue	29,733,911	26,601,364	28,550,060	29,494,415	26,568,866
Profit from operations	-1,965,026	-2,084,321	-5,186,654	-3,182,808	-5,118,694
Profit before tax	-3,661,317	19,403,441	20,016,339	1,048,418	-3,882,895
Profit attributable to equity holders of Valtech SE	-3,494,720	19,554,716	20,169,336	1,292,460	-3,695,972
Assets employed					
Non-current assets	194,685,078	180,308,414	125,732,096	81,754,398	66,285,970
Current assets	30,080,041	48,678,977	55,428,137	26,630,128	40,446,527
Current liabilities	30,538,464	30,634,071	36,114,079	19,549,659	20,088,964
Non-current liabilities	76,247,600	76,217,698	44,001,940	982,043	809,227
Long-term provisions	-	-	-	-	-
Net assets	117,979,055	122,135,622	101,044,214	87,852,824	85,834,306
Financed by					
Equity	117,979,055	122,135,622	101,044,214	87,852,824	85,834,306
Non-controlling interests	-	-	-	-	-
Key statistics					
Earnings per share	-0.12	0.71	0.76	0.05	-0.13