



**Valtech SE**

*Martino*  
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**VALTECH SE**

**Unaudited interim consolidated financial statements  
for the six-month period ended June 30, 2019**

# Valtech SE

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## Consolidated statements of income (loss)

(in thousands of euros)	Six months ended June 30, 2018, (Restated*)	Six months ended June 30, 2019	Note
Revenue	135 412	143 135	3,4
Other revenue	131	17	3,4
<b>Total revenue</b>	<b>135 543</b>	<b>143 152</b>	
Cost of sales	(87 118)	(92 222)	5
<b>Gross margin</b>	<b>48 426</b>	<b>50 930</b>	
Commercial costs	(8 858)	(10 649)	5
Administrative costs	(28 888)	(38 627)	5
Restructuring costs	(156)	324	6
Other income and expenses	(120)	(63)	6
<b>Operating result</b>	<b>10 403</b>	<b>1 915</b>	
Cost of gross financial debt	(1 796)	(1 784)	7
Interest income on cash and cash equivalents	21	57	7
Other financial income and expenses, net	389	(802)	7
<b>Income before tax from continuing operations</b>	<b>9 018</b>	<b>(614)</b>	
Income tax expense	(3 440)	(3 257)	8
<b>Net income (loss) from continuing operations</b>	<b>5 578</b>	<b>(3 871)</b>	
Income (loss) from discontinued operations	(2 279)	(688)	9
<b>Net income (loss)</b>	<b>3 299</b>	<b>(4 559)</b>	
<b>Net income (loss) attributable to:</b>			
Equityholders of the parent	3 299	(5 694)	
Non-controlling interests	-	1 135	
<i>Average number of basic shares (thousand)</i>	<i>28 019</i>	<i>28 169</i>	16
<i>Average number of fully diluted shares (thousand)</i>	<i>30 599</i>	<i>31 533</i>	16
Earnings per basic share (from continuing operations)	0,20	(0,14)	16
Earnings per basic share (from continuing operations, attrib. to equity holders)	0,20	(0,20)	16
Earnings per basic share (from continuing and discontinued operations)	0,12	(0,16)	16
Earnings per diluted share (from continuing operations)	0,18	(0,14)	16
Earnings per diluted share (from continuing operations, attrib. to equity holders)	0,18	(0,20)	16
Earnings per diluted share (from continuing and discontinued operations)	0,11	(0,16)	16

(\* ) The comparative information has been restated in accordance with IFRS 5, see note 9

Consolidated statements of comprehensive income (loss)

(in thousands of euros)	Six months ended June 30, 2018 (Restated)	Six months ended June 30, 2019
<b>Net income (loss) for the period</b>	<b>3,299</b>	<b>(5,694)</b>
Foreign currency translation adjustment	(1,339)	97
<b>Items that may be reclassified to the statements of income</b>	<b>(1,339)</b>	<b>97</b>
Actuarial gains on employee benefits, net of tax	(146)	(211)
<b>Items that will not be reclassified to the statements of income</b>	<b>(146)</b>	<b>(211)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>(1,485)</b>	<b>(114)</b>
<b>Total comprehensive income (loss) attributable to equity holders of the parent</b>	<b>1,814</b>	<b>(5,808)</b>
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>

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## Consolidated statements of financial position

(in thousands of euros)	31/12/2018	30/6/2019	Notes
Goodwill	56 458	78 710	10
Intangible assets, net	25 849	24 325	11
Right-of-use assets, net	-	27 608	12
Tangible assets, net	9 135	9 313	13
Non-current financial assets, net	2 906	3 185	14
Other non-current assets	71	146	
Deferred tax assets	5 756	6 190	8
<b>Non-current assets</b>	<b>100 175</b>	<b>149 477</b>	
Accounts receivable and related accounts	76 058	79 933	15
Other current assets	18 609	19 666	15
Cash and cash equivalents	40 222	46 198	20
<b>Current assets</b>	<b>134 889</b>	<b>145 797</b>	
<b>Total assets</b>	<b>235 064</b>	<b>295 274</b>	
Share capital	3 519	3 566	16
Reserves	57 921	72 790	16
Net income attributable to equity holders of the parent	9 401	(5 694)	16
<b>Equity attributable to owners of the Company</b>	<b>70 841</b>	<b>70 662</b>	
Non-controlling interests	8 673	9 808	17
<b>Total equity</b>	<b>79 514</b>	<b>80 470</b>	
Provisions-non-current portion	2 520	2 971	18
Long-term borrowings	74 626	95 462	21
Other financial debt-non-current portion	5 095	22 098	21
Deferred tax liabilities	6 533	6 458	8
<b>Non-current liabilities</b>	<b>88 774</b>	<b>126 989</b>	
Provisions-current portion	789	467	18
Short-term borrowings and bank overdrafts	1 080	2 756	21
Accounts payable and related accounts	24 231	17 030	19
Other financial debt-current portion	11 136	30 714	21
Other current liabilities	29 540	36 848	19
<b>Current liabilities</b>	<b>66 776</b>	<b>87 815</b>	
<b>Total liabilities</b>	<b>155 550</b>	<b>214 804</b>	
<b>Total equity and liabilities</b>	<b>235 064</b>	<b>295 274</b>	

# Valtech SE

## Consolidated statements of cash flows

(in thousands of euros)	Six months ended June 30, 2018 (Restated*)	Six months ended June 30, 2019	Notes
Net income (loss) from continuing operations	5,578	(3,871)	
- Depreciation and amortization, net	4,212	9,387	5
- Increase (decrease) in provisions	(543)	129	18
- Capital losses on disposal of assets	27	636	
- Share-based compensation expense	151	5,494	23.3.
Financial expenses	1,775	2,529	7
Income tax expense	3,440	3,257	8
Income tax paid	(4,759)	(3,578)	
Interest paid	(132)	(878)	
Net change in working capital	(7,756)	(9,201)	
<b>Net cash provided by (used in) operating activities</b>	<b>1,993</b>	<b>3,904</b>	
Acquisition of tangible assets	(2,048)	(2,006)	13
Acquisition of intangible assets	(3,014)	(1,853)	11
Proceeds from the sale of non-current assets	89	-	
Payments for acquired businesses, net of cash acquired	(10,664)	(11,185)	
Increase (decrease) of financial investments	(265)	(279)	
<b>Net cash provided by (used in) investing activities</b>	<b>(15,902)</b>	<b>(15,323)</b>	
Lease liabilities paid	-	(4,053)	21.5.
Proceeds from exercise of warrants	189	877	
Cash received from capital increase	-	37	
Cash received from non-controlling interest	7,512	-	
Issuance (repayment) of financial liabilities	(30)	21,000	21.5.
Purchase of treasury shares	(400)	(395)	
Others	-	28	21.5.
<b>Net cash provided by (used in) financing activities</b>	<b>7,271</b>	<b>17,494</b>	
Impact of changes in foreign exchange rates	(172)	77	
<b>Increase (decrease) in cash and cash equivalent</b>	<b>(6,810)</b>	<b>6,152</b>	
<b>Net cash flows attributable to the operating, investing and financing activities of discontinued operations</b>	<b>(1,868)</b>	<b>(176)</b>	
<b>Overall net cash flows</b>	<b>(8,678)</b>	<b>5,976</b>	
Cash and cash equivalents at the beginning of the period	58,564	40,222	19
Cash and cash equivalents at the end of the period	49,886	46,198	19

(\* ) The comparative information has been restated in accordance with IFRS 5, see note 9

Pursuant to IFRS 5 – Non-current assets held for sale and discontinued operations, cash flows related to a business held by Valtech Services, sold in 2016, and business held by Valtech Digital Australia, sold in April 2018, are presented separately in the statements of cash flows as discontinued operations

## Consolidated statements of changes in shareholders' equity

The changes in shareholders' equity during the six months ended June 30, 2019 and June 30, 2018 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
<b>December 31, 2017</b>	<b>27,489,052</b>	<b>3,446</b>	<b>103,818</b>	<b>(44,930)</b>	<b>5,411</b>	<b>(1,452)</b>	<b>(66)</b>	<b>(3,344)</b>	<b>62,884</b>	<b>-</b>	<b>62,884</b>
Appropriation of income	-	-	-	(1,452)	-	1,452	-	-	-	-	-
Net income for the period	-	-	-	-	-	3,299	-	-	3,299	-	3,299
Gains and losses recognized in Other Comprehensive Income	-	-	-	(146)	-	-	-	(1,339)	(1,485)	-	(1,485)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,598)</b>	<b>-</b>	<b>4,751</b>	<b>-</b>	<b>(1,339)</b>	<b>1,814</b>	<b>-</b>	<b>1,814</b>
Share-based compensation	-	-	-	-	151	-	-	-	151	-	151
Subscription of new warrants	-	-	-	-	-	-	-	-	-	-	-
Exercise of warrants	79,258	10	190	-	-	-	-	-	200	-	200
Increase in capital (1)	516,748	65	8,203	-	-	-	-	-	8,268	-	8,268
Purchase of treasury shares	(25,728)	-	-	-	-	-	(400)	-	(400)	-	(400)
Cancellation of warrants	-	-	(11)	-	-	-	-	-	(11)	-	(11)
Scope variation (2)	-	-	-	-	-	-	-	-	-	7,512	7,512
<b>Total of transactions with the shareholders</b>	<b>570,278</b>	<b>75</b>	<b>8,382</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>8,208</b>	<b>-</b>	<b>15,720</b>
<b>June 30, 2018</b>	<b>28,059,330</b>	<b>3,521</b>	<b>112,200</b>	<b>(46,528)</b>	<b>5,562</b>	<b>3,299</b>	<b>(466)</b>	<b>(4,683)</b>	<b>72,906</b>	<b>7,512</b>	<b>80,418</b>
<b>December 31, 2018</b>	<b>28,073,785</b>	<b>3,519</b>	<b>110,989</b>	<b>(53,610)</b>	<b>5,701</b>	<b>9,401</b>	<b>-</b>	<b>(5,160)</b>	<b>70,841</b>	<b>8,673</b>	<b>79,514</b>
Appropriation of income	-	-	-	9,401	-	(9,401)	-	-	-	-	-
Net income for the period	-	-	-	-	-	(5,694)	-	-	(5,694)	1,135	(4,559)
Gains and losses recognized in Other Comprehensive Income	-	-	-	(211)	-	-	-	97	(114)	-	(114)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,190</b>	<b>-</b>	<b>(15,095)</b>	<b>-</b>	<b>97</b>	<b>(5,808)</b>	<b>1,135</b>	<b>(4,673)</b>
Share-based compensation	-	-	-	-	5,494	-	-	-	5,494	-	5,494
Exercise of warrants	124,875	16	867	-	-	-	-	-	883	-	883
Increase in capital (1)	298,972	37	-	-	-	-	-	-	37	-	37
Purchase of treasury shares (3)	-	-	-	-	-	-	(779)	-	(779)	-	(779)
Cancellation of treasury shares (3)	(49,981)	(6)	(773)	-	-	-	779	-	-	-	-
Cancellation of warrants	-	-	(6)	-	-	-	-	-	(6)	-	(6)
<b>Total of transactions with the shareholders</b>	<b>373,866</b>	<b>47</b>	<b>88</b>	<b>-</b>	<b>5,494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,629</b>	<b>-</b>	<b>5,629</b>
<b>June 30, 2019</b>	<b>28,447,651</b>	<b>3,566</b>	<b>111,077</b>	<b>(44,420)</b>	<b>11,195</b>	<b>(5,694)</b>	<b>-</b>	<b>(5,063)</b>	<b>70,662</b>	<b>9,808</b>	<b>80,470</b>

(1) See details in note 2.1.2 and 2.2.3

(2) See details in note 2.1.3

(3) See details in note 16.2

## 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 9 primarily relate to the statements of income and notes 10 to 26 primarily relate to the consolidated statements of financial position).



# Valtech SE

## NOTE 1 – Accounting policies

### 1.1. Basis of preparation

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

The Company prepared its unaudited interim consolidated financial statements for the six months ended June 30, 2019 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 period ended June 30, 2019. Comparative figures are presented for the six-month period ended June 30, 2018 for consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of cash flows, and for December 31, 2018, for consolidated statements of financial position and consolidated statements of changes in shareholders’ equity.

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 August 29, 2019.

### 1.2. New standards, amendments and interpretation implemented in the financial statements of the Group for the six months ended June 30, 2019

The Company has applied, in its unaudited Interim Consolidated Financial Statements for the six months ended June 30, 2019, new standards and amendments, for which the application is mandatory as of January 1, 2019. The new standards and interpretations applicable on a mandatory basis for fiscal years beginning on or after January 1, 2019, mainly relate to:

IFRS 16 — Leases (January 1, 2019): the new standard on lease accounting results in almost all operating leases being recognized in the consolidated statements of financial position, as the distinction between operating and finance leases is removed for lessees. Under the new standard a right of use asset and a financial liability (a liability for discounted future lease instalments) are recognized in the statement of financial position.

The standard affects primarily the accounting for the Group’s operating leases and have a material impact on the consolidated statement of financial position, but it does not have a material impact on the consolidated statement of income (loss).

Most of the lease commitments in scope of the standard relate to real estate, vehicles and other assets (IT equipment).

Judgements are required regarding determination of the incremental borrowing rate and the lease term (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 are not restated under the new standard.

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

- Right-of-use assets are reported separately in the consolidated statements of financial position

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- The recognition, measurement and disclosure requirements of IFRS 16 are applied in full to short-term leases (< 12 months) and leases of low-value assets. These leases are 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 is made in leases that contain both lease components and non-lease components
- Existing finance lease liabilities are carried forward
- When calculating the lease liability for existing operating leases, the incremental borrowing rate at date of transition is used
- IFRS 16 is not applied to leases of intangible assets.

The impact of IFRS 16 on our consolidated statements of financial position as of January 1, 2019 is an increase in the Right-of-use assets and a corresponding increase in the financial liabilities for an amount of €31.4 million and €32.3 million respectively.

During 2019, the Group records depreciation charges and interest expenses (instead of lease expenses) in the consolidated statements of income. In the consolidated statements of cash-flows, the lease payments from operating leases impact net cash from or used in financing activities (they no longer affect net cash from operating activities). Short term lease payments, low value assets and variable lease payments not included in the lease liability are included in cash from or used in operating activities.

The following table is the reconciliation of the opening balance of the lease liabilities as at January 1, 2019 with the off-balance sheet lease obligations according to IAS 17 as of December 31, 2018:

<b>Reconciliation of lease liabilities (in EUR millions)</b>	
	<b>2019-01-01</b>
<b>Off-balance lease obligations as of 31 December, 2018</b>	<b>36,9</b>
Relief option for short-term leases	-
Relief option for lease of low-value assets	-
Non-Lease components	-0,4
Reasonably certain extension of termination options	0,4
Other	-
<b>Operating lease obligation as of January 1, 2019 (Gross, undiscounted)</b>	<b>36,9</b>
Discounting	-4,6
<b>Lease liability due to initial application of IFRS 16 as of January 1, 2019</b>	<b>32,3</b>

The lease liabilities were discounted at the incremental borrowing rate applicable to them as at January 1, 2019. The weighted average discount rate was 5.12%.

Leases are shown as follows in the statements of financial position as at June 30, 2019 and in the statements of income (loss) for the first half of the year:

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## Leases in statements of financial position

(in thousands of euros) 30/6/2019

### ASSETS

#### Non-current assets

Right-of-use assets - Real estate	26 320
Right-of-use assets - Vehicles	772
Right-of-use assets - Parking lots	395
Right-of-use assets - IT equipment	97
Right-of-use assets - Others	24

**Total** **27 608**

### EQUITY AND LIABILITIES

#### Non-current liabilities

Lease liabilities	20 950
Where of:	
<i>Maturity between 1 and 5 years</i>	<i>15 880</i>
<i>Maturity greater than 5 years</i>	<i>5 070</i>

#### Current liabilities

Lease liabilities	7 167
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**Total** **28 117**

## Leases in statements of income (loss)

Six months ended  
June 30, 2019

### Administrative costs

Sublease income	494
Lease expenses of short term leases	(31)
Lease expenses of low-value assets	(11)
Depreciation of right-of-use assets	(4 362)

### Other financial income and expense, net

Interest expenses	(799)
Currency translation gains on lease liabilities	188
Currency translation losses on lease liabilities	(38)

## Leases in statements of cash flow

Six months ended  
June 30, 2019

Repayment of lease liabilities – financing activity	(4 053)
Cash outflows interest payments	(801)
Lease payments for short-term leases and lease of low value assets – operating activity	(42)

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## 1.3 Presentation of the statements

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

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

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

## 1.4 Scope and methods of consolidation

The Consolidated Financial Statements include the statements of the parent company Valtech SE and all its subsidiaries, controlled under IFRS 10 *Consolidated Financial Statements*.

The income (loss) of subsidiaries acquired or sold during the year is included in the consolidated net income of the Group from the date the 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 are assessed in order to determine the exercise of control by the parent company over its subsidiaries. An investor controls an investee if and only if the investor has the following elements:

- power over the investee, i.e. the investor has existing rights that give the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power to affect the amount of the investor's 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.

# Valtech SE

## 1.6 Business combinations and accounting for goodwill

### *Business combinations*

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

The evaluation of the purchase price, including, where appropriate, the estimated fair value of contingent considerations, is completed within twelve months following the acquisition. In accordance with IFRS 3R, any 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 and then monitored at the level of the cash generating unit "CGU" or group of cash generating units "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 in comparing the carrying value of assets to their recoverable amount, which is defined as the greater of the asset's fair value less costs of disposal, and its 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.

The carrying amount of assets is compared with the recoverable amount, which most of the times corresponds to net present value of future cash flows excluding financial expenses.

The method projects to perpetuity a normative amount with a perpetual growth rate. The discount rate applied to those cash flows corresponds to the average cost of capital of each CGU or group of CGUs.

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

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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.

### 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 developments of new or enhanced services, which are expected to generate future cash flows, are capitalized and amortized on a straight line basis over their estimated lifetime (generally between 3 and 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 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 assets. It is calculated on the basis of the purchase price. The assets are depreciated over their expected life, as follows:

- Fixtures, fitting, technical facilities which can't be removed depend on the useful life or the term of the real estate lease agreement if shorter
- Hardware 3-5 years
- Furniture 5-7 years

## **1.13 Leases**

### **Policy applicable from January 1, 2019**

At inception of a contract, the Group assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset that is physically distinct, with no right of substitution by the lessor
- the Group has the right to obtain substantially all of the economic benefits from the asset during the period of use
- the Group has the right to direct the use of the asset (decision-making rights to changing how and for what purpose the asset is used)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset, less any lease incentive received.

The right-of-use assets is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rates. Generally, the group uses the incremental borrowing rate as the discount rate.

The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow a similar term and with a similar security of funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, change in the amount expected to be payable under a residual value guarantee or changes in extension or termination options. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

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## Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and lease of low-value assets, including IT equipment. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

### **Policy applicable before January 1, 2019**

In the comparative period, according to IAS 17, leases that transfer substantially all of the risk and rewards of ownership were classified as finance leases. Financial leases were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statements of financial position. Payments made under operating leases were recognised in the consolidated statements of income on a straight-line basis over the term of the lease.

### **1.14. Investments and other financial assets**

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

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 did not hold any derivatives or employed any form of currency hedging during the periods ended June 30, 2019 and December 31, 2018.

The Group determines the classification of its financial assets. In the consolidated statements 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 interests.

### **Measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI (fair value with any changes in fair value reported in other comprehensive income) or FVTPL (fair value with all changes in fair value reported in consolidated statements of income).

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 the consolidated statements of income.

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

- 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.



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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 the consolidated statements of income.

### Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. 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.

#### 1.15. 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 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 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 consolidated statements of financial position 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 consolidated statements of financial position.

As of June 30, 2019, the Group's only subsidiary with factoring is in France, where the sale of accounts receivable is without recourse, leading to the derecognition of the corresponding receivables.

#### 1.16. Cash and cash equivalents

In accordance with IAS 7 - *Cash Flow Statements*, cash and cash equivalents presented in the consolidated statements 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 statements 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.

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

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

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*. At the end of each reporting period, the Group revises its estimates of the number of warrants/restricted share units that are expected to vest, and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The social security contributions payable in connection with the grant of restricted unit shares is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction. The social security cost is recognised as an expense with a corresponding increase in liabilities, over the vesting period. The liability is re-measured at each reporting date and any changes in the liability are recognised in the income statement.

### **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

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of financial position date, (ii) it is probable (more likely than not) that a liability (future outflow to settle the obligation) has been incurred, and (iii) this liability can be reasonably estimated.

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

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

Other costs (removal costs, training costs of transferred employees, etc.) and write-offs of fixed assets 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 either time-and-material or 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 used to measure the progress towards complete satisfaction of these performance obligations is applied according to the characteristics of each contract and client in accordance with 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.

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## 1.23. Taxes

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

### Current income tax

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'.

## 1.25 Non-current assets held for sale and discontinued operations

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

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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 costs to sell.

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 June 30, 2019 and December 31, 2018, include the statements of the companies listed in the table below:

Country	Scope	% of interest	% of interest	Acq. or creation date	Consolidation method
		June 30, 2019	December 31, 2018		
	Valtech S.E.				Parent company
United Kingdom	Valtech Ltd.	100%	100%	1996	Full consolidation
	True Clarity Ltd	100%	100%	2018	Full consolidation
	Valtech Inside (3)		100%	2016	Full consolidation
	El Chalten Ltd	100%	100%	2017	Full consolidation
	Non Linear Creations UK Ltd (2)		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 Creations)	100%	100%	2017	Full consolidation
China	Valtech Digital China Co. Ltd.	100%	100%	2016	Full consolidation
Denmark	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%	51%	2018	Full consolidation
	Valtech GmbH	100%	100%	1999	Full consolidation
Hong Kong	Valtech HK Ltd (no operations) (4)		100%	2010	Full consolidation
India	Valtech India Systems Private Ltd	100%	100%	1997	Full consolidation
Malaysia	Valtech Digital Malaysia Sdn. Bhd	100%	0%	2019	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
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 (1)	100%	100%	2014	Full consolidation
	Non Linear Creations Inc (4)		100%	2017	Full consolidation
	MJD Interactive Agency, Inc	100%	0%	2019	Full consolidation

(1) Business activity in Valtech Services was sold in 2016

(2) Non Linear Creations UK Ltd has been dissolved in January 2019

(3) Valtech Inside has been dissolved in March 2019

(4) Valtech HK Ltd and Non Linear Creations Inc have been dissolved in May 2019

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## NOTE 2 – Major events of the period

### 2.1. Year 2018

#### 2.1.1. 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.

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 23).

#### 2.1.2. Increase in capital

On January 10, 2018, the Board of Valtech, on behalf of the shareholders, 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, on behalf of the shareholders, 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).

#### 2.1.3. 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.

#### 2.1.4 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

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litigation is recorded under discontinued operations.

### 2.1.5 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.

### 2.1.6. 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

## 2.2. Year 2019

### 2.2.1. Sale of business in Australia

In April 2019, the Group entered into a sale agreement to dispose of its business assets in the subsidiary Valtech Digital Australia PTY Ltd, which carried out all of the Group's Australian operations. The disposal was completed on April 5, 2019, on which date the business assets were transferred to the seller.

### 2.2.2. Acquisition of the company MJD Interactive Agency Inc (USA)

On June 7, 2019, Valtech acquired MJD Interactive Agency Inc, a Digital Innovation Agency with office in San Diego.

MJD Interactive Agency is consolidated in the Valtech accounts as of June 1, 2019. Pursuant to the purchase agreement, Valtech paid the sellers €10.4 million upon closing with an additional €1.1 million holdback payment. An additional € 3.1 million will be paid in cash after May 2020. Subject to certain exceptions and the achievement of certain targets, the sellers are also entitled to receive €4.6 million of shares in Valtech SE after May 2020 and €0.8 million in cash in year 2021. The total consideration is €20.0 million.

The determination of the fair value of assets acquired and liabilities assumed is ongoing. The preliminary goodwill resulting from this transaction, before allocation to intangible assets identified when performing purchase price allocation, is €22.2 million before exchange rate fluctuation. The purchase price allocation is estimated to be finalized before the end of the year 2019.

Valtech also agreed to issue restricted unit shares to certain key employees. In June 2019, 10,000 restricted unit shares were issued.

### 2.2.3. Increase in capital

On May 23, 2019, the Board of Valtech, on behalf of the shareholders, decided to issue 298,972 new shares at €0.125347364 per share to Cosmoledo SPRL, leading to a capital increase of €37 thousand (out of which €37 thousand in share capital). Cosmoledo SPRL is a company owned by the executive committee members Mr Sebastian Lombardo, Mr Tomas Nores and Mr Olivier Padiou. The share-based cost related to the issue of the shares amounts to €5.2 million, based on the share price €17.5.

### 2.2.4. Issue of new bonds

On June 19, 2019, Valtech issued bonds in principal amount of €21 million. The bonds bear a fixed annual interest rate of 4.25% and mature in June 2025. The purpose of the issue is to support Valtech's future growth.

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### 2.2.5. Transfer of the registered office of the Company to Luxembourg

The Board of Directors, which met on June 27, 2019, approved the Company's proposed transfer of headquarters from the United Kingdom to Luxembourg, conditioned by the approval of the Combined General Meeting of Shareholders to be held in September 2019. The transfer is estimated to take place in October 2019. The transfer has no impact on the Consolidated Financial Statements, apart from calculation of company income tax.

### 2.2.6. 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 1.3% of the total revenue January to June 2019.

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 €150 thousand as per June 30, 2019, unrecorded as immaterial.

## NOTE 3 – 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 (discontinued), 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 June 30, 2019 and 2018 are presented as follows:



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30/6/2018 (Restated)													
Corp.	FR	SW	DK	UK	GE	NL	NA	IN	CH	Others (2)	Interco elim.	Total	
Revenue with third parties	-	12 037	17 715	10 122	17 667	35 390	14 325	16 925	904	1 548	8 910	-	135 543
Intercompany revenue (1)	-	1 489	213	1 527	222	441	850	1 392	4 794	27	3 465	(14 420)	-
<b>Total revenue</b>	-	<b>13 526</b>	<b>17 928</b>	<b>11 649</b>	<b>17 889</b>	<b>35 832</b>	<b>15 176</b>	<b>18 316</b>	<b>5 698</b>	<b>1 575</b>	<b>12 375</b>	<b>(14 420)</b>	<b>135 543</b>
<b>Operating result</b>	<b>(2 285)</b>	<b>1 358</b>	<b>1 919</b>	<b>1 325</b>	<b>1 066</b>	<b>4 597</b>	<b>887</b>	<b>(417)</b>	<b>478</b>	<b>325</b>	<b>1 149</b>	<b>-</b>	<b>10 403</b>
<b>Income before tax from continuing operations</b>	<b>(3 763)</b>	<b>1 325</b>	<b>1 894</b>	<b>1 320</b>	<b>944</b>	<b>4 579</b>	<b>885</b>	<b>(518)</b>	<b>850</b>	<b>346</b>	<b>1 155</b>	<b>-</b>	<b>9 018</b>
<b>Income tax expense</b>	<b>(7)</b>	<b>(155)</b>	<b>(414)</b>	<b>(340)</b>	<b>(181)</b>	<b>(1 433)</b>	<b>(167)</b>	<b>(195)</b>	<b>(258)</b>	<b>-</b>	<b>(290)</b>	<b>-</b>	<b>(3 440)</b>
<b>Average workforce</b>	<b>-</b>	<b>167</b>	<b>221</b>	<b>158</b>	<b>135</b>	<b>302</b>	<b>213</b>	<b>232</b>	<b>524</b>	<b>8</b>	<b>288</b>	<b>-</b>	<b>2 248</b>
30/6/2019													
Corp.	FR	SW	DK	UK	GE	NL	NA	IN	CH	Others (2)	Interco elim.	Total	
Revenue with third parties	-	14 405	17 446	9 750	16 679	34 541	13 082	24 736	627	1 980	9 906	-	143 152
Intercompany revenue (1)	-	1 511	127	935	210	4 735	1 764	1 709	6 646	17	4 718	(22 371)	-
<b>Total revenue</b>	-	<b>15 916</b>	<b>17 573</b>	<b>10 685</b>	<b>16 889</b>	<b>39 276</b>	<b>14 846</b>	<b>26 444</b>	<b>7 273</b>	<b>1 997</b>	<b>14 624</b>	<b>(22 371)</b>	<b>143 152</b>
<b>Operating result</b>	<b>(9 373)</b>	<b>957</b>	<b>1 323</b>	<b>586</b>	<b>1 150</b>	<b>3 592</b>	<b>1 515</b>	<b>616</b>	<b>1 141</b>	<b>273</b>	<b>135</b>	<b>-</b>	<b>1 915</b>
<b>Income before tax from continuing operations</b>	<b>(10 893)</b>	<b>845</b>	<b>1 293</b>	<b>533</b>	<b>877</b>	<b>3 469</b>	<b>1 457</b>	<b>413</b>	<b>1 093</b>	<b>246</b>	<b>53</b>	<b>-</b>	<b>(614)</b>
<b>Income tax expense</b>	<b>(260)</b>	<b>97</b>	<b>(306)</b>	<b>(119)</b>	<b>(192)</b>	<b>(1 090)</b>	<b>(271)</b>	<b>(249)</b>	<b>(387)</b>	<b>(68)</b>	<b>(411)</b>	<b>-</b>	<b>(3 257)</b>
<b>Goodwill (net value)</b>	<b>-</b>	<b>2 037</b>	<b>643</b>	<b>2 775</b>	<b>10 283</b>	<b>12 395</b>	<b>11 418</b>	<b>32 717</b>	<b>2 611</b>	<b>-</b>	<b>3 830</b>	<b>-</b>	<b>78 710</b>
<b>Intangible, Tangible, RoU and Financial assets</b>	<b>4 850</b>	<b>9 079</b>	<b>1 882</b>	<b>2 139</b>	<b>14 501</b>	<b>9 803</b>	<b>9 186</b>	<b>7 574</b>	<b>2 960</b>	<b>142</b>	<b>2 316</b>	<b>-</b>	<b>64 431</b>
<b>Average workforce</b>	<b>-</b>	<b>188</b>	<b>259</b>	<b>150</b>	<b>158</b>	<b>402</b>	<b>236</b>	<b>280</b>	<b>563</b>	<b>10</b>	<b>398</b>	<b>-</b>	<b>2 643</b>

(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  
The French entity Valtech Global Projects is included in Others, since the business refers to common global projects of the Group

## NOTE 4 – 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.

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The Company's services are mainly performed under either time-and-material or 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 used to measure the progress towards complete satisfaction of these performance obligations is applied according to the characteristics of each contract and client in accordance with 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 3 above).

### 4.1 Revenue per contract type

	Six months ended June 30, 2018 (Restated)	Six months ended June 30, 2019
Time and material	72,7%	73,3%
Fixed price	26,4%	25,7%
Other	0,9%	1,0%
<b>Total revenue</b>	<b>100,0%</b>	<b>100,0%</b>

### 4.2 Revenue per industry vertical

(in thousands of euros)	Six months ended June 30, 2018 (Restated)										%
	FR	SW	DK	UK	GE	NL	NA	CH	Others	Total	
Retail	8 898	1 572	1 686	1 748	6 009	5 317	6 138	1 427	4 173	36 968	27%
Automotive	163	35	90	344	22 443	2 471	58	-	-	25 604	19%
Financial Services	2 225	4 568	170	3 715	352	1 020	2 070	37	168	14 325	11%
Government	78	3 193	122	6 464	-	79	404	-	-	10 342	8%
Travel	228	1 657	1	0	2 595	340	1 726	-	119	6 666	5%
Healthcare	-	964	2 766	1 404	1 108	506	339	-	477	7 564	6%
Media	134	2 071	27	0	1 916	18	537	-	688	5 391	4%
Manufacturing	40	237	2 310	258	104	2 376	1 744	-	75	7 144	5%
Technology	-	413	615	819	101	124	307	-	119	2 498	2%
Other	270	3 006	2 336	2 914	761	2 073	3 601	84	3 996	19 041	14%
<b>Total</b>	<b>12 037</b>	<b>17 714</b>	<b>10 122</b>	<b>17 667</b>	<b>35 390</b>	<b>14 325</b>	<b>16 925</b>	<b>1 548</b>	<b>9 814</b>	<b>135 543</b>	<b>100%</b>

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## Six months ended June 30, 2019

(in thousands of euros)	FR	SW	DK	UK	GE	NL	NA	CH	Others	Total	%
Retail	12 500	1 893	547	1 021	4 319	4 636	8 476	1 406	3 491	38 289	27%
Automotive	-	616	22	11	22 994	2 893	61	-	564	27 160	19%
Financial Services	1 464	4 156	38	1 423	99	863	1 577	66	163	9 850	7%
Government	75	2 762	51	7 638	-	324	456	-	-	11 305	8%
Travel	65	1 318	-	2 731	2 910	116	1 684	-	1 100	9 924	7%
Healthcare	-	650	3 113	1 226	1 226	131	388	489	814	8 037	6%
Media	159	1 754	17	25	1 633	(0)	304	-	314	4 206	3%
Manufacturing	-	456	1 692	1 094	91	1 758	2 364	-	96	7 551	5%
Technology	-	870	1 523	55	-	830	839	-	79	4 196	3%
Other	142	2 971	2 748	1 455	1 268	1 531	8 587	19	3 912	22 633	16%
<b>Total</b>	<b>14 405</b>	<b>17 445</b>	<b>9 750</b>	<b>16 679</b>	<b>34 541</b>	<b>13 082</b>	<b>24 736</b>	<b>1 980</b>	<b>10 534</b>	<b>143 152</b>	<b>100%</b>

## NOTE 5 – Expenses by nature

(in thousand of euros)

	Six months ended June 30, 2018 (Restated)			
	Cost of sales	Commercial costs	Administrative costs	Total
Staff costs	(63,370)	(5,401)	(12,087)	(80,858)
Subcontractors costs	(22,714)	(139)	(879)	(23,732)
Cost of warrants	(37)	-	(113)	(151)
Other employee benefits expense	(86)	-	(55)	(142)
Amortization & depreciation	(1,140)	(1,570)	(1,501)	(4,212)
Capitalized assets	830	-	129	959
Office rental costs	-	-	(4,285)	(4,285)
Other costs (1)	(600)	(1,749)	(10,096)	(12,445)
<b>Total</b>	<b>(87,118)</b>	<b>(8,858)</b>	<b>(28,888)</b>	<b>(124,864)</b>

	Six months ended June 30, 2019			
	Cost of sales	Commercial costs	Administrative costs	Total
Staff costs	(72,718)	(6,799)	(13,835)	(93,352)
Subcontractors costs	(17,249)	(121)	(2,748)	(20,118)
Cost of warrants (2)	(87)	-	(5,430)	(5,517)
Other employee benefits expense	(26)	-	(139)	(165)
Amortization & depreciation	(1,601)	(1,468)	(6,320)	(9,389)
Capitalized assets	504	-	135	639
Office rental costs	-	-	(273)	(273)
Other costs (1)	(1,045)	(2,261)	(10,017)	(13,323)
<b>Total</b>	<b>(92,222)</b>	<b>(10,649)</b>	<b>(38,627)</b>	<b>(141,498)</b>

(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

(2) Including social charges Restricted Share Units

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### NOTE 6 – Restructuring costs and other income and expenses

(in thousands of euros)	Six months ended June 30, 2018 (Restated)	Six months ended June 30, 2019
Capital gains or (losses) on disposal of assets	(37)	(276)
Other	(83)	213
<b>Other income and expenses (total)</b>	<b>(120)</b>	<b>(63)</b>
Restructuring costs	(156)	324
<b>Total</b>	<b>(276)</b>	<b>261</b>

For the period January to June 2019, other income mainly refers to income from a litigation with a supplier.

For the period January to June 2019, restructuring costs are related to reversal of provision for severance cost in France due to a court decision in the company's favour.

For the period January to June 2018, restructuring costs are mainly related to severance costs in US, UK and France (€293 thousand), and reversal of provision closure of office in Malmö (Sweden), subleased from June 2018 (reversal of €137 thousand).

### NOTE 7 – Financial result

(in thousands of euros)	Six months ended June 30, 2018 (Restated)	Six months ended June 30, 2019
Cost of gross financial debt	(1,796)	(1,784)
Interest income on cash and cash equivalents	21	57
<b>Net cost of debt</b>	<b>(1,775)</b>	<b>(1,727)</b>
Interest expense lease liability	-	(799)
Other financial income and expenses	73	36
Exchange differences	317	(39)
<b>Other financial income and expenses, net</b>	<b>390</b>	<b>(802)</b>
<b>Financial result</b>	<b>(1,385)</b>	<b>(2,529)</b>

Cost of gross financial debt mainly relates to our bonds issued in July 2016, October 2017 and June 2019 (see Note 21.1).

### NOTE 8 – Income taxes

#### 8.1. Analysis of the tax expense

The tax expense can be analyzed as follows:

(in thousands of euros)	Six months ended June 30, 2018 (Restated)	Six months ended June 30, 2019
Current income tax	(3 995)	(3 644)
Change in deferred taxes	555	387
<b>Total</b>	<b>(3 440)</b>	<b>(3 257)</b>

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## 8.2. Tax Reconciliation

(in thousands of euros)	Six months ended June 30, 2018 (Restated)	Six months ended June 30, 2019
Net income for the year	3 300	(5 694)
Non-controlling interests	-	1 135
Tax expense	3 440	3 257
<b>Earnings before tax</b>	<b>6 740</b>	<b>(1 302)</b>
<b>Theoretical tax income (expense) (1)</b>	<b>(1 281)</b>	<b>247</b>
Other permanent differences	(192)	(1 287)
Use of tax loss carryforwards	-	440
Change in estimate on the recoverability of the tax receivable	-	176
Deferred tax assets on tax loss carryforwards not recognized during the period	(1 323)	(1 648)
Other taxes	(134)	(417)
Effect of differences in tax rates between jurisdictions	(510)	(768)
<b>Actual tax income (expense)</b>	<b>(3 440)</b>	<b>(3 257)</b>

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

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 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

As per June 30, 2019, the deferred tax asset remains unchanged, since the estimate of taxable profit of the business in France for the following 3 years has not changed.

## 8.3. Deferred taxes

The breakdown by nature of deferred taxes is as follows:

(in thousands of euros)	31/12/2018	30/6/2019
Deferred taxes (asset)	5,756	6,190
Deferred taxes (liability)	(6,533)	(6,458)
<b>Deferred taxes (net)</b>	<b>(777)</b>	<b>(268)</b>

# Valtech SE

(in thousands of euros)	Intangible assets	Right of Use assets	Provisions and employee benefits	Tax loss carryforwards	Others	Total
<b>Net values on December 31, 2018</b>	<b>(4 383)</b>	-	-	<b>5 342</b>	<b>(1 736)</b>	<b>(777)</b>
Items recognized in profit/loss	388	88	226	-	(315)	387
Translation adjustment	(10)	-	4	10	35	39
Actuarial difference	-	-	83	-	-	83
Reclassification	-	-	251	-	(251)	-
<b>Net values on June 30, 2019</b>	<b>(4 005)</b>	<b>88</b>	<b>564</b>	<b>5 352</b>	<b>(2 267)</b>	<b>(268)</b>

Analysis of the deferred taxes by nature is as follows:

	31/12/2018			30/6/2019		
	DTA	DTL	Total	DTA	DTL	Total
Tax loss carryforwards	5 342	-	5 342	5 352	-	5 352
Intangible assets	-	(4 383)	(4 383)	-	(4 005)	(4 005)
Right of Use assets	-	-	-	88	-	88
Provision and employee benefits	-	-	-	564	-	564
Other elements	414	(2 150)	(1 736)	186	(2 453)	(2 267)
<b>Deferred taxes (net)</b>	<b>5 756</b>	<b>(6 533)</b>	<b>(777)</b>	<b>6 190</b>	<b>(6 458)</b>	<b>(268)</b>

DTA – Deferred tax assets, DTL – Deferred tax liabilities

Unrecognized deferred tax assets related to tax loss carry forwards amount to €17,580 thousand and €16,611 thousand as at June 30, 2019 and December 31, 2018 respectively, and breaks down as follows:

(in thousands of euros)	31/12/2018	30/6/2019
Valtech SE, France	6 952	6 647
Valtech SE, UK	1 504	2 729
Valtech Training (France)	1 046	955
Valtech Solution, Inc	5 874	5 597
Valtech Digital Singapore	95	389
Valtech Australia	1 140	1 072
Valtech Global Project	-	64
Valtech Ukraine	-	33
Valtech Canada	-	94
<b>Total</b>	<b>16 611</b>	<b>17 580</b>

## NOTE 9 – Discontinued operations

On January 1, 2016, Valtech disposed of its business assets which were held by Valtech Services. In accordance with IFRS 5 – Non-current assets held for sale and discontinued operations, costs related to the disposal have been reclassified in “Income (loss) from discontinued operations” for the amounts of €26 thousand for the six months ended June 30, 2019, and €1 665 thousand for the six months ended June 30, 2018. The costs refer to lawyer fees related to the dispute with buyer of the business, see note 2.1.4.

In April 2019, the Group entered into a sale agreement to dispose of its business assets in the subsidiary Valtech Digital Australia PTY Ltd, which carried out all of the Group’s Australian operations. The disposal was completed on April 5, 2019, on which date the business assets were transferred to the buyer, and is reported as a discontinued operation. The loss from discontinued operations amounts to €662 thousand for the six months ended June 30, 2019, and €614 thousand for the six months ended June 30, 2018.

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## 9.1 Details of the sale of business assets

The total disposal consideration regarding the sale of business assets in Valtech Digital Australia amounts to €1, and there is no gain or loss related to the sale.

## 9.2 Financial performance and cash flow information

The financial performance and cash flow information related to the sale of business assets in Valtech Services and Valtech Digital Australia is presented below:

(in thousands of euros)	Six months ended June 30, 2018	Six months ended June 30, 2019
Revenue	1 058	300
Expenses	(3 337)	(988)
<b>Profit before income tax</b>	<b>(2 279)</b>	<b>(688)</b>
Income tax expense	-	-
<b>Loss from discontinued operations</b>	<b>(2 279)</b>	<b>(688)</b>
Exchange rate difference on translation of discontinued operations	104	(87)
<b>Other comprehensive income from discontinued operations</b>	<b>104</b>	<b>(87)</b>
Net cash inflow/(outflow) from operating activities	(1 868)	(176)
<b>Net increase/(decrease) in cash generated by discontinued operations</b>	<b>(1 868)</b>	<b>(176)</b>

## NOTE 10 – Goodwill

### 10.1. Breakdown of the goodwill balance

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

(in thousand of euros)		December 31, 2018	Business combination	Disposals	Impairment	Foreign exchange fluctuations	June 30, 2019
Valtech Solutions	USA	4 633	-	-	-	28	4 661
MJD Interactions	USA	-	22 208	-	-	-446	21 762
Valtech GmbH	GE	12 395	-	-	-	-	12 395
Valtech India Private Ltd	IN	2 572	-	-	-	39	2 611
Valtech A/S	DK	2 775	-	-	-	1	2 776
Valtech S.E	FR	2 037	-	-	-	-	2 037
Valtech AB	SW	662	-	-	-	(19)	643
Valtech Canada	CA	1 646	-	-	-	79	1 725
Valtech Digital SA	AR	284	-	-	-	(30)	254
Valtech BV	NL	11 418	-	-	-	-	11 418
El Chalten (1)	UK	2 700	-	-	-	191	2 891
Valtech Digital Canada	CA	4 361	-	-	-	209	4 570
Valtech Brasil Technologica Ltda	BR	670	-	-	-	14	684
Valtech Ltd	UK	10 305	-	-	-	(22)	10 283
<b>Total</b>		<b>56 458</b>	<b>22 208</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>78 710</b>

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) El Chalten is a holding company based in United Kingdom with a subsidiary in Ukraine.

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## 10.2. Business combinations

### MJD Interactive Agency Inc

On June 7, 2019, Valtech acquired MJD Interactive Agency Inc, a Digital Innovation Agency with office in San Diego.

MJD Interactive Agency is consolidated in the Valtech accounts as of June 1, 2019. Pursuant to the purchase agreement, Valtech paid the sellers €10.4 million upon closing with an additional €1.1 million holdback payment. An additional € 3.1 million will be paid in cash after May 2020. Subject to certain exceptions and the achievement of certain targets, the sellers are also entitled to receive €4.6 million of shares in Valtech SE after May 2020 and €0.8 million in cash in year 2021. The total consideration is €20.0 million.

The determination of the fair value of assets acquired and liabilities assumed is ongoing. The preliminary goodwill resulting from this transaction, before allocation to intangible assets identified when performing purchase price allocation, is €22.2 million before exchange rate fluctuation. The purchase price allocation is estimated to be finalized before the end of the year 2019.

Valtech also agreed to issue restricted unit shares to certain key employees. In June 2019, 10,000 restricted unit shares were issued.

## 10.3. Impairment tests

In case of difference between the recoverable amount of the CGU or CGUs 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 mainly 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.

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 six months ended June 30, 2019, as no event likely to lead to a loss in value occurred during the period.

## NOTE 11 – Intangible assets

(in thousands of euros)	Technology	Customer relationship	Software purchased	Capitalized development costs	Total
<b>Gross amount</b>					
As of December 31, 2018	1 092	21 738	9 066	5 607	37 503
Increase	-	-	1 150	703	1 853
Disposals	-	-	(229)	(600)	(829)
Translation difference	9	67	24	25	125
<b>As of June 30, 2019</b>	<b>1 101</b>	<b>21 805</b>	<b>10 011</b>	<b>5 735</b>	<b>38 652</b>
<b>Accumulated amortization</b>					
As of December 31, 2018	705	4 733	4 416	1 799	11 653
Disposals	-	-	(229)	(334)	(563)
Translation difference	4	23	23	2	52
Amortization	184	1 420	936	645	3 185
<b>As of June 30, 2019</b>	<b>893</b>	<b>6 176</b>	<b>5 146</b>	<b>2 112</b>	<b>14 327</b>
<b>Net carrying amount as of June 30, 2019</b>	<b>208</b>	<b>15 629</b>	<b>4 865</b>	<b>3 623</b>	<b>24 325</b>



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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.

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 12 – Right-of-use assets

(in thousands of euros)	Real Estate	Vehicles	Parking lots	IT equipment	Others	Total
<b>Gross amount</b>						
As of December 31, 2018	-	-	-	-	-	-
Initial recognition	29 961	915	460	74	37	31 447
Increase	793	148	-	41	-	982
Decrease	(398)	(53)	-	-	-	(451)
Translation difference	(163)	-	-	-	-	(163)
<b>As of June 30, 2019</b>	<b>30 193</b>	<b>1 010</b>	<b>460</b>	<b>115</b>	<b>37</b>	<b>31 815</b>
<b>Accumulated amortization</b>						
As of December 31, 2018	-	-	-	-	-	-
Decrease	(177)	(12)	-	-	-	(189)
Translation difference	(14)	-	-	-	-	(14)
Depreciation	4 016	250	65	18	13	4 362
Other changes	48	-	-	-	-	48
<b>As of June 30, 2019</b>	<b>3 873</b>	<b>238</b>	<b>65</b>	<b>18</b>	<b>13</b>	<b>4 207</b>
<b>Net carrying amount as of June 30, 2019</b>	<b>26 320</b>	<b>772</b>	<b>395</b>	<b>97</b>	<b>24</b>	<b>27 608</b>

The Group leases real estate as offices. The lease of office space typically run for a period between 3 and 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Group sub-leases some of its offices under operating leases.

Some leases of real estate contain extension and termination options. These terms are used to maximise operational flexibility in terms of managing contracts. The options of extension/termination are in the hands of the Group and not the lessor. At lease commencement date, whether it is reasonably certain to exercise the extension/termination option, is assessed. Potential future lease payments not included in lease liabilities amount to €3,300 thousand (discounted). Potential future lease payments that can be terminated and are included in lease liabilities amount to €8,953 thousand (discounted).

The Group also leases vehicles and IT equipment. Lease terms for these assets are normally 3 or 4 years.

There were no leases with residual value guarantees at the end of this reporting period.

Leases not yet commenced to which the Group is committed amount to €3,951 thousand (discounted).

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## NOTE 13 – Tangible assets

Changes in tangible assets are presented as follows:

(in thousands of euros)	Fixtures	Office furniture	Computer hardware	Others	Total
<b>Gross amount</b>					
As of December 31, 2018	6 261	5 494	10 834	699	23 288
Increase	140	401	1 386	79	2 006
Disposals	(7)	(86)	(437)	(3)	(533)
Acquisitions	10	38	119	-	167
Translation difference	31	3	25	6	65
Other changes	-	(4)	4	-	-
<b>As of June 30, 2019</b>	<b>6 435</b>	<b>5 845</b>	<b>11 932</b>	<b>781</b>	<b>24 993</b>
<b>Accumulated depreciation</b>					
As at December 31, 2018	3 072	3 271	7 357	452	14 153
Disposals	(7)	(80)	(387)	(2)	(476)
Acquisitions	10	22	78	-	110
Translation difference	21	(1)	28	3	51
Depreciation	395	366	1 026	53	1 840
Other changes	-	-	3	-	3
<b>As of June 30, 2019</b>	<b>3 491</b>	<b>3 578</b>	<b>8 105</b>	<b>506</b>	<b>15 680</b>
<b>Net carrying amount as of June 30, 2019</b>	<b>2 944</b>	<b>2 267</b>	<b>3 827</b>	<b>275</b>	<b>9 313</b>

## NOTE 14 – Non-current financial assets

Changes in financial assets are presented as follows:

(in thousands of euros)	Non-current financial assets	Deposit	Total
<b>December 31, 2018</b>	<b>521</b>	<b>2 385</b>	<b>2 906</b>
Acquisitions / increase	43	316	359
Disposals or repayments	(8)	(86)	(94)
Translation adjustment	1	13	14
<b>June 30, 2019</b>	<b>557</b>	<b>2 627</b>	<b>3 185</b>

Deposits mainly 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 (€494 thousand).

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## NOTE 15 – Receivables and other current assets

### 15.1. Accounts receivable and related accounts

Accounts receivables and related accounts are detailed as follows:

(in thousand of euros)	31/12/2018	30/6/2019
Accounts receivables	58 442	49 207
Bad debt allowance	(837)	(848)
Accrued income	8 894	16 122
Contract Assets	9 558	15 452
<b>Accounts receivables and related accounts</b>	<b>76 058</b>	<b>79 933</b>

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.

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

(in thousands of euros)	
<b>Net value on December 31, 2018</b>	<b>76,058</b>
-Gross value	76,895
-Allowance	(837)
Change in gross value	2,739
Allowance recognized (revised)	(11)
Business combinations	1,187
Translation difference	(40)
<b>Net value on June 30, 2019</b>	<b>79,933</b>
-Gross value	80,781
-Allowance	(848)

Age analysis of accounts receivables is as follows:

(in thousand of euros)	31/12/2018	30/6/2019
Not due or due since less than 30 days	53,120	52,325
Due for more than 30 days and less than 60 days	17,588	19,312
Due for more than 60 days and less than 90 days	2,995	2,535
Due for more than 90 days	2,355	5,761
<b>Total</b>	<b>76,058</b>	<b>79,933</b>

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The changes during the corresponding period for doubtful accounts associated with accounts receivable on June 30, 2019 and December 31, 2018 are as follows:

Movement of bad debt allowance (in thousand of euros)	31/12/2018	30/6/2019
On January 1st of each period	(871)	(837)
Addition	(518)	(173)
Non recovered claims	203	1
Reversal of bad debt allowance	353	164
Translation adjustment	(4)	(3)
As of the end of each period	(837)	(848)

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

Aging of receivables (in thousand of euros)	31/12/2018	30/6/2019
Not due or due since less than 30 days	(229)	(155)
Due for more than 30 days and less than 60 days	(69)	(20)
Due for more than 60 days and less than 90 days	(21)	(22)
Due for more than 90 days	(518)	(651)
Total	(837)	(848)

### 15.2. Other current assets

(in thousand of euros)	31/12/2018	30/6/2019
Tax and social security receivables	5 063	5 343
Other receivables	3 039	3 013
Deferred expenses	10 507	11 310
Total	18 609	19 666

Other receivables as of June 30, 2019, mainly refer to factoring (€444 thousand) and tax credits (€572 thousand) in France, received cash on behalf of the acquirer of a business in US (€595 thousand) and receivable regarding value added tax (€735 thousand) in India, Germany and France.

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).

Deferred expenses mainly refer to costs related to the planned initial public offering on NASDAQ and prepaid rents.

### 15.3. 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

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

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.

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

### Contracts in progress at end of the reporting period

(in thousands of euros)	31/12/2018	30/6/2019
Construction cost incurred plus recognised profits less recognised losses to date	37 599	42 162
Less: progress billings	(31 615)	(29 246)
	<b>5 984</b>	<b>12 916</b>
Recognized and included in consolidated financials statements as amounts due:		
- from customers under construction contracts (Contract assets – Acc. receivable and related acc.)	9 558	15 452
- to customers under construction contracts (Contract liabilities – Other current liabilities)	(3 574)	(2 536)
	<b>5 984</b>	<b>12 916</b>

Revenues related to fixed price projects (in progress and finalized) amounted to €36,786 thousand for the six months ended June 30, 2019, and €35,749 thousand for the six months ended June, 2018.

## NOTE 16 – Equity

### 16.1. Capital

On June 30, 2019, the capital of Valtech SE, in the amount of €3,565.838 is composed of 28,447,651 ordinary shares. It is fully paid. Changes over the periods (excluding treasury shares) are as follows:

Number of shares	31/12/2018	30/6/2019
On January 1st of each year	<b>27,493,427</b>	<b>28,073,785</b>
Increase in capital	516,748	298,972
Reduction in capital	(103,651)	(49,981)
Exercise of warrant options	167,261	124,875
As of the end of each reporting period (1)	<b>28,073,785</b>	<b>28,447,651</b>

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## 16.2. Treasury shares

During the period ended June 30, 2019, the Company purchased 49,981 own shares, amounting to €395 thousand (purchased from employees and the sellers of True Clarity Ltd). 24,018 of these shares refer to buy-back of shares related to the revaluation of the earn-out of True Clarity. The buy-back price of these shares amounted to 2€: and resulted in a decrease in capital of €384 thousand.

The treasury shares have been cancelled pursuant to decisions of the Board on November 29, 2018, March 22, 2019, and May 23, 2019, with an amount of €85 thousand, €384 thousand and €310 thousand respectively. There are no treasury shares outstanding as of June 30, 2019,

## 16.3. 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
<b>December 31, 2018</b>			
Basic earnings per share	13,183	28,055,508	0.47
Dilutive impact of warrants		3,197,498	
<b>Earnings per diluted share</b>	<b>13,183</b>	<b>31,253,006</b>	<b>0.42</b>
<b>June 30, 2019</b>			
Basic earnings per share	(3,871)	28,169,352	(0.14)
Dilutive impact of warrants		3,363,787	
<b>Earnings per diluted share</b>	<b>(3,871)</b>	<b>31,533,139</b>	<b>(0.14)</b>

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

## 16.4. Dividends

During the year 2018, dividends amounting to €7,091 thousand were distributed. The Group did not distribute any dividends to its shareholders during the 6-month period ended June 30, 2019.

## 16.5. Increase in capital

During the year 2018, the capital increased with €8.268 thousand, see details in note 2.1.2.

During January to June 2019, the capital increased with €37 thousand, see details in note 2.2.3.

## NOTE 17 – 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.

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(in thousands of euros)	31/12/2018	30/6/2019
Current assets	23 268	24 744
Non-current assets	594	2 092
Current liabilities	5 477	4 844
Non-current liabilities	689	2 012
Equity attributable to owners of the Company	9 023	10 173
Non-controlling interests	8 673	9 808
Revenue	18 402	19 401
Expenses	(16 041)	(17 113)
<b>Profit(loss) for the year</b>	<b>2 361</b>	<b>2 288</b>
Profit(loss) attributable to the owners of the Company	1 200	1 153
Profit(loss) attributable to the owners of the non-controlling interests	1 161	1 135
<b>Profit(loss) for the year</b>	<b>2 361</b>	<b>2 288</b>
Other comprehensive income attributable to the owners of the Company	-	-
Other comprehensive income attributable to the owners of the non-controlling interest	-	-
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>
Total comprehensive income attributable to owners of the Company	1 200	1 153
Total comprehensive income attributable to owners of the non-controlling interests	1 161	1 135
<b>Total comprehensive income for the year</b>	<b>2 361</b>	<b>2 288</b>
Net cash inflow (outflow) from operating activities	(5 041)	2 749
Net cash inflow (outflow) from investing activities	(794)	(192)
Net cash inflow (outflow) from financing activities	10 255	(293)
<b>Net cash inflow (outflow)</b>	<b>4 420</b>	<b>2 264</b>

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## NOTE 18 – Provisions

### 18.1. Movements in provisions

(in thousands of euros)	Litigations	Retirement obligations	Others	Total
<b>December 31, 2018</b>				
-Current	614	75	100	789
-Non-current	594	1 160	766	2 520
<b>Net values as of December 31, 2018</b>	<b>1 208</b>	<b>1 235</b>	<b>866</b>	<b>3 309</b>
Increase	59	459	220	739
Recovery	(337)	-	(82)	(419)
Recovery (use)	(19)	-	(184)	(202)
Change in scope	-	-	-	-
Translation difference	0	10	1	12
Actuarial losses	-	-	-	-
<b>June 30, 2019</b>				
-Current	320	91	56	467
-Non-current	594	1 612	765	2 971
<b>Net values as of June 30, 2019</b>	<b>914</b>	<b>1 703</b>	<b>821</b>	<b>3 438</b>

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.

### 18.2. Litigations

Provision related to litigations refers to litigations with former employees in France and Canada.

### 18.3. 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



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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
<b>December 31, 2018</b>	<b>629</b>	<b>606</b>	<b>1,235</b>
Service cost	139	25	164
Actuarial gains/losses	199	95	294
Other changes	-	-	-
Translation adjustment	-	10	10
<b>June 30, 2019</b>	<b>967</b>	<b>736</b>	<b>1,703</b>

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 June 30, 2019, the discount rates for France refer to the average rate of return on corporate bonds, rated AA, in the Euro zone, over a period of 15 years. On December 31, 2018, the discount rate for France refer to 10 year iBoxx.

Key Assumptions used	31/12/2018		30/6/2019	
	France	India	France	India
Discount rate	1.57%	7.10%	0.96%	7.50%
Salary inflation rate	2.00%	7.50%	2.00%	7.50%
Date of retirement	65	58	65	58

### 18.4. Others

Other provisions mainly relate to tax reassessments, provision for restructuring and provision for rent for unused premises.

In the six months ended June 30, 2019, the increase in other provisions relates to the sale of the business in Australia.

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## NOTE 19 –Accounts payable and other current liabilities

### 19.1. Accounts payable and related accounts

The aging analysis of accounts payable is presented as follows:

Aging analysis of accounts payable (in thousand of euros)	31/12/2018	30/6/2019
Not due or due since less than 30 days	19 428	11 492
Due for more than 30 days and less than 60 days	2 193	2 544
Due for more than 60 days and less than 90 days	288	266
Due for more than 90 days	2 322	2 728
<b>Total</b>	<b>24 231</b>	<b>17 030</b>

### 19.2. Other current liabilities

(in thousands of euros)	31/12/2018	30/6/2019
Salary, tax and social security liabilities	20 781	27 903
Customer advances	254	-
Deferred income	3 622	4 188
Contract Liabilities	3 574	2 536
Other	1 309	2 221
<b>Total</b>	<b>29 540</b>	<b>36 848</b>

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 €595 thousand (included in other) as of June 30, 2019 and €592 thousand as of December 31, 2018.

## NOTE 20 – Cash and cash equivalents

(in thousands of euros)	31/12/2018	30/6/2019
Cash and cash equivalents	40,222	47,077
Bank overdrafts	-	(879)
<b>Total</b>	<b>40,222</b>	<b>46,198</b>

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## NOTE 21 – Financial debt

### 21.1. Analysis of the financial liabilities

(in thousands of euros)	31/12/2018	30/6/2019
<b>Long-term borrowings</b>	<b>74,626</b>	<b>95,462</b>
Deposits and securities received	54	54
Put option on own shares	4,792	-
Debt related to business combinations	-	817
Lease liabilities	-	20,950
Other	249	277
<b>Other financial debt - non current portion</b>	<b>5,095</b>	<b>22,098</b>
<b>Financial liabilities-non-current portion</b>	<b>79,721</b>	<b>117,560</b>
<b>Short-term borrowings</b>	<b>1,080</b>	<b>2,756</b>
Debt related to business combinations	5,136	12,755
Put option on own shares	6,000	10,792
Lease liabilities	-	7,167
<b>Other financial debt-current portion</b>	<b>11,136</b>	<b>30,714</b>
<b>Financial liabilities-current portion</b>	<b>12,216</b>	<b>33,470</b>
<b>Total financial liabilities</b>	<b>91,937</b>	<b>151,030</b>

Short-term borrowings corresponds to accrued interest related to bonds (€2,756 thousand as of June 30, 2019 and €1,080 thousand as of December 31, 2018).

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, 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 and iii) bonds issued in June 2019 for a nominal amount of €21,000 thousand bearing interest at 4.25% per annum with a maturity date in June 2025.

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

Debt related to business combinations as per June 30, 2019, refers to remaining debts related to the acquisitions of eFocus, Non Linear and MJD Interactive. As per December 31, 2018, the debt related to eFocus and Non Linear.

### 21.2. Analysis of financial liabilities by maturity

(in thousands of euros)	31/12/2018	30/6/2019
Maturity less than 1 year	12,216	33,470
Maturity between 1 and 5 years	47,243	59,225
Maturity greater than 5 years	32,478	58,335
<b>Total financial debt</b>	<b>91,937</b>	<b>151,030</b>

Maturity between 1 and 5 years corresponds mainly to the bonds issued in July 2016, debt related to acquisition and lease liability.

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Maturity over five year corresponds to the bonds issued in October 2017, with a maturity period of 7 years, bonds issued in June 2019, with a maturity period of 6 years, and lease liability.

### 21.3. Analysis of the debt by rate

The bonds issued in July 2016 and June 2019 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.

### 21.4. Finance contracts

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

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

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

If these conditions are not met, the notes become due and payable at their principal amount, together with any accrued interest. Leverage and gearing ratios are required to be calculated semi-annually. As of December 31, 2018, and June 30, 2019, these conditions are met. The financial covenants are calculated pursuant to the accounting standards applicable at the issue date, hence the implementation of IFRS 16 will not affect the financial covenants.

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

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

(in thousands of euros)	31/12/2018	Cash flows	Non-cash changes				30/6/2019
			Foreign exchange movement	Put options	Debt related to acquisitions	Others	
Long-term borrowings	74,626	21,000	-	-	-	(164)	95,462
Deposits and securities received	54	-	-	-	-	-	54
Put option on own shares	4,792	-	-	(4,792)	-	-	-
Debt related to business combinations	-	-	(17)	-	834	-	817
Lease liability	-	-	(132)	-	-	21,082	20,950
Other	249	28	-	-	-	-	277
<b>Financial liabilities-non current portion</b>	<b>79,721</b>	<b>21,028</b>	<b>(149)</b>	<b>(4,792)</b>	<b>834</b>	<b>20,918</b>	<b>117,560</b>
Short-term borrowings and bank overdrafts	1,080	-	-	-	-	1,676	2,756
Lease liability	-	(4,053)	(19)	-	-	11,239	7,167
Other financial debt-current portion	11,136	-	(235)	4,792	7,854	-	23,547
<b>Financial liabilities-current portion</b>	<b>12,216</b>	<b>(4,053)</b>	<b>(254)</b>	<b>4,792</b>	<b>7,854</b>	<b>12,915</b>	<b>33,470</b>
<b>Total financial liabilities</b>	<b>91,937</b>	<b>16,975</b>	<b>(403)</b>	<b>-</b>	<b>8,688</b>	<b>33,833</b>	<b>151,030</b>

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## NOTE 22 – 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 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.

### 22.1. 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, UAH) is summarized in the table below. These amounts are not subject to any hedging policy.

For the six months ended June 30, 2019, the change in foreign currency translation adjustments recorded in consolidated equity on the net assets exposed to currency risk is a profit of €97 thousand. For the twelve months ended December 31, 2018, the loss was €1,816 thousand.

Division by currency, in thousands of euros	EUR	USD	INR	SEK	DKK	GBP	UAH	CAD	OTHERS (1)	TOTAL
<b>December 31, 2018</b>										
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
<b>Net exposure (in euros)</b>	<b>5 053</b>	<b>12 810</b>	<b>2 950</b>	<b>6 509</b>	<b>9 231</b>	<b>25 567</b>	<b>3 973</b>	<b>8 344</b>	<b>5 076</b>	<b>79 514</b>
<b>June 30, 2019</b>										
Assets	157 015	43 714	7 746	11 259	11 010	35 609	4 530	14 662	9 728	295 273
Liabilities excl. equity	155 898	20 259	5 274	6 851	3 961	11 553	1 021	6 070	3 916	214 803
<b>Net exposure (in euros)</b>	<b>1 117</b>	<b>23 455</b>	<b>2 472</b>	<b>4 408</b>	<b>7 049</b>	<b>24 056</b>	<b>3 509</b>	<b>8 592</b>	<b>5 812</b>	<b>80 470</b>

(1) Net exposure others consists of SGD €1,670 thousand, BRL €1,256 thousand, CHF €1,318 thousand, ARS €722 thousand, RMB €689 thousand, and AUD €157 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 €2,406 thousand and the same appreciation/depreciation in USD would increase/decrease net assets converted to euros by €2,345 thousand.

### 22.2. Management of interest rate risk

On June 30, 2019 and December 31, 2018, Valtech is exposed to interest rate risk only regarding bank guarantees, since the current financing is at a fixed interest rate.

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## 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, (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 and (iii) a third issue of bonds, amounting to €21 million with a fixed annual interest rate of 4.25% and with a maturity date in 2025.

## Bank guarantees

All of Valtech's bank guarantees are indexed on country-specific fixed rates. The Group has given bank guarantees amounting to €715 thousand.

### 22.3. 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.

### 22.4. Risk on shares and other financial investments

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

## NOTE 23 – Share-based payments

### 23.1 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

#### 23.1.1. Main features of the warrants

The main features of the warrants plan existing as of June 30, 2019 and December 31, 2018, are described in the table below:

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	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)	0.27/0.24	0.4875/0.4562	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)	12.25/12.00	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.

The movements on the equity warrant plans are the following:

	31/12/2018		30/6/2019	
	Number of warrants	Exercise price	Number of warrants	Exercise price
<b>Warrants not exercised at the beginning of the period</b>	<b>27.677.327</b>		<b>26.743.489</b>	
Warrants issued over the period	114.752	17.43	-	-
Warrants cancelled/expiring over the period	(11,500)	9.03	(5,250)	10.83
Warrants exercised over the period	(1,037,090)	0.61	(124,875)	7.07
<b>Warrants not exercised at the end of period</b>	<b>26.743.489</b>		<b>26.613.364</b>	

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## 23.1.2. 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)	0.27/0.24	0.27/0.24	0.27/0.24	0.27/0.24	0.49/0.46
Volatility expected <sup>(2)</sup>	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 <sup>(3)</sup>	0.45%	0.38%	0.62%	0.53%	0.45%
Dividend rate <sup>(4)</sup>	-	-	-	-	-
Fair value of warrants <sup>(5)</sup>	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 <sup>(1)</sup>	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	12.25/12.00	16.00	17.60
Volatility expected <sup>(2)</sup>	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 <sup>(3)</sup>	0.20%	0.20%	-0.37%	-0.18%	-0.26%
Dividend rate <sup>(4)</sup>	-	-	-	-	-
Fair value of warrants <sup>(5)</sup>	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.

(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.



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## 23.2 Restricted share unit plan

In May 2019 the Group established a restricted share unit (RSU) plan, issued to key employees, so that they may participate in the growth and development of Valtech. The restricted share units give the employees the right to receive shares on the vesting dates. The plan vests in May 2022 (50%) and in May 2023 (50%). Total number of issued RSUs amount to 777,750, divided between 313 beneficiaries. The RSUs carry neither rights to dividends nor voting rights. If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

Movements in the number of RSUs outstanding are:

	31/12/2018	30/6/2019
	Number of RSUs	Number of RSUs
RSUs not exercised at the beginning of the period	-	-
RSUs granted over the period	-	777,750
RSUs forfeited over the period	-	-
RSUs not exercised at the end of period	-	777,750

### 23.2.1. Information on the fair value of restricted share units allocated

The estimated fair value of the equity settled RSUs granted amounts to €6,394 thousand and will be recognized as an expense over the vesting period of the RSUs.

The accounting fair value of the RSUs as at the grant date is based on the share price, €17.31 (adjusted fully diluted price), and the forecasted number of RSUs to be vested. Forecasted number of RSUs to be vested is based on historical employee turnover for all Valtech employees, since there's no historic data available restricted to participants in similar programs.

### 23.3. 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 €5,494 thousand and €151 thousand for the six-month periods ended June 30, 2019 and 2018, 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.

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, which has decreased the exercise price of the warrants with €0.25.

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## NOTE 24 – Off-balance sheet commitments

### 24.1. Contractual obligations

Commitments related to operating leases are as follows:

Leases (in thousands of euros)	31/12/2018	30/6/2019
Less than a year	9 408	112
Between 1 and 5 years	21 245	8
Beyond 5 years	6 284	-
<b>Lease agreements</b>	<b>36 937</b>	<b>120</b>

The contractual obligations December 31, 2018, were primarily related to rental commitments. As per implementation of IFRS 16 from January 1, 2019, lease obligations are reported as lease liabilities in the consolidated statements of financial position as per June 30, 2019.

### 24.2. Guarantees given

The Valtech Group has agreed to the following guarantees:

Guarantees given (in thousands of euros)	31/12/2018	30/6/2019
Guarantees for real estate leases	3 441	3 016
Other guarantees	5	5
<b>Total commitment</b>	<b>3 446</b>	<b>3 021</b>

### 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.

### 24.3. 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 favour and issued at its request are presented under guarantees given.

## NOTE 25 – Related parties

### 25.1. Transactions with related parties

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

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(in thousands of euros)

Company	Services	Link	Six months ended June 30, 2018	Six months ended June 30, 2019
<b>Revenues</b>				
NetWerk Group	Other revenues	Management in eFocus	1	1
Medicor B.V	Consulting	Management in eFocus	0	10
ShopWorks B.V.	Other revenues	Management in eFocus	6	-
Pulsar Four GmbH	Consulting	Sergei Ostapenko	13	-
Digital Pelican - JOP Inc.	Consulting	Sebastian Lombardo	60	-
Volkswagen Group (1)	Digital Services	Valtech Mobility GmbH	-	12,474
		<b>Total revenues</b>	<b>80</b>	<b>12,485</b>
<b>Costs</b>				
A3 Investissements/Dominus Consulting Executive Technologies Partner	Consulting	Sebastian Lombardo	125	1,010
Twenty Plus Consulting Executive Technologies Partner	Consulting	Tomas Nores	124	553
Twenty Plus Consulting	Expenses	Tomas Nores	80	93
		Sebastian Lombardo, Tomas		
Cosmoledo SPRL	Share-based expense	Nores, Olivier Padiou	-	5,195
Candioti Gatto Bicain & Ocantos SC	Consulting	Alejandro Candioti	70	112
The Three Tress B.V	Office rental	Management in eFocus	350	311
NetWerk Group	Group costs	Management in eFocus	463	338
NetWerk Group	Inventory	Management in eFocus	138	29
NetWerk Group	Other expenses	Management in eFocus	181	141
NetWerk Group	Legal services	Management in eFocus	-	36
Digital Tribes	Other expenses	Management in eFocus	149	171
A van Urk Management B.V/k8 Management B.V	Consulting	Management in eFocus	120	120
Brandt Management B.V	Consulting	Management in eFocus	108	120
Arnoud B.V	Consulting	Management in eFocus	108	120
ShopWorks B.V.	Other expenses	Management in eFocus	12	3
Cure4 B.V	Other variable costs	Management in eFocus	3	-
Pulsar Four GmbH	Other expenses	Sergei Ostapenko	1	-
Pulsar Four LLC	Other expenses	Sergei Ostapenko	2	-
Arbusta	Consulting	Matias Vidal	19	54
PE Kvederis Anna	Travel services	Arturas Kvederis	-	56
Volkswagen Group (1)	Office costs	Valtech Mobility GmbH	-	108
		<b>Total cost</b>	<b>2,053</b>	<b>8,570</b>

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

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## 25.2. Outstanding balances related parties

Outstanding balances with Volkswagen Group as per June 30, 2019 and December 31, 2018, amount to:

(in thousands of euros)	31/12/2018	30/6/2019
Accounts receivables	7,000	3,386
Accrued revenues	1,268	2,291
Contract Assets	7,326	11,733
<b>Total Assets</b>	<b>15,594</b>	<b>17,410</b>
Accounts payables	4	-
Deferred revenues	38	-
Contract Liabilities	1,363	-
<b>Total Liabilities</b>	<b>1,405</b>	-

## 25.3. Gross remuneration allocated to the Board of directors

For the six month periods ended June, 2019 and 2018, the corporate officers of Valtech SE, the parent company of the Group, can be entitled to fees for their participation in activities conducted by the Board of Directors of the Company. The board has not decided on any allocation of fees among its members for these periods.

## 25.4. 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 six month periods ended June 30, 2019 and 2018 amounted to €2,513 thousand and €591 thousand respectively.

In January to June 2019 this amount comprises €1,563 thousand of fees, detailed in the table above in Note 25.1 and €950 thousand of remuneration.

## NOTE 26 – Major events after closing date

There are no major events after closing date.