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**Unaudited interim consolidated financial statements
for the six-month period ended June 30, 2020**

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Consolidated statements of income (loss)

(In thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020	Note
Revenue	143,135	165,007	3.4
Other revenue	17	15	3.4
Total revenue	143,152	165,022	
Cost of sales	(92,222)	(108,473)	5
Gross margin	50,930	56,549	
Commercial costs	(10,649)	(11,520)	5
Administrative costs	(38,627)	(36,873)	5
Restructuring costs	324	(999)	6
Other income and expenses	(63)	130	6
Operating result	1,915	7,287	
Cost of gross financial debt	(1,784)	(2,497)	7
Interest income on cash and cash equivalents	57	32	7
Other financial income and expenses, net	(802)	(1,007)	7
Income (loss) before tax from continuing operations	(614)	3,815	
Income tax expense	(3,257)	(4,006)	8
Net income (loss) from continuing operations	(3,871)	(191)	
Income (loss) from discontinued operations	(688)	(264)	9
Net income (loss)	(4,559)	(455)	
Net income (loss) attributable to:			
Equityholders of the parent	(5,694)	(2,736)	
Non-controlling interests	1,135	2,281	
<i>Average number of basic shares (thousand)</i>	<i>28,169</i>	<i>29,488</i>	16
<i>Average number of fully diluted shares (thousand)</i>	<i>31,533</i>	<i>33,195</i>	16
Earnings per basic share (from continuing operations)	(0.14)	(0.01)	16
Earnings per basic share (from continuing operations, attrib. to equity holders)	(0.18)	(0.08)	16
Earnings per basic share (from continuing and discontinued operations)	(0.16)	(0.02)	16
Earnings per diluted share (from continuing operations)	(0.14)	(0.01)	16
Earnings per diluted share (from continuing operations, attrib. to equity holders)	(0.18)	(0.08)	16
Earnings per diluted share (from continuing and discontinued operations)	(0.16)	(0.02)	16

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Consolidated statements of comprehensive income (loss)

(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020
Net income for the period	(4,559)	(455)
Foreign currency translation adjustment	97	(1,801)
Items that may be reclassified to the statements of income	97	(1,801)
Actuarial gains (losses) on employee benefits, net of tax	(211)	69
Items that will not be reclassified to the statements of income	(211)	69
Total comprehensive income for the period	(4,673)	(2,187)
Total comprehensive income (loss) attributable to equity holders of the parent	(5,808)	(4,468)
Total comprehensive income attributable to non-controlling interests	1,135	2,281

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Consolidated statements of financial position

(in thousands of euros)	31/12/2019	30/06/2020	Notes
Goodwill	98,397	97,649	10
Intangible assets, net	35,185	32,829	11
Right-of-use assets, net	28,947	26,923	12
Tangible assets, net	9,803	9,162	13
Non-current financial assets, net	3,468	3,429	14
Other non-current assets	45	38	
Deferred tax assets	6,839	6,948	8
Non-current assets	182,684	176,978	
Accounts receivable and related accounts	95,281	74,230	15
Other current assets	13,007	15,274	15
Cash and cash equivalents	35,744	76,734	20
Current assets	144,032	166,238	
Total assets	326,716	343,216	
Share capital	3,674	3,763	16
Reserves	84,312	69,099	16
Net income attributable to equity holders of the parent	(15,016)	(2,736)	16
Equity attributable to owners of the Company	72,970	70,126	
Non-controlling interests	11,522	12,296	17
Total equity	84,492	82,422	
Provisions-non-current portion	3,201	3,292	18
Long-term borrowings	96,369	96,387	21
Other financial debt-non-current portion	25,493	30,211	21
Deferred tax liabilities	8,148	7,390	8
Non-current liabilities	133,211	137,280	
Provisions-current portion	220	941	18
Short-term borrowings and bank overdrafts	4,557	19,203	21
Accounts payable and related accounts	16,054	22,328	19
Other financial debt-current portion	42,425	25,662	21
Other current liabilities	45,757	55,380	19
Current liabilities	109,013	123,514	
Total liabilities	242,224	260,794	
Total equity and liabilities	326,716	343,216	

Consolidated statements of cash flows

(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020	Notes
Net income (loss) from continuing operations	(3,871)	(191)	
- Depreciation and amortization, net	9,387	10,402	5
- Increase (decrease) in provisions	129	849	18
- Capital losses on disposal of assets	636	75	11.12.13
- Share-based compensation expense	5,494	1,401	23.3
Financial expenses	2,529	3,472	7
Income tax expense	3,257	4,006	8
Income tax paid	(3,578)	(1,963)	
Net change in working capital	(9,201)	32,286	
Net cash provided by (used in) operating activities	4,782	50,337	
Acquisition of tangible assets	(2,006)	(1,827)	13
Acquisition of intangible assets	(1,853)	(1,657)	11
Payments for acquired businesses, net of cash acquired	(11,185)	(5,166)	
Increase (decrease) of financial investments	(279)	39	
Net cash provided by (used in) investing activities	(15,323)	(8,611)	
Lease liabilities paid	(4,053)	(5,093)	21.5
Interest paid	(878)	(950)	21.5
Proceeds from exercise of warrants (1)	877	277	
Cash received from capital increase	37	-	
Issuance (repayment) of financial liabilities	21,000	8,194	21.5
Purchase of treasury shares	(395)	-	
Dividends paid to non-controlling interests	-	(1,149)	16.5
Others	28	(190)	21.5
Net cash provided by (used in) financing activities	16,616	1,089	
Impact of changes in foreign exchange rates	77	(355)	
Increase (decrease) in cash and cash equivalent	6,152	42,460	
Net cash flows attributable to the operating, investing and financing activities of discontinued operations (2)	(176)	(165)	
Overall net cash flows	5,976	42,295	
Cash and cash equivalents at the beginning of the period	40,222	33,796	20
Cash and cash equivalents at the end of the period	46,198	76,091	20

(1) Net of cash received from exercise of warrants and cash paid for cancellation of warrants

(2) 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 2019, 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, 2020 and June 30, 2019 are as follows:

(in thousands of euros)	Number of shares	Capital	Additional paid-in capital	Other reserves	Share-based compensation	Net income	Treasury shares	Translation difference	Total Group share	Non-controlling interest	Total
December 31, 2018	28,073,785	3,519	110,989	(53,610)	5,701	9,401	-	(5,160)	70,841	8,673	79,514
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)
Total comprehensive income for the period	-	-	-	9,190	-	(15,095)	-	97	(5,808)	1,135	(4,673)
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	-	-	-	-	-	-	(779)	-	(779)	-	(779)
Cancellation of treasury shares	(49,981)	(6)	(773)	-	-	-	779	-	-	-	-
Cancellation of warrants	-	-	(6)	-	-	-	-	-	(6)	-	(6)
Total of transactions with the shareholders	373,866	47	88	-	5,494	-	-	-	5,629	-	5,629
June 30, 2019	28,447,651	3,566	111,077	(44,420)	11,195	(5,694)	-	(5,063)	70,662	9,808	80,470
December 31, 2019	29,306,982	3,674	120,572	(44,487)	12,704	(15,016)	-	(4,477)	72,970	11,522	84,492
Appropriation of income	-	-	-	(15,016)	-	15,016	-	-	-	-	-
Net income for the period	-	-	-	-	-	(2,736)	-	-	(2,736)	2,281	(455)
Gains and losses recognized in Other Comprehensive Income	-	-	-	69	-	-	-	(1,801)	(1,732)	-	(1,732)
Total comprehensive income for the period	-	-	-	(14,947)	-	12,280	-	(1,801)	(4,468)	2,281	(2,187)
Share-based compensation	-	-	-	-	1,347	-	-	-	1,347	54	1,401
Exercise of warrants (2)	45,000	-	318	-	-	-	-	-	318	-	318
Allotment of treasury shares (2)	-	-	(675)	-	-	-	675	-	-	-	-
Exercise of put options (2)	(492,619)	-	7,608	-	-	-	(7,608)	-	-	-	-
Issue of new put options (1)	-	-	(12,557)	-	-	-	-	-	(12,557)	-	(12,557)
Increase in capital (1)	717,557	89	12,468	-	-	-	-	-	12,557	-	12,557
Cancellation of warrants	-	-	(41)	-	-	-	-	-	(41)	-	(41)
Dividends paid to non-controlling interests (3)	-	-	-	-	-	-	-	-	-	(1,561)	(1,561)
Total of transactions with the shareholders	269,938	89	7,121	-	1,347	-	(6,933)	-	1,624	(1,507)	117
June 30, 2020	29,576,920	3,763	127,693	(59,434)	14,051	(2,736)	(6,933)	(6,278)	70,126	12,296	82,422

(1) See details in note 2.1.4 and 2.2.1

(2) See details in note 16.

(3) See details in note 16.5

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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).

NOTE 1 – Accounting policies

1.1. Basis of preparation

Incorporated in November 2016, VALTECH (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 Luxembourg. The registered office of the company is located at 28/30 Boulevard Joseph II, 1840 Luxembourg, Luxembourg.

The Company prepared its unaudited interim consolidated financial statements for the six months ended June 30, 2020, 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, 2020. Comparative figures are presented for the six month ended June 30, 2019 for consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of cash flows, and consolidated statement of changes in shareholders’ equity and for December 31, 2019 for consolidated statements of financial position.

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

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

The *Societas Europea* is a form of European company with a board of directors, subject to the provisions of Luxembourg 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 October 1, 2020.

1.2. New standards, amendments and interpretations

1.2.1 New standards, amendments and interpretation implemented in the financial statements of the Group for the six months ended June 30, 2020

A number of new standards, amendments and interpretations are effective from periods beginning after 1 January 2020. The IASB has published the following new or amended standards that are assessed to have no significant impact on Valtech’s Financial Statement:

- Amendments to IAS39 and IFRS7: IBOR Reform
- Amendments to IFRS3: Definition of Business
- Amendments to IAS1 and IAS8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

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

New IFRS standards and Interpretations that have not yet been applied: the IASB has published the following new or amended standards that are assessed to have no significant impact on Valtech’s Financial Statement in the period of initial applications:

- IFRS17: Insurance contracts

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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 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 affects 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 (loss) 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

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

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 consolidated statement of income (loss).

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.

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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

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.

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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.

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

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.

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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.

Rent concessions as a result of Covid-19 are treated in accordance with IASB's "Covid-19-Related Rent Concessions (Amendment to IFRS 16)", and instead of re-measuring the lease liability, the full effect of the rent concessions are recognized in the statements of income at the date of the change of consideration.

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 recognized as an expense on a straight-line basis over the lease term.

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, 2020 and December 31, 2019.

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: amortized 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 amortized 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 collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

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

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losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognized 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, 2020, the Group's only subsidiary with factoring is in France, where the sale of accounts receivable is with recourse. Valtech France has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, Valtech France has retained the credit risk, and the transferred assets are therefore recognized entirely in the balance sheet. The amount repayable under the factoring agreement is presented as short-term borrowing.

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

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on the economic conditions of the country or on the monetary zone in which the plan is in force. The accounting for each plan is carried out separately.

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

The expense recognized in the operating result during each period includes the cost of services rendered and the effects of any change, reduction or settlement. The impact of interest recognized on the actuarial debt and the interest

income on plan assets is recognized under other financial income and expenses in the consolidated 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.

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

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

the type and amount of benefits he/she will receive. Also, the related restructuring actions that are required to be completed must be estimated to be achievable in a relatively short (generally less than 1 year) timeframe without likelihood of change.

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

Other costs (removal costs, training costs of transferred employees, etc.) and write-offs of fixed assets 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 relates primarily to business support and loans related to the economic effects on society as a result of the COVID-19 outbreak, 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 that compensate the expenses incurred by the Group are recorded under IAS 20 as deduction from the related expense for the period in which expenses were incurred. The 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, and are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of

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giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

1.22. Other income and expenses

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

1.23. Taxes

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

Current income tax

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.

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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 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.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations. The results of discontinued operations are presented separately in the statement of profit or loss.

1.26. Presentation of the scope of consolidation

The Consolidated Financial Statements of VALTECH and its subsidiaries on June 30, 2020 and December 31, 2019 include the statements of the companies listed in the table below:

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Country	Scope	% of interest June 30, 2020	% of interest December 31, 2019	Acq. or creation date	Consolidation method
Luxembourg	VALTECH				Parent company
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
India	Valtech India Systems Private Ltd	100%	100%	1997	Full consolidation
Malaysia	Valtech Digital Malaysia Sdn. Bhd	100%	100%	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 AG (2)		100%	2014	Full consolidation
	Valtech Switzerland AG (formerly Infocentric AG)	100%	100%	2019	Full consolidation
Ukraine	Valtech LLC	100%	100%	2017	Full consolidation
United Kingdom	Valtech Ltd	100%	100%	1996	Full consolidation
	True Clarity Ltd	100%	100%	2018	Full consolidation
	EI Chalten Ltd	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
	MJD Interactive Agency, Inc	100%	100%	2019	Full consolidation

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

(2) Valtech Digital Switzerland AG was merged with Valtech Switzerland AG (formerly Infocentric AG), in June, 2020

NOTE 2 – Major events of the period

2.1. Year 2019

2.1.1. 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 (see Note 9 for details).

2.1.2. 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.

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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 €1.2 million holdback payment. An additional € 3.1 million was paid in cash in March 2020. Subject to certain exceptions and the achievement of certain targets, the sellers are also entitled to receive €4.6 million in shares of VALTECH (issued in March 2020) and €0.5 million in cash in year 2021. The total consideration is €19.8 million.

The determination of the fair value of assets acquired and liabilities assumed is finalized. The fair value of net assets acquired before exchange rate fluctuation amounts to minus €829 thousand, out of which €1,498 thousand relate to intangible assets identified when performing the purchase price allocation analysis, €1,476 thousand relate to financial assets, €59 thousand relate to tangible assets and €3,862 thousand relate to financial liabilities. The goodwill resulting from this transaction is €18.2 million before exchange rate fluctuation.

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

MJD Interactive contributed € 3.9 million revenues and €0.8 million to the Group's result for the period between the date of acquisition and December 31, 2019.

If the acquisition of MJD Interactive had been completed on the first day of the financial year, Group revenues for the year 2019 would have been €296.1 million and Group loss would have been minus €13.9 million.

2.1.3. Acquisition of the company Infocentric Research AG (Switzerland)

On November 28, 2019, Valtech acquired Infocentric Research AG, a Digital Agency with office in Baden.

Infocentric is consolidated in the Valtech accounts as of December 1, 2019. Pursuant to the purchase agreement, Valtech paid the sellers €20.2 million upon closing with an additional €2.0 million holdback payment and an additional €1.6 million escrow payment. In March, 2020 an additional € 7.9 million has been paid in shares. Subject to certain exceptions and the achievement of certain targets in 2020 and 2021, the sellers are also entitled to receive €4.5 million in cash in 2021 and 2022. The total consideration is estimated to €36.2 million.

The determination of the fair value of assets acquired and liabilities assumed is ongoing. The preliminary fair value of net assets acquired before exchange rate fluctuation amounts to €13,237 thousand, out of which €9,235 thousand relate to intangible assets identified when performing the purchase price allocation analysis, €8,697 thousand relate to financial assets, €380 thousand relate to tangible assets and €5,075 thousand relate to financial liabilities. The preliminary goodwill resulting from this transaction is €22.9 million before exchange rate fluctuation.

Infocentric contributed € 2.1 million revenues and €0.0 million to the Group's result for the period between the date of acquisition and December 31, 2019.

If the acquisition of Infocentric had been completed on the first day of the financial year, Group revenues for the year 2019 would have been €322.7 million and Group loss would have been minus €9.7 million.

2.1.4 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 of €17.5.

On December 18, 2019, the Board of Valtech, on behalf of the shareholders, decided to issue 571,428 new shares at €17.5 per share to SiegCo SA, leading to a capital increase of €10,000 thousand in cash (out of which €72 thousand in share capital).

On December 18, 2019, the Board of Valtech, on behalf of the shareholders, decided to issue 203,528 new shares at €16 per share as payment for the acquisition of Non Linear, leading to a capital increase of €3,256 thousand (out of which €25 thousand in share capital).

Total capital increase regarding issue of new shares amounts to €13,294 thousand, of which €135 thousand has

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increased the capital and €13,159 thousand increased additional paid in capital. Net increase in additional paid in capital amounts to €8,955 thousand, and corresponds to €13,159 thousand minus the put options given in 2019 to the sellers of Non Linear at €3,256 thousand and put options given to the sellers of Codehouse A/S at €948 thousand.

2.1.5 Short-term loan from shareholder

On November 26, 2019, Valtech obtained a €4.0 million short-term loan from the shareholder SiegCo SA. The loan was converted to equity as part of a capital increase in December 2019, see note 2.1.4.

2.1.6. 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 between 4.25% and 4.75% during the duration, and mature in June 2025. The purpose of the issue is to support Valtech's future growth.

2.1.7. 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, and on September 17, 2019, the Combined General Meeting of Shareholders approved the same. The transfer took place on October 17, 2019. The transfer has no impact on the Consolidated Financial Statements, apart from calculation of company income tax. As a result of the transfer, VALTECH (UK) will lose the right to utilize the tax losses carry forward. The losses as of December 31, 2018 amounts to €7,918 thousands.

2.1.8. 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 1.4% of the total revenue in 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. Gain in net monetary position due to restatement amounts to less than €100 thousand as per December 31, 2019, and is unrecorded as immaterial.

2.2. Year 2020

2.2.1. Increase in capital

On March 6, 2020, the Board of Valtech, on behalf of the shareholders, decided to issue 264,209 new shares at €17.5 per share as payment for the acquisition of MJD Interactive, leading to a capital increase of €4,624 thousand (out of which €33 thousand in share capital).

On March 6, 2020, the Board of Valtech, on behalf of the shareholders, decided to issue 453,348 new shares at €17.5 per share as payment for the acquisition of Infocentric Research AG, leading to a capital increase of €7,934 thousand (out of which €57 thousand in share capital).

Total capital increase regarding issue of new shares amounts to €12,557 thousand, of which €89 thousand has increased the capital and €12,468 thousand increased additional paid in capital. Net increase in capital amounts to €0 thousand, and corresponds to €12,557 thousand minus the put options given in 2020 to the sellers of MJD Interactive and Infocentric at €12,557 thousand.

2.2.2. Hyperinflation in Argentina

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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 1.0% of the total revenue from January to June 2020.

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. Gain in net monetary position due to restatement amounts to less than €100 thousand as per June 30, 2020, and is unrecorded as immaterial.

NOTE 3 – Segment information

For each of the periods presented, the operational monitoring of the Group's business by the executive committee 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 (parent company) for which two segments exist: a business segment for the French activities and a corporate segment (management activities) for the Luxembourg activities. First-level segment reporting corresponds to the countries in which the Group operates, with the exception of the segment North America, which consists of USA and Canada:

- Australia (discontinued) (AU)
- Argentina (AR)
- Brazil (BR)
- China (CN)
- Corporate headquarters activities (Corp.)
- Denmark (DK)
- France (FR)
- Germany (GE)
- India (IN)
- Malaysia (MY)
- Netherlands (NL)

- North America (NA)
- Singapore (SG)
- Sweden (SW)
- Switzerland (CH)
- Ukraine (UA)
- United Kingdom (UK)

Given their low individual importance, the businesses in Australia (discontinued), Argentina, Brazil, China, India, Malaysia, Singapore and Ukraine, 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 as of June 30, 2020 and 2019 are presented as follows:

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30/06/2019												
	Corp.	FR	SW	DK	UK	GE	NL	NA	CH	Others (2)	Interco elim.	Total
Revenue with third parties	-	14,405	17,446	9,750	16,679	34,541	13,082	24,736	1,980	10,533	-	143,152
Intercompany revenue (1)	-	1,511	127	935	210	1,297	1,764	633	17	9,928	(16,422)	-
Total revenue	-	15,916	17,573	10,685	16,889	35,838	14,846	25,369	1,997	20,461	(16,422)	143,152
Operating result	(9,373)	957	1,323	586	1,150	3,592	1,515	616	273	1,276	-	1,915
Income before tax from continuing operations	(10,893)	845	1,293	533	877	3,469	1,457	413	246	1,146	-	(614)
Income tax expense	(260)	97	(306)	(119)	(192)	(1,090)	(271)	(249)	(68)	(799)	-	(3,257)
Total asset	36,951	26,658	11,259	11,009	35,590	58,661	28,370	57,667	1,930	27,179	-	295,274
Average workforce	-	188	259	150	158	402	236	280	10	960	-	2,643
30/06/2020												
	Corp.	FR	SW	DK	UK	GE	NL	NA	CH	Others (2)	Interco elim.	Total
Revenue with third parties	-	13,385	15,972	8,711	11,163	36,079	11,929	31,378	20,779	15,626	-	165,022
Intercompany revenue (1)	-	1,814	252	1,319	850	3,712	1,390	119	139	10,540	(20,135)	-
Total revenue	-	15,199	16,224	10,030	12,013	39,791	13,319	31,497	20,918	26,166	(20,135)	165,022
Operating result	(6,116)	1,605	1,070	688	(1,459)	7,098	797	(411)	1,319	2,696	-	7,287
Income before tax from continuing operations	(9,032)	1,371	1,067	675	(1,679)	6,927	753	(735)	1,286	3,182	-	3,815
Income tax expense	(22)	(164)	(231)	(110)	96	(2,257)	(152)	123	(229)	(1,060)	-	(4,006)
Total asset	9,972	35,165	16,039	11,558	30,401	70,695	34,148	59,962	49,746	25,530	-	343,216
Average workforce	-	194	275	145	199	455	256	370	70	1,096	-	3,060

- (1) Intercompany revenues consist of revenues related to client projects and do not include revenues for corporate contribution and trademark fees invoiced from VALTECH 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 the Group's common global projects

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.

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.

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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, 2019	Six months ended June 30, 2020
Time and material	73.3%	78.1%
Fixed price	25.7%	21.1%
Other	1.0%	0.8%
Total revenue	100.0%	100.0%

4.2 Revenue per industry vertical

VALTECH

Six months ended June 30, 2019

(in thousands of euros)	FR	SW	DK	UK	GE	NL	NA	CH	Others	Total	%
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%
Healthcare	-	650	3,113	1,226	1,226	131	388	489	814	8,037	6%
Manufacturing	-	456	1,692	1,094	91	1,758	2,364	-	96	7,551	5%
Media	159	1,754	17	25	1,633	-	304	-	314	4,206	3%
Retail	12,500	1,893	547	1,021	4,319	4,636	8,476	1,406	3,491	38,289	27%
Technology	-	870	1,523	55	-	830	839	-	79	4,196	3%
Travel	65	1,318	-	2,731	2,910	116	1,684	-	1,100	9,924	7%
Other	142	2,972	2,748	1,455	1,268	1,531	8,587	19	3,911	22,633	16%
Total	14,405	17,446	9,750	16,679	34,541	13,082	24,736	1,980	10,533	143,152	100%

Six months ended June 30, 2020

(in thousands of euros)	FR	SW	DK	UK	GE	NL	NA	CH	Others	Total	%
Automotive	-	800	5	-	25,295	1,837	76	-	2,751	30,764	19%
Financial Services	1,210	2,521	10	1,129	145	612	2,151	9,823	210	17,811	11%
Government	79	2,753	6	2,587	-	178	1,107	336	-	7,046	4%
Healthcare	-	181	3,155	1,917	940	85	237	1,597	836	8,948	5%
Manufacturing	-	274	998	716	137	737	4,918	-	182	7,962	5%
Media	90	1,571	66	-	2,044	-	1,894	-	-	5,665	3%
Retail	11,269	1,516	220	1,227	4,465	5,430	13,921	3,845	4,027	45,920	28%
Technology	-	1,042	1,319	22	100	609	437	3,007	-	6,536	4%
Travel	4	1,602	493	1,690	965	190	1,344	111	663	7,062	4%
Other	733	3,712	2,439	1,875	1,988	2,251	5,293	2,060	6,957	27,308	17%
Total	13,385	15,972	8,711	11,163	36,079	11,929	31,378	20,779	15,626	165,022	100%

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NOTE 5 – Expenses by nature

(in thousand of euros)

	Six months ended June 30, 2019			
	Cost of sales	Commercial costs	Administrative costs	Total
Staff costs	(72,718)	(6,799)	(13,835)	(93,352)
Government grants related to staff costs	-	-	-	-
Subcontractors costs	(17,249)	(121)	(2,748)	(20,118)
Cost of share-based payments (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)
Total	(92,222)	(10,649)	(38,627)	(141,498)

	Six months ended June 30, 2020			
	Cost of sales	Commercial costs	Administrative costs	Total
Staff costs	(83,218)	(7,629)	(14,996)	(105,843)
Government grants related to staff costs	1,193	82	121	1,396
Subcontractors costs	(23,655)	(135)	(2,085)	(25,875)
Cost of share-based payments (2)	(390)	-	(1,142)	(1,532)
Other employee benefits expense	(126)	(6)	(125)	(257)
Amortization & depreciation	(1,295)	(2,334)	(6,773)	(10,402)
Capitalized assets	102	-	267	369
Office rental costs	-	-	(597)	(597)
Other costs (1)	(1,084)	(1,498)	(11,543)	(14,125)
Total	(108,473)	(11,520)	(36,873)	(156,866)

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

(2) Including social charges Restricted Share Units amounting to €131 thousand for the period January to June 2020, and €23 thousand for the same period 2019, with a corresponding increase in liabilities.

Government grants

As an effect of the Covid-19 outbreak and its effect on the economy, governments in several countries have offered business support in the form of salary compensations. Valtech entities in France, United Kingdom, Sweden, Germany, Singapore and Netherlands have applied and been granted support, for a total amount of €1,396 thousand, for the period January to June 2020. The received governments grants are deducted from the related expense for the period in which expenses were incurred.

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NOTE 6 – Restructuring costs and other income and expenses

(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020
Capital gains or (losses) on disposal/write-down of assets	(276)	(32)
Other	213	162
Other income and expenses (total)	(63)	130
Restructuring costs	324	(999)
Total	261	(869)

For the period January to June 2020, other income mainly refers to adjustment of earn-out related to the acquisition of MJD. For the period January to June 2019, other income mainly refers to a favourable outcome from a litigation with a supplier.

Restructuring costs for the period January to June 2020, are mainly related to severance costs in the United States and the United Kingdom. Due to challenges to their business performance, as a result of Covid-19, these entities have implemented reorganisations, including termination of employees. 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.

NOTE 7 – Financial result

(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020
Cost of gross financial debt	(1,784)	(2,497)
Interest income on cash and cash equivalents	57	32
Net cost of debt	(1,727)	(2,465)
Interest expense lease liability	(799)	(774)
Other financial income and expenses	36	(1)
Exchange differences	(39)	(232)
Other financial income and expenses, net	(802)	(1,007)
Financial result	(2,529)	(3,472)

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

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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, 2019	Six months ended June 30, 2020
Current income tax	(3,644)	(4,848)
Change in deferred taxes	387	842
Total	(3,257)	(4,006)

8.2. Tax Reconciliation

(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020
Net income (loss) of the year	(5,694)	(2,736)
Non-controlling interests	1,135	2,281
Tax expense	3,257	4,006
Earnings before tax	(1,302)	3,551
Theoretical tax income (expense) (1)	247	(886)
Other permanent differences	(1,287)	(389)
Use of tax loss carryforwards	440	1,039
Change in estimate on the recoverability of the tax receivable	176	-
Deferred tax assets on tax loss carryforwards not recognized during the period	(1,648)	(2,844)
Other taxes	(417)	(543)
Effect of differences in tax rates between jurisdictions	(768)	(383)
Actual tax income (expense)	(3,257)	(4,006)

(1) Theoretical tax income (expense) based on 24.94% Luxembourg tax rate in January to June 2020 and on 19% UK tax rate in January to June 2019.

Deferred tax assets have been recognized for a portion of the available unused tax losses for the French branch of VALTECH (amounting to €3,660 thousand as of June 30, 2020 and December 31, 2019) and for the US operations (amounting to €2,322 thousand as of June 30, 2020, and €2,315 thousand as of December 31, 2019) in consideration of the following:

- The expected taxable profit of the business in France and in US based on management forecasts for a limited period of 5 years. The short-term financial performance has been affected by the COVID-19 pandemic, but the management estimates no change in the long-term financial performance for any of the two business units.
- 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 (€5,362 thousand) and relating to the US operations (€5,651 thousand) as of June 30, 2020 have not been recognized.

An increase in deferred tax asset was recognized for an amount of €601 thousand as of December 2019, regarding Valtech Solutions (US). In 2019 Valtech Solutions acquired MJD Interactive (see note 2.1.2), and future profits in MJD can therefore be taken into account against taxable losses in Valtech Solutions.

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8.3. Deferred taxes

The breakdown by nature of deferred taxes is as follows:

(in thousands of euros)	31/12/2019	30/06/2020
Deferred taxes (asset)	6,839	6,948
Deferred taxes (liability)	(8,148)	(7,390)
Deferred taxes (net)	(1,309)	(442)

(in thousands of euros)	Intangible assets	Right of Use assets	Provisions and employee benefits	Tax loss carryforwards	Others	Total
Net values on December 31, 2019	(6,318)	117	594	5,975	(1,677)	(1,309)
Items recognized in profit/loss	817	156	(4)	-	(128)	841
Translation adjustment	55	(4)	(14)	7	(5)	39
Actuarial difference	-	-	(13)	-	-	(13)
Reclassification	21	-	-	-	(21)	-
Net values on June 30, 2020	(5,425)	269	563	5,982	(1,831)	(442)

Analysis of the deferred taxes by nature is as follows:

(in thousands of euros)	31/12/2019			30/06/2020		
	DTA	DTL	Total	DTA	DTL	Total
Tax loss carryforwards	5,975	-	5,975	5,982	-	5,982
Intangible assets	-	(6,318)	(6,318)	-	(5,425)	(5,425)
Right of Use assets	117	-	117	269	-	269
Provision and employee benefits	594	-	594	563	-	563
Other elements	153	(1,830)	(1,677)	134	(1,965)	(1,831)
Deferred taxes (net)	6,839	(8,148)	(1,309)	6,948	(7,390)	(442)

DTA – Deferred tax assets, DTL – Deferred tax liabilities

Unrecognized deferred tax assets related to tax loss carry forwards amount to €18,234 thousand and €16,287 thousand as of June 30, 2020 and December 31, 2019 respectively, and breaks down as follows:

(in thousands of euros)	31/12/2019	30/06/2020
VALTECH, France	6,178	5,362
VALTECH, Luxembourg	3,164	5,627
Valtech Training (France)	875	884
Valtech Ltd (UK)	-	230
Valtech Solution, Inc (USA)	5,643	5,651
Valtech Digital Singapore	378	323
Other	49	157
Total	16,287	18,234

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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 €251 thousand for the six months ended June 30, 2020, and €26 thousand for the six months ended June 30, 2019. The loss refers to legal costs due to a dispute with the buyer of the business.

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 €13 thousand for the six months ended June 30, 2020, and €662 for the six months ended June 30, 2019.

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, 2019	Six months ended June 30, 2020
Revenue	300	-
Expenses	(988)	(264)
Profit before income tax	(688)	(264)
Income tax expense	-	-
Loss from discontinued operations	(688)	(264)
Exchange rate difference on translation of discontinued operations	(87)	24
Other comprehensive income (loss) from discontinued operations	(87)	24
Total comprehensive income (loss) from discontinued operations	(775)	(240)
Net cash inflow/(outflow) from operating activities	(176)	(165)
Net cash outflow from financing activities	-	-
Net increase/(decrease) in cash generated by discontinued operations	(176)	(165)

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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	Foreign exchange fluctuations	June 30, 2019	December 31, 2019	Business combination	Foreign exchange fluctuations	June 30, 2020
Argentina	AR	284	-	(30)	254	183	-	(28)	155
Brazil	BR	670	-	14	684	659	-	(172)	487
Denmark	DK	2,775	-	1	2,776	3,648	-	9	3,657
El Chalten (1)	UK	2,700	-	191	2,891	-	-	-	-
France	FR	2,037	-	-	2,037	2,037	-	-	2,037
Germany	GE	12,395	-	-	12,395	13,029	-	-	13,029
India	IN	2,572	-	39	2,611	2,557	-	(134)	2,423
Netherlands	NL	11,418	-	-	11,418	11,913	-	-	11,913
North America	NA	10,640	22,208	(130)	32,718	29,203	30	(231)	29,002
Sweden	SW	662	-	(19)	643	650	-	(3)	647
Switzerland	CH	-	-	-	-	23,112	111	440	23,663
United Kingdom	UK	10,305	-	(22)	10,283	11,406	-	(770)	10,636
Total		56,458	22,208	44	78,710	98,397	141	(889)	97,649

10.2. 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, 2019. Due to deterioration in general economic conditions as a result of the COVID-19 pandemic, the company conducted sensitivity tests in Q1 2020 for the most impacted CGUs. The sensitivity tests have been carried out using a potential worst case scenario with a decrease of revenues by 50% in Q2 to Q4 2020, a slow recovery in 2021 and unmodified assumptions regarding percentages of growth, gross margin rate and costs for the following years compared to the impairment test carried out at year end 2019. However, this scenario does not align with management's estimate of the most likely future scenario based on the company's current performance as June 30, 2020. Sensitivity tests with the assumptions described above show no need of impairment as of March 31, 2020. After this date, no other indicators of impairment were observable and as a consequence, no impairment expense was recognized for the six month period ended June 30, 2020.

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NOTE 11 – Intangible assets

(in thousands of euros)	Technology	Customer relationship	Software	Capitalized development costs	Total
Gross amount					
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
As of June 30, 2019	1,101	21,805	10,011	5,735	38,652
Accumulated amortization					
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
As of June 30, 2019	893	6,176	5,146	2,112	14,327
Net carrying amount as of June 30, 2019	208	15,629	4,865	3,623	24,325
Gross amount					
As of December 31, 2019	502	35,541	10,714	4,509	51,266
Increase	-	-	1,549	108	1,657
Disposals	(203)	-	-	(5)	(208)
Translation difference	(24)	(500)	(48)	(88)	(660)
As of June 30, 2020	275	35,041	12,215	4,524	52,055
Accumulated amortization					
As of December 31, 2019	370	8,059	5,084	2,568	16,081
Disposals	(203)	-	-	-	(203)
Translation difference	(18)	(274)	(32)	(62)	(386)
Amortization	76	2,296	917	445	3,734
As of June 30 2020	225	10,081	5,969	2,951	19,226
Net carrying amount as of June 30, 2020	50	24,960	6,246	1,573	32,829

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 recognized 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.

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NOTE 12 – Right-of-use assets

(in thousands of euros)	Real Estate	Vehicles	Parking lots	IT equipment	Others	Total
Gross amount						
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)
As of June 30, 2019	30,193	1,010	460	115	37	31,815
Accumulated amortization						
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
As of June 30, 2019	3,873	238	65	18	13	4,207
Net carrying amount as of June 30, 2019	26,320	772	395	97	24	27,608
Gross amount						
As of December 31, 2019	35,023	1,591	558	134	39	37,345
Increase	2,937	188	31	-	8	3,164
Decrease	(533)	(100)	(4)	(3)	(5)	(645)
Translation difference	(803)	-	1	-	-	(802)
As of June 30, 2020	36,624	1,679	586	131	42	39,062
Accumulated amortization						
As of December 31, 2019	7,773	439	129	38	19	8,398
Decrease	(533)	(100)	(4)	(3)	(5)	(645)
Translation difference	(218)	-	-	-	-	(218)
Depreciation	4,200	289	83	23	9	4,604
As of June 30, 2020	11,222	628	208	58	23	12,139
Net carrying amount as of June 30, 2020	25,402	1,051	378	73	19	26,923

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. The income statement shows the following amounts related to leases:

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(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020
<u>Administrative costs</u>		
Sublease income	494	351
Lease expenses of short term leases	(31)	(58)
Lease expenses of low-value assets	(11)	(13)
Depreciation of right-of-use assets	(4,362)	(4,604)
<u>Other financial income and expense, net</u>		
Interest expenses	(799)	(774)
Currency translation gains on lease liabilities	188	705
Currency translation losses on lease liabilities	(38)	(111)

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 of the lessor. At lease commencement date, the management assesses whether it is reasonably certain to exercise the extension/termination option. Potential future lease payments not included in lease liabilities amount to €5,803 thousand (discounted). Potential future lease payments that can be terminated and are included in lease liabilities amount to €9,150 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 €0 thousand (discounted).

Lease liability in the balance sheet and maturity:

(in thousands of euros)	31/12/2019	30/6/2020
<u>Non-current liabilities</u>		
Lease liabilities	19,741	19,253
Where of:		
<i>Maturity between 1 and 5 years</i>	15,330	17,527
<i>Maturity greater than 5 years</i>	4,411	1,726
<u>Current liabilities</u>		
Lease liabilities	10,010	9,033
Total	29,751	28,286

Cash outflows for leases:

(in thousands of euros)	30/6/2019	30/6/2020
Repayment of lease liabilities – financing activity	(4,053)	(5,093)
Cash outflows interest payments	(801)	(774)
Lease payments for short-term leases and lease of low value assets – operating activity	(42)	(71)

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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
Gross amount					
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	-	-
As of June 30, 2019	6,435	5,845	11,932	781	24,993
Accumulated depreciation					
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
As of June 30, 2019	3,491	3,578	8,105	506	15,680
Net carrying amount as of June 30, 2019	2,944	2,267	3,827	275	9,313
Gross amount					
As of December 31, 2019	7,208	6,394	13,284	836	27,722
Increase	257	205	1,314	51	1,827
Disposals	(112)	(15)	(153)	-	(280)
Translation difference	(212)	(107)	(345)	(25)	(689)
As of June 30, 2020	7,141	6,477	14,100	862	28,580
Accumulated depreciation					
As at December 31, 2019	4,236	3,982	9,121	580	17,919
Disposals	(56)	(14)	(140)	-	(210)
Translation difference	(87)	(54)	(199)	(15)	(355)
Depreciation	461	371	1,165	67	2,064
As of June 30, 2020	4,554	4,285	9,947	632	19,418
Net carrying amount as of June 30, 2020	2,587	2,192	4,153	230	9,162

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NOTE 14 – Non-current financial assets

Changes in financial assets are presented as follows:

(in thousands of euros)	Non-current financial assets	Deposit	Total
December 31, 2019	622	2,846	3,468
Acquisitions / increase	27	15	42
Disposals or repayments	(2)	(1)	(3)
Translation adjustment	(3)	(75)	(78)
June 30, 2020	644	2,785	3,429

The non-current financial assets are mainly related to a long-term loan within a French specific tax regime (€542 thousand).

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

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)	31/12/2019	30/06/2020	Notes
Accounts receivables	72,613	53,750	
Bad debt allowance	(709)	(1,190)	
Accrued income	13,385	11,482	
Contract Assets	9,992	10,188	15.3
Accounts receivables and related accounts	95,281	74,230	

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.

Accrued income refers to time- and material projects, where the earned revenues exceed the invoiced revenues.

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

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(in thousands of euros)

Net value on December 31, 2019	95,281
-Gross value	95,990
-Allowance	(709)
Change in gross value	(19,650)
Allowance recognized (revised)	(481)
Translation difference	(920)
Net value on June 30, 2020	74,230
-Gross value	75,420
-Allowance	(1,190)

Age analysis of accounts receivables is as follows:

(in thousand of euros)

	31/12/2019	30/06/2020
Not due or due since less than 30 days	68,902	59,485
Due for more than 30 days and less than 60 days	21,103	11,689
Due for more than 60 days and less than 90 days	2,221	1,771
Due for more than 90 days	3,055	1,285
Total	95,281	74,230

The changes during the corresponding period for doubtful accounts associated with accounts receivable on June 30, 2020 and December 31, 2019 are as follows:

(in thousand of euros)

	31/12/2019	30/06/2020
At January 1 of each period	(837)	(709)
Addition	(271)	(632)
Non recovered claims	1	-
Reversal of bad debt allowance	406	141
Translation adjustment	(8)	10
As of end of each period	(709)	(1,190)

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

(in thousand of euros)

	31/12/2019	30/06/2020
Not due or due since less than 30 days	(195)	(348)
Due for more than 30 days and less than 60 days	(27)	(70)
Due for more than 60 days and less than 90 days	(9)	(16)
Due for more than 90 days	(478)	(756)
Total	(709)	(1,190)

The COVID-19 outbreak has a severe economic impact on many companies, resulting in a possible increased risk of not receiving payment for outstanding accounts receivables. Valtech has identified clients in industry verticals Retail and Travel being most likely to be affected by the current situation, and has therefore increased the bad debt allowance with €270 thousand, to account for the increased risk in these verticals.

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15.2. Other current assets

(in thousand of euros)	31/12/2019	30/06/2020
Tax and social security receivables	7,038	7,988
Other receivables	3,109	3,161
Deferred expenses	2,860	4,125
Total	13,007	15,274

Other receivables as of June 30, 2020, mainly refer to tax credits (€381 thousand) in France, received cash on behalf of the acquirer of a business in US (€605 thousand), receivables regarding government grants (€178 thousand) in Germany and United Kingdom and receivable regarding value added tax (€1,774 thousand) in Luxembourg, France, India, China and Canada.

Other receivables as of December 31, 2019, mainly refer to tax credits (€960 thousand) in France, received cash on behalf of the acquirer of a business in US (€603 thousand) and receivable regarding value added tax (€986 thousand) in Luxembourg, India and China.

Deferred expenses mainly refer to 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 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)	31/12/2019	30/06/2020
Construction cost incurred plus recognised profits less recognised losses to date	43,520	45,023
Less: progress billings	(38,099)	(39,369)
	5,421	5,654
Recognized and included in consolidated financials statements as amounts due:		
- from customers under construction contracts (Contract assets – Acc. receivable and related acc.)	9,992	10,188
- to customers under construction contracts (Contract liabilities – Other current liabilities)	(4,571)	(4,534)
	5,421	5,654

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Revenues related to fixed price projects (in progress and finalized) amounted to €35 million for the six months ended June 30, 2020, and €37 million for the six months ended June 30, 2019.

NOTE 16 – Equity

16.1. Capital

On June 30, 2020, the capital of VALTECH, in the amount of €3,763,497 is composed of 30,024,539 ordinary shares. It is fully paid. Changes over the periods (excluding treasury shares) are as follows (see note 2.2.1.):

Number of shares	31/12/2019	30/06/2020
At January 1 of each year	28,073,785	29,306,982
Increase in capital	1,073,928	717,557
Reduction in capital	(49,981)	-
Exercise of warrant options	209,250	-
As of the end of each reporting period	29,306,982	30,024,539

16.2. Treasury shares

During the period ended June 30, 2020, the sellers of People Interactive, El Chalten and Non Linear used put options to sell back shares at the initial purchase price, and Valtech has bought back 492,619 shares at a value of €7,608 thousand. 45,000 of the shares bought back was used for exercise of warrants, leading to an outstanding number of 447,619 treasury shares at a value of €6,933 thousand as per June 30, 2020.

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
June 30, 2019			
Basic earnings per share	(3,871)	28,169,352	(0.14)
Dilutive impact of warrants and RSUs		3,363,787	
Earnings per diluted share	(3,871)	31,533,139	(0.14)
June 30, 2020			
Basic earnings per share	(191)	29,488,023	(0.01)
Dilutive impact of warrants and RSUs		3,707,510	
Earnings per diluted share	(191)	33,195,533	(0.01)

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

16.4. Increase in capital

During the year 2019, the capital increased with €9,090 thousand, see details in note 2.1.4.

During the year 2020, the capital increased with a net of €0 (capital increase of €12,557 thousand with a corresponding off-set due to issue of new put options), see details in note 2.2.1.

16.5. Dividends

During the period January to June 2020, Valtech Mobility GmbH, owned 51% by Valtech GmbH and 49% by Audi Electronics Venture GmbH (AEV), has distributed dividend to AEV for an amount of €1,561 thousand. The dividend is subject to withholding tax, therefore a net amount of €1,149 thousand has been paid in cash in June 2020.

During the period January to June 2019, no dividend was distributed.

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NOTE 17 – Non-controlling interests

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

The amounts disclosed are before intercompany eliminations.

(in thousands of euros)	31/12/2019	30/06/2020
Current assets	31,551	35,796
Non-current assets	2,792	2,730
Current liabilities	8,840	11,667
Non-current liabilities	1,997	1,774
Equity attributable to owners of the Company	11,984	12,789
Non-controlling interests	11,522	12,296

(in thousands of euros)	Six months ended June 30, 2019	Six months ended June 30, 2020
Revenue	19,401	26,443
Expenses	(17,113)	(21,788)
Profit(loss) for the year	2,288	4,655
Profit(loss) attributable to the owners of the Company	1,153	2,374
Profit(loss) attributable to the owners of the non-controlling interests	1,135	2,281
Profit(loss) for the year	2,288	4,655
Other comprehensive income attributable to the owners of the Company	-	-
Other comprehensive income attributable to the owners of the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	1,153	2,374
Total comprehensive income attributable to owners of the non-controlling interests	1,135	2,281
Total comprehensive income for the year	2,288	4,655
Net cash inflow (outflow) from operating activities	2,749	13,461
Net cash inflow (outflow) from investing activities	(192)	(234)
Net cash inflow (outflow) from financing activities	(293)	(2,793)
Net cash inflow (outflow)	2,264	10,434

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NOTE 18 – Provisions

18.1. Movements in provisions

(in thousands of euros)	Litigations	Retirement obligations	Others	Total
December 31, 2019				
-Current	109	72	39	220
-Non-current	722	1,712	767	3,201
Values as of December 31, 2019	831	1,784	806	3,421
Increase	-	222	745	967
Recovery	-	-	-	-
Recovery (use)	-	-	-	-
Change in scope	-	-	-	-
Translation difference	-	(44)	(28)	(72)
Actuarial losses	-	(83)	-	(83)
June 30, 2020				
-Current	109	76	756	941
-Non-current	722	1,803	767	3,292
Values as of June 30, 2020	831	1,879	1,523	4,233

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.

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 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

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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.

Changes to the liabilities related to defined benefit plans recognized in the Consolidated Financial Statements are presented as follows:

(in thousands of euros)	France	India	Total
December 31, 2019	1,033	751	1,784
Service cost	131	91	222
Actuarial gains/losses	(83)	-	(83)
Translation adjustment	-	(44)	(44)
June 30, 2020	1,081	798	1,879

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.

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.

Key Assumptions used	31/12/2019		30/06/2020	
	France	India	France	India
Discount rate	0.76%	7.00%	0.94%	7.00%
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 and provision for restructuring in the United States and the United Kingdom.

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:

(in thousand of euros)	31/12/2019	30/06/2020
Not due or due since less than 30 days	10,612	15,407
Due for more than 30 days and less than 60 days	2,625	2,045
Due for more than 60 days and less than 90 days	349	1,638
Due for more than 90 days	2,468	3,238
Total	16,054	22,328

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19.2. Other current liabilities

(in thousands of euros)	31/12/2019	30/06/2020	Notes
Salary, tax and social security liabilities	32,707	45,150	
Deferred income	6,324	3,861	
Deferred income - government grants	-	463	
Contract Liabilities	4,571	4,534	15.3
Other	2,155	1,372	
Total	45,757	55,380	

Increase in salary, tax and social security liabilities in June 2020 compared to December 2019, is mainly explained by deferred tax and social security payments, offered by governments in some countries due to Covid-19.

Deferred income – government grants, refers to received grants regarding salary costs for future periods in Netherlands, Sweden and Singapore.

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 €752 thousand (included in other) as June 30, 2020 and €603 thousand as of December 31, 2019.

NOTE 20 – Cash and cash equivalents

(in thousands of euros)	31/12/2019	30/06/2020
Cash and cash equivalents	35,744	76,752
Bank over-draft	-	(18)
Short-term borrowings factoring	(1,948)	(643)
Total	33,796	76,091

The working capital requirements of France are partially met through factoring contracts with recourse for a total amount of €643 thousand as of June 30, 2020, and a total amount of €1,948 thousand as of December 31, 2019 presented as short-term borrowings.

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NOTE 21 – Financial debt

21.1. Analysis of the financial liabilities

(in thousands of euros)	31/12/2019	30/06/2020
Long-term borrowings	96,369	96,387
Deposits and securities received	311	-
Put option on own shares	-	7,934
Debt related to business combinations	5,410	2,872
Lease liabilities	19,741	19,253
Other	31	152
Other financial debt - non current portion	25,493	30,211
Financial liabilities-non-current portion	121,862	126,598
Short-term borrowings	4,557	19,203
Debt related to business combinations	17,418	2,445
Put option on own shares	14,997	12,013
Exercised, not yet paid put options	-	2,171
Lease liabilities	10,010	9,033
Other financial debt-current portion	42,425	25,662
Financial liabilities-current portion	46,982	44,865
Total financial liabilities	168,844	171,463

Short-term borrowings correspond to accrued interest related to bonds (€4,080 thousand as of June 30, 2020 and €1,759 thousand as of December 31, 2019), short-term bank loans in Germany and France (€11,789 thousand as of June 30, 2020 and €850 thousand as of December 31, 2019), Pay-check Protection Program loan in the United States (€2,691 thousand as of June 30, 2020 and €0 as of December 31, 2019), and factoring in France (€643 thousand as of June 30, 2020 and €1,948 thousand as of December 31, 2019).

Of the total short-term bank loans in France (€10,939 thousand), €6,100 thousand refer to rent-free loans guaranteed by the French Government, to support the business in the light of the Covid-19 pandemic.

For the Pay-check Protection Program loan in the United states to be forgiven, certain conditions need to be fulfilled. As per June 30, 2020, the effect of a possible forgiveness has not been recognized in the statement of income. Analysis of the loan shows that the rules have had several amendments, and given the uncertainty regarding the final conditions, the loan is accounted for as a financial liability.

Long-term borrowings correspond to i) bonds issued in July 2016 for a nominal amount of €42,500 thousand bearing interest between 4.25% and 4.75% during the duration with a maturity date in July 2022, ii) bonds issued in October 2017 for a nominal amount of €33,000 thousand bearing interest between 4.5% and 5.0% during the duration with a maturity date in October 2024 and iii) bonds issued in June 2019 for a nominal amount of €21,000 thousand bearing interest between 4.25% and 4.75% during the duration with a maturity date in June 2025.

The put options on our own shares for €19,947 thousand refers to payments in shares for the acquisitions of eFocus, El Chalten, Codehouse, MJD Interactive and Infocentric, where the sellers have a put option to sell all or a portion of the shares back to Valtech at the initial share price. The increase of the total debt relating to put options reflect the new put option given in 2020 to the sellers of MJD Interactive (€4,624 thousand) and Infocentric (€7,934 thousand) at the same time as the payment for acquisition paid in Valtech shares occurred, see note 2.2.1, minus put options exercised by the sellers of People Interactive (€3,600 thousand), El Chalten (€751 thousand) and Non Linear (€3,256 thousand).

Debt related to business combinations as per June 30, 2020, refers to remaining debts related to the acquisitions of MJD Interactive and Infocentric Research AG.

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21.2. Analysis of financial liabilities by maturity

(in thousands of euros)	31/12/2019	30/06/2020
Maturity less than 1 year	46,981	44,865
Maturity between 1 and 5 years	96,480	124,872
Maturity greater than 5 years	25,383	1,726
Total financial debt	168,844	171,463

Maturity between 1 and 5 years corresponds mainly to the bonds issued in July 2016 with maturity date in July 2022, bonds issued in October 2017 with maturity date in October 2024, bonds issued in June 2019, with a maturity date in June 2025, debt related to acquisition, put option on own shares and lease liability.

Maturity over five year corresponds to 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 between 4.25% and 4.75% per year. The bonds issued in October 2017 bear interest at a fixed rate between 4.5% and 5.0% 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 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 2.75 as per December 31, 2019, and from June 30, 2021 and forward, lower than or equal 2.0. For June 30, 2020 and December 31, 2020, the covenants have been waived and instead a minimum amount of cash of €25 million is required.
- Gearing ratio (the ratio of Consolidated Net Indebtedness to Equity), shall be lower than 1.2. For June 30, 2020 and December 31, 2020, the covenants have been waived and instead a minimum amount of cash of €25 million is required.

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. The financial covenants are calculated pursuant to the accounting standards applicable at the issue date, hence the implementation of IFRS 16 has not affected the financial covenants.

As a result of the impact of the Covid-19 outbreak on our financial performance and financial position, we assessed the situation in March 2020 and anticipated then that the Group would not comply with the financial covenants of its bonds, as of June 30 and December 31, 2020. We entered into discussions with the holders of the bonds, who in May 2020 agreed in writing to waive those covenants for June 30 and December 31, 2020, subject to a minimum amount of cash of €25 million to be available in the Group by June 30 and December 31, 2020. The written agreement to waive those covenants was reaffirmed in the resolutions passed by the general assembly of the bond holders on July 10, 2020, which included amendments of a technical nature to the terms and conditions of the bonds. The waiver of the covenants is conditioned by Valtech receiving a loan from the shareholders, for a maximum amount of €30 million. The loan agreement was approved by the General Meeting of Valtech's shareholders on July 7, 2020, and was signed on September 22, 2020.

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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)	31/12/2019	Cash flows	Non-cash changes				30/06/2020
			Foreign exchange movement	Put options	Debt related to acquisitions	Others	
Long-term borrowings	96,369	-	-	-	-	18	96,387
Deposits and securities received	311	(311)	-	-	-	-	-
Put option on own shares	-	-	-	7,934	-	-	7,934
Debt related to business combinations	5,410	-	108	-	(2,646)	-	2,872
Lease liability	19,741	-	(412)	-	-	(76)	19,253
Other	31	121	-	-	-	-	152
Financial liabilities-non current portion	121,862	(190)	(304)	7,934	(2,646)	(58)	126,598
Short-term borrowings and bank overdrafts	4,557	13,455	-	-	-	1,191	19,203
Lease liability	10,010	(5,867)	(183)	-	-	5,073	9,033
Other financial debt-current portion	32,415	(5,437)	405	2,453	(15,378)	2,171	16,629
Financial liabilities-current portion	46,982	2,151	222	2,453	(15,378)	8,435	44,865
Total financial liabilities	168,844	1,961	(82)	10,387	(18,024)	8,377	171,463

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

For the six months ended June 30, 2020, the change in foreign currency translation adjustments recorded in consolidated equity on the net assets exposed to currency risk is a loss of €1,801 thousand. For the six months ended June 30, 2019, the profit was €97 thousand.

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Division by currency, in thousands of euros	EUR	USD	SEK	DKK	GBP	UAH	CAD	CHF	OTHERS (1)	TOTAL
December 31, 2019										
Assets	147,009	42,929	12,038	12,053	33,813	1,616	14,998	45,826	16,434	326,716
Liabilities excl. equity	182,383	15,886	6,647	4,493	11,438	482	4,720	8,154	8,021	242,224
Net exposure (in euros)	(35,374)	27,043	5,391	7,560	22,375	1,134	10,278	37,672	8,413	84,492
June 30, 2020										
Assets	156,128	47,890	16,039	11,558	30,418	2,453	12,677	49,746	16,307	343,216
Liabilities excl. equity	199,331	10,509	11,056	5,482	11,437	1,218	3,663	10,041	8,057	260,794
Net exposure (in euros)	(43,203)	37,381	4,983	6,076	18,981	1,235	9,014	39,705	8,250	82,422

(1) Net exposure others consist of INR €3,229 thousand, SGD €1,143 thousand, RMB €1,840 thousand, BRL €1,231 thousand, ARS €743 thousand, AUD €63 thousand, and MYR €1 thousand

The Group is mainly exposed to the fluctuation in the exchange rate of the GBP, USD and CHF. A 10% appreciation/depreciation of the GBP against the EUR would increase/decrease net assets converted into euros by approximately €1,898 thousand, the appreciation/depreciation in USD would increase/decrease net assets converted to euros by €3,738 thousand and the appreciation/depreciation in CHF would increase/decrease net assets converted to euros by €3,970 thousand.

22.2. Management of interest rate risk

On June 30, 2020 and December 31, 2019, Valtech is exposed to interest rate risk only regarding bank guarantees, since the current financing is at a fixed interest rate.

Financing

The current main financing of the Valtech Group consists of (i) an issue of bonds, amounting to €42,5 million with a fixed annual interest rate between 4.25% and 4.75% with a maturity date in 2022, (ii) a second issue of bonds, amounting to €33 million with a fixed annual interest rate between 4.5% and 5.0% and with a maturity date in 2024 and (iii) a third issue of bonds, amounting to €21 million with a fixed annual interest rate between 4.25% and 4.75% and with a maturity date in 2025.

In addition to the bonds, the Group has loan from banks in Germany and France, amounting to €11,789 thousand as of June 30, 2020, of which €6,100 thousand refer to loans guaranteed by the French State.

Bank guarantees

All of Valtech's bank guarantees are indexed on country-specific fixed rates. The Group has given bank guarantees amounting to €659 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.

In addition to the cash of €76,734 thousand, the Group's financing as of June 30, 2020 is based mainly on one line related to factoring of receivables totalling €643 thousand, concluded by the French entity. This agreement does not transfer all the risks associated with collection of the receivables to the financial institution, and the cash related to the factoring has therefore been deducted as short-term borrowings.

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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.

22.5 Risk related to COVID-19 pandemic

Valtech's risk are affected by the ongoing COVID-19 pandemic and its effect on society and the economy. The risks related to Covid-19 are unpredictable and difficult to assess, but will affect the demand for our services. Actions have been taken as soon as March 2020 to mitigate the impact of the economic crisis including: applying to all government supports that are available and to which we are eligible, increasing the resources allocated to cash collections, negotiating more favourable payment terms with our largest vendors, negotiating additional credit lines, reducing costs, temporarily freezing the payment of the full compensation due to the Chief Executive Officer.

As of the date of approval of these financial statements, Valtech continues to apply to existing government supports and to take a cautious approach about the preservation of a strong cash position.

Valtech continues to monitor costs very closely. Valtech initiated and took actions to permanently adjust some cost items to the consequences of COVID-19.

Valtech has set up processes to monitor the consequences of the COVID-19 pandemic on our employees, specifically where our offices have been closed for several months to comply with government regulations or to protect the health of our employees.

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 June 30, 2020, the Board of Directors has authorized the issuance of warrants, which has not yet been fully exercised, as follows:

- July 12, 2013: 23,153,666 warrants
- December 5, 2014: 6,485,155 warrants
- April 21, 2015: 422,625 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, 2020 are described in the table below:

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	2013 plan	2014 plan	2015 plan
Grant date	2013-07-12	2014-12-05	2015-04-21
Contractual term of the plan	4 to 5 years	3 to 4 years	4 to 5 years
Number of warrants issued	23,153,666	6,485,155	422,625
Number of warrants required to purchase one share	8	8	1
Exercise period	From July 12, 2016 to July 12, 2018 (extended until July 31, 2022)	From July 12, 2016 to July 12, 2018 (extended until July 31, 2022)	From June 1, 2018 to May 31, 2020 (extended until May 31, 2022)
Number of beneficiaries	58	30	25
Subscription price (euros)	0.03	0.05	0.80
Exercise price (euros)	0.27/0.24	0.4875/0.4562	7.32/7.07
Settlement method	Equity	Equity	Equity
Redemption conditions	at 0,01€ if share market value equals 0,74€ from July 12, 2015 to July 31, 2022	at 0,025€ if share market value equals 1,37€ from July 12, 2015 to July 31, 2022	at 0,50€ if share market value equals 20,06€ from June 1, 2018 to May 31, 2022

	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:

	31/12/2019		30/06/2020	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Warrants not exercised at the beginning of the period	26,743,489		26,459,739	
Warrants issued over the period	-	-	-	-
Warrants cancelled/expiring over the period	(13,250)	11.53	(39,250)	12.89
Warrants exercised over the period	(270,500)	5.33	(45,000)	7.07
Warrants not exercised at the end of period	26,459,739		26,375,489	
Warrants, exercisable at the end of period	26,240,587		26,231,287	

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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 ⁽¹⁾	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 ⁽²⁾	56.10%	55.90%	56.10%	55.90%	56.10%
Expected life	4 years	4 years	5 years	5 years	3 years
Risk-free return rate ⁽³⁾	0.45%	0.38%	0.62%	0.53%	0.45%
Expected dividend yield ⁽⁴⁾	-	-	-	-	-
Fair value of warrants ⁽⁵⁾	14.84	15.43	15.47	16.03	14.84

	Plan of 5 Dec. 2014 - 4 years	Plan of 11 May 2015 - 4 years	Plan of 7 April 2017 - 4 years	Plan of 23 August 2018 - 4 years	Plan of 23 August 2018 - 4 years
Grant date	2014-12-05	2015-04-21	2017-04-07	2018-08-23	2018-08-23
Market value of the underlying on the grant date ⁽¹⁾	4.70	7.55	12.50	16.53	16.53
Subscription price (in euros)	0.05	0.80	1.25	1.60	0.00
Exercise price (in euros)	0.49/0.46	7.32/7.07	12.25/12.00	16.00	17.60
Volatility expected ⁽²⁾	55.90%	34.00%	32.56%	31.15%	31.04%
Expected life	4 years	4 years	4 - 5 years	4 - 5 years	4 - 5 years
Risk-free return rate ⁽³⁾	0.38%	0.20%	-0.37%	-0.18%	-0.26%
Expected dividend yield ⁽⁴⁾	-	-	-	-	-
Fair value of warrants ⁽⁵⁾	15.43	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.

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 cease 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.

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Movements in the number of RSUs outstanding are:

	31/12/2019	30/06/2020
	Number of RSUs	Number of RSUs
RSUs not exercised at the beginning of the period	-	731,791
RSUs granted over the period	777,750	-
RSUs forfeited over the period	(45,959)	(19,897)
RSUs not exercised at the end of period	731,791	711,894

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 €9,047 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, €17.2 (adjusted fully diluted price), and the forecasted number of RSUs to be vested. Forecasted number of RSUs to be vested is based on the average of historical employee turnover for all Valtech employees and historic employee turnover for warrant programs. For top management forecasted number of RSUs to vest is based on the historical staff turnover for this employee category.

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 €1,401 thousand (of which warrants amount to €43 thousand and restricted share units to €1,358 thousand) and €5,494 thousand (of which warrants amount to €133 thousand, issue of new shares to Cosmoledo SPRL amount to €5,194 thousand and restricted share units to €167 thousand) for the six months ended June 30, 2020 and 2019, respectively. For January to June 2020, €131 thousand referring to social charges related to the restricted share units has been recognised as an expense with a corresponding increase in liabilities. For the period January to June 2019, the social charges amounted to €23 thousand.

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.

In May 2020 the board decided to extend the exercise period for the 2015 warrant plan with grant date April 21, 2015, further until May 31, 2022. The extension has no material impact on the value of these warrants.

In May 2020 the board decided to extend the first exercise period for the 2017 warrant plan further until April 9, 2022. The extension has no material impact on the value of these warrants. In July 2020 the board decided to extend the exercise period for the 2013 and 2014 warrant plans further until July 31, 2022. 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:

(in thousands of euros)	31/12/2019	30/06/2020
Less than a year	87	30
Between 1 and 5 years	16	16
Total commitment	103	46

24.2. Guarantees given

The Valtech Group has agreed to the following guarantees:

(in thousands of euros)	31/12/2019	30/06/2020
Guarantees for real estate leases	2,721	2,093
Other guarantees	5	5
Total commitment	2,726	2,098

In connection with the transfer of the headquarter from United Kingdom to Luxembourg, a guarantee has been issued to a third party for payment of tax.

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, Stockholm, Sweden and Frankfurt, Munich and Ingolstadt in Germany.

24.3. Guarantees received

Audi Electronics Venture GmbH has granted a credit line of €10 million (unused) 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, 2019	Six months ended June 30, 2020
Revenues				
Volkswagen Group	Digital Services	Valtech Mobility GmbH	12,474	25,243
		Total revenues	12,474	25,243
Costs				
Dominus Holding SA	Consulting	Sebastian Lombardo	1,010	1,010
Twenty Plus Consulting	Consulting	Tomas Nores	553	559
Twenty Plus Consulting	Expenses	Tomas Nores	93	5
Cosmoledo SPRL	Share-based expense	Sebastian Lombardo, Tomas Nores, Olivier Padiou	5,195	-
Volkswagen Group	Office costs	Valtech Mobility GmbH	108	4
		Total costs	6,959	1,578

25.2. Outstanding balances with related parties

Outstanding balances with Volkswagen Group as per June 30, 2020 and per December 31, 2019, amount to:

(in thousands of euros)	31/12/2019	30/06/2020
Accounts receivables	11,318	5,712
Accrued revenues	1,165	274
Contract Assets	8,479	7,572
Total Assets	20,962	13,558
Deferred revenues	186	9
Contract Liabilities	2,648	1,543
Total Liabilities	2,834	1,552

25.3. Gross remuneration allocated to the Board of directors

For the six month periods ended June 30, 2020 and 2019, the corporate officers of VALTECH, 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 months ended June 30, 2020 and 2019 amounted to €2,420 thousand and €2,513 thousand respectively.

For the period January to June 2020 this amount comprises €1,569 thousand of fees, detailed in the table above in Note 25.1 and €851 thousand of remuneration.

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NOTE 26 – Major events after the closing date

26.1 Waiver of financial covenants

As a result of the impact of the Covid-19 outbreak on our financial performance and financial position, we assessed the situation in March 2020 and anticipated then that the Group would not comply with the financial covenants of its bonds, as of June 30 and December 31, 2020. We entered into discussions with the holders of the bonds, who in May 2020 agreed in writing to waive those covenants for June 30 and December 31, 2020, subject to a minimum amount of cash of €25 million to be available in the Group by June 30 and December 31, 2020. The written agreement to waive those covenants was reaffirmed in the resolutions passed by the general assembly of the bond holders on July 10, 2020, which included amendments of a technical nature to the terms and conditions of the bonds. The waiver of the covenants is conditioned by Valtech receiving a loan from the shareholders, for a maximum amount of €30 million. The loan agreement was approved by the General Meeting of Valtech's shareholders on July 7, 2020, and was signed on September 22, 2020.

26.2 Loan from shareholders

To secure the Group's financial position and to cover possible shortfall of cash caused by the Covid-19 pandemic, we have agreed with the shareholders on a loan of maximum €30 million. The loan can be drawn in one, two or three drawing(s), for an amount of €10 million each, between the effective date and at the latest on December 10, 2020. Valtech can choose not to request any drawing or any future drawing, or pay back the drawn amount, without any penalty.

The loan is reimbursable on June 30, 2021, and can be extended to December 31, 2021, and then indefinitely until the lenders request a repayment. The interest rate until the initial term amounts to 12%, and will increase to 15% from June 30, 2021 to December 31, 2021, and then increase to 20% as of that date.

The loan agreement was approved by the General Meeting on July 7, 2020, and was signed on September 22, 2020.