WAVESTONE

# Interim financial report

September 30th, 2016

# Contents

# Statement by the person responsible for the interim report

I declare that, to the best of my knowledge, the summary of the consolidated interim financial statements for H1 2016/17 have been prepared in accordance with applicable accounting principles, in particular with IAS 34, and provide a true and fair view of assets and liabilities, financial position and operating results of the company and all of its entities in the scope of consolidation, and that the attached interim management report presents an accurate picture of the key events that occurred during the first six months of the financial year, their effect on the financial statements as well as the main related-party transactions over the period, and a description of the major risks and uncertainties for the remaining six months of the 2016/17 financial year.

Paris-La Défense, November 30th, 2016

Pascal Imbert, CEO

# Interim management report

## 1. Analysis of Wavestone's results

### Analysis of Wavestone's consolidated financial statements

The consolidated interim financial statements on September 30th, 2016 include the accounts of Wavestone SA (ex-Solucom SA), Wavestone Morocco (ex-SLM Consulting), Wavestone Advisors UK Limited (ex-Hudson & Yorke), Wavestone Advisors Switzerland (ex-Arthus Technologies), Solucom Belgium, Wavestone Advisors 3 (ex-Management Consulting Group France) and its subsidiaries (Wavestone Advisors ex-Kurt Salmon France, Wavestone Advisors 2 ex-Kurt Salmon Associates, K2S Management Inc., Wavestone Luxembourg ex-Kurt Salmon Luxembourg, Wavestone Belgium ex-Kurt Salmon Belgium, Wavestone Consulting Switzerland ex-Kurt Salmon Switzerland et Wavestone Advisors Morocco ex-Kurt Salmon Morocco).

The consolidated interim financial statements published September 30th, 2015 included the accounts of Solucom SA, SLM Consulting, Audisoft Oxéa (all of the latter's assets had been transferred to Solucom SA on September 30th, 2015), Hudson & Yorke over 6 months, as well as Arthus Tehcnologies over 3 months. Solucom SA data included Hapsis business activities acquired on April 1st, 2015.

The financial statements drawn up on March 31st, 2016 consolidate Solucom SA, SLM Consulting and Hudson & Yorke over 12 months, Financière BFC and Audisoft Oxéa over 6 months, Arthus Technologies over 9 months, Solucom Belgium over 6 months, Management Consulting Group France and its subsidiairies (Kurt Salmon France, Kurt Salmon Associates, K2S Management Inc., Kurt Salmon Luxembourg, Kurt Salmon Belgium, Kurt Salmon Switzerland and Kurt Salmon Morocco) over 3 months.

The financial statements on September 30th, 2016, September 30th, 2015 and March 31st, 2016 were prepared in accordance with IFRS international financial reporting standards and CNC recommendation n°2009-R.03, published on July 2nd, 2009 by the French National Accounting Agency (Conseil National de la Comptabilitié). Accordingly, the intermediate management balances presented in these financial statements and commented on this report have been calculated on the basis of accounting specifications defined by the CNC.

The financial statement on September 30th, 2016 have been restated to factor in the application of IFRIC 21, relative to the recognition of levies imposed by a government body.

**Consolidated interim figures**

| *In thousands of euros* | **H1 2016/17** | **H1 2015/16** | **% change** |
|---|---|---|---|
| Revenue | **162,014** | **91,427** | 77% |
| EBIT | **15,829** | **9,402** | 68% |
| *EBIT margin* | ***9.8%*** | ***10.3%*** | - |
| Operating profit | **15,204** | **9,105** | 67% |
| Net income, Group share | **7,672** | **5,227** | 47% |
| *Net margin* | ***4.7%*** | ***5.7%*** | - |

Consolidated revenue at September 30th, 2016 rose 77% to €162,014k from the previous year level of €91,427k.

Operating income on ordinary activities came out at €15,829k (after employee profit-sharing and CICE), up 68% from €9,402k H1 2015/16. The EBIT margin came out at 9.8% in the first half compared with 10.3% in H1 2015/16. Note that the EBIT margin is obtained by dividing operating income on ordinary activities by revenues.

Operating income rose 67% to €15,204k in H1 2016/17 from the year-earlier level of €9,105k. This year it included €265k of reorganization costs incurred due to the vacation of the Lyon offices to complete the physical merging of the company's teams, €137k of outstanding acquisition-related costs, €120k of sponsorship costs for the Solucom Corporate Foundation, and €100k of sponsorship for the Paristech Foundation. On September 30th, 2016, other operating income and expenses were (€297k) and mainly due to outstanding acquisition-related costs.

At the interim stage, the cost of net financial debt stood at €1,123k, compared to the year-earlier level of €93k. The cost of net financial debt in the first half mainly comprised interest on borrowings, capital gains on cash disposals, and foreign exchange gains and losses.

Pre-tax profit grew 52% from €8,901k in H1 2015/16 to €13,555k at end-September 2016.

Net profit over the period came out at €7,672k (after a tax charge of €5,883k), implying a net margin of 4.7%. This result represents a 47% increase on H1 2015/16 levels coming out at €5,227k (after tax expenses of €3,675k) and the net margin at 5.7%

There were no minority interests. Accordingly, group share net income also came out at €7,672k, up 47% on the year-earlier of €5,227k.

### Financial structure cash and cash equivalent

| *In thousands of euros* | 09/30/2016 | 03/31/2016 | % change |
|---|---|---|---|
| Non-current assets | **162,310** | **147,043** | 10% |
| *o/w goodwill* | ***130,041*** | ***130,397*** | *0%* |
| Current assets (excluding cash) | **128,976** | **124,946** | 3% |
| Cash and cash equivalent | **25,361** | **39,786** | -36% |
| Shareholders' equity | **90,274** | **84,979** | 6% |
| Non-current liabilities | **104,170** | **105,972** | -2% |
| *o/w financial liabilities* | ***89,690*** | ***93,294*** | *-4%* |
| Current liabilities | **122,202** | **120,824** | 1% |
| *o/w financial liabilities* | ***9,550*** | ***5,332*** | *79%* |
| **Total balance sheet** | **316,646** | **311,774** | 2% |

Consolidated equity stood at €90,274k at September 30th, 2016, compared with €84,979k at March 31st, 2016.

Wavestone boasted a net cash position[1] of €73,879k at end-September 2016, compared with €58,840k on March 31st, 2016 and €14,259k at end-September 2015.

Financial liabilities at the interim stage totaling €99,240k, versus €98,626k at March 31st, 2016, included €93,477k of banking facilities, the Micado bond for €2,971k, financial debt of €2,191k related to the restatement of lease contracts and €601k in other financial liabilities (accrued interest not yet due, bank overdrafts and bond issue costs).

1 Gross cash less financial liabilities

## Analysis of Wavestone’s company financial statements

At the company level, Wavestone posted revenues of €102,270k at 30 September 2016, up 18% compared to €86,859k last year.

Wavestone’s interim operating income came out at €16,009k representing an operating margin of 15.7%. For the record, this compares with year-earlier levels of €8,894k and 10.2% respectively.

At end-September 2016, Wavestone booked financial income of €173k, compared with €983k in H1 2015/16. Financial income in H1 2016/17 notably includes €686k of interests from various facilities, €926k of interests payable and similar charges and €58k of foreign exchange losses. On September 15th, 2016, interim financial income included €1,146k corresponding to dividends payed out to Wavestone by Wavestone UK Limited.

At the operating level, Wavestone posted a non-recurring loss of €933k, compared with an exceptional loss of €296k for the first semester of the previous year.

Employee profit-sharing amounted to €1,942k at end-September 2016, versus the year-earlier level of €1,091k.

Interim tax on earnings came out at €4,264k compared to €1,742k the previous year.

In light of what has been stated, group share of net income increased to €8,697k at the interim stage from the year-earlier level of €6,747k.

## 2. Wavestone's interim performance

Wavestone posted consolidated interim revenues of €162.0m, a 77% increase from last year, of which €58.2m from the European activities of Kurt Salmon[1]. Growth over the semester is worth 16% on a like-for-like and constant forex basis.

At the end of the period, Wavestone totaled 2,500 employees (compared to 2,511 6 months earlier) of which 738 from the European activities of Kurt Salmon.

The recruitment drive remained strong over this half-year for the entire company. The staff turnover rate was high at 27% year-on-year on the Kurt Salmon[1] scope, compared to an historical level of about 20%. The staff turnover rate over the historical scope came out at the relatively low level of 12% year-on-year.

### Favorable operating indicators despite deterioration in utilization rate of Kurt Salmon European activities[1]

Over the first six months of the 2016/17 fiscal year, the utilization rate of Kurt Salmon's European activities1 was at 68%, versus a 70-75% annual target, due to inadequate performances during the summer. For the rest of Wavestone, the consultant utilization rate over the period came out at the high level of 84%.

Pricing trends remained favorable in the first half-year with the average daily rate of Kurt Salmon's European activities coming out at a solid €1,080. For the rest of Wavestone, average prices rose to €763, up 2.5% on fiscal year 2015/16.

Excluding the European activities of Kurt Salmon[1], the order book remained stable at 3.4 months over the first half.

For the record, at this stage, the company is unable to communicate any information on its consolidated indicators, since the data of Solucom and Kurt Salmon[1] are not comparable due to differences in their management regulations.

### Interim net income up 47%

On the back of favorable operating indicators, the company posted a 68% increase in operating income on ordinary activities to €15.8m and a solid EBIT margin of 9.8% vs. the H1 2015/16 level of 10.3% (8.8% pro forma). For Wavestone excluding Kurt Salmon the EBIT margin is at 13.1%.

Over the period, Wavestone booked other operating expenses of €0.6m, including reorganization costs incurred on the physical merging of the company's teams, outstanding acquisition-related costs and sponsorship costs. Factoring in these elements, operating income came out at €15.2m, up 67%, year-on-year.

The cost of financial debt increased over the period due to the banking facility contracted by the company to finance the acquisition of Kurt Salmon's European activities[1]. Other financial expenses include Wavestone's final earn-out commitment on the Hudson & Yorke acquisition, which was paid as a result of the good performance of UK activities in the first half-year.

In addition, group share of net income increased 47% over the six-month period to €7.7m making for a net margin of 4.7%.

### Financial situation still sound despite increase in WCR in H1

Wavestone's balance sheet remained solid at the interim stage with shareholders' equity at €90.3m.

1 excluding retail and consumer consulting activities

As every year, cash levels dipped in the first half. Working capital requirement rose as a result of sustained growth in activity, a slight increase in DSO levels and a reduction in social security debt.

At the same time, the firm pursued investments: €4.7m over the period, the bulk of which in costs related to office remodeling required for the physical merging of the firms' teams.

In addition, the firm distributed a total dividend payout of €2.0m for the fiscal year ended 03/31/2016.

At end-September, the company had free cash of €25.4m for financial debt of €99.2m.

### Building Wavestone on the right track

In the first half, several major steps were achieved in building Wavestone: the launch of the new brand, the definition of the value offering and the finalization of the physical merger of the firms' teams.

The new operating model was adopted rapidly and has already produced several concrete results: multiple collaborations between the teams, favorable response of clients to the new firm's value proposition, and successful synergy generation reflected by major projects.

Several challenges still need to be addressed in the second half, notably improving the performances of the European activities[1] of Kurt Salmon and stabilizing its consultant turnover rate.

H2 2016/17 will also be used to establish and promote the new brand, to deploy the Human Resources model, to implement Wavestone's new ERP model and to finalize the organization of the firm's operating teams.

### Wavestone 2021, 4 strategic objectives for 2021

A few months after its creation, Wavestone has set some ambitious strategic goals for the years ahead.

The challenge will be to position Wavestone as a key player in the consulting market, a company with a strong international profile which combines operating performance and social responsibility and which provides support to help its clients carry out their most strategic transformations.

These ambitions reflect the potential of the newly-created firm. To meet this challenge, the company has defined four objectives to achieve by 2021:

- Make Wavestone the leading consulting brand in France in the digital transformation field;
- Generate annual revenues of €500m for an EBIT margin of 15%;
- Boost international sales to €100m;
- Ensure that every year between now and 2021 Wavestone is ranked within the top 3 of its category in terms of CSR[2]

### 2016/17 financial objectives confirmed

Even if the subdued performances of Kurt Salmon European activities[1] could affect the group's results, Wavestone confirms its 2016/17 full-year objectives: a growth of over 45% in consolidated revenues to over €340m and an operating income on ordinary activities of more than €34m (implying a double-digit EBIT).

[1] excluding retail and consumer goods consulting activities

[2] Gaïa-Index ranking

## 3. Post-closure events

### Wavestone's new Hong Kong office

On July 15th, 2016, Wavestone created K2S Asia, an Asian subsidiary in Hong Kong. K2S is a consulting company which advises its clients through information system, organization and management consulting assignments.

### Business Integration Partners partnership

Bip is a fast-growing Italian consulting firm founded in 2003, advising multinational companies and helping them to address large and complex transformation challenges through a blend of business expertise and innovative technologies. With over 1,300 professionals, Bip is a leader in Italy and has developed an international footprint covering 12 countries, including Spain, Brazil and Turkey. Main clients include Allianz, Enel, Eni, Unicredit and Vodafone.

Synergies are already in place between the two companies: Wavestone and Bip are currently delivering a large transformation program for a private bank in Latin America, and in Europe, the two companies are working together on a project for a major pharmaceutical Group.

## 4. Risks and uncertainties in H2

Other than the elements detailed below, there were no significant changes with respect to the risks described in the registration document published by Wavestone and filed with the AMF on September 26th, 2016 under number D.16-0860.

## 5. Major related-party transactions

Wavestone did not carry out any major related-party transactions in the first half of its 2016/17 financial year.

For more details, see note 16 of the appendix to the consolidated interim financial statements.

**The Management Board**

November 25th, 2016

# Consolidated financial statements at 09/30/16

## Consolidated Income Statement

| *In thousands of euros* | Note | 09/30/16 | 09/30/15 | 03/31/2016 |
|---|---|---|---|---|
| **Revenue** | | **162,014** | **91,427** | **233,020** |
| Other operating revenues | | 0 | 0 | 0 |
| Cost of sales | | 7,168 | 3,202 | 9,665 |
| Personnel expense (including profit-sharing) | 1 | 112,980 | 66,630 | 162,614 |
| External expenses | | 23,355 | 10,090 | 25,533 |
| Levies and taxes | | 2,355 | 1,502 | 4,396 |
| Depreciation charges and provisions | | (762) | 839 | 971 |
| Other current income and expenses | | 1,089 | (239) | 60 |
| **EBIT** | | **15,829** | **9,402** | **29,783** |
| Other operating income and expenses | 2 | (625) | (297) | (6,682) |
| **Operating profit** | | **15,204** | **9,105** | **23,100** |
| Financial income | 3 | 25 | 24 | 19 |
| Gross cost of financial debt | 3 | 1,149 | 117 | 757 |
| **Net cost of financial debt** | | **1,123** | **93** | **738** |
| Other financial income and expenses | 3 | (526) | (111) | (581) |
| **Income before tax** | | **13,555** | **8,901** | **21,781** |
| Tax charge | 4 | 5,883 | 3,675 | 8,423 |
| **Net income** | | **7,672** | **5,227** | **13,358** |
| Non controlling interests | | 0 | 0 | 0 |
| **Net income, group share** | | **7,672** | **5,227** | **13,358** |
| | | | | |
| Net earnings per share, group share (in euros) (1) (2) | 5 | 1.56 | 1.06 | 2.72 |
| Net diluted earnings per share, group share (in euros) | 5 | 1.56 | 1.06 | 2.72 |

(1) Weighted number of shares over the period.

(2) In accordance with IAS 33, net earnings per share at 09/30/15 and 03/31/16 have been restated retrospectively based on the number of shares 09/30/16.

## Consolidated Balance Sheet

| *In thousands of euros* | Note | 09/30/16 | 03/31/16 |
|---|---|---|---|
| Goodwill | 6 | 130,041 | 130,397 |
| Intangible assets | 7 | 895 | 659 |
| Property, plant and equipment | 7 | 18,033 | 7,584 |
| Financial assets > 1 year | 8 | 1,353 | 1,030 |
| Other non-current assets | 8 | 11,989 | 7,373 |
| **Non-current assets** | | **162,310** | **147,043** |
| Trade receivables and related accounts | 9 | 107,640 | 100,976 |
| Other receivables | 9 | 21,335 | 23,969 |
| Cash and cash equivalents | 9 | 25,361 | 39,786 |
| **Current assets** | | **154,337** | **164,732** |
| **Total assets** | | **316,646** | **311,774** |
| | | | |
| Capital | 10 | 497 | 497 |
| Additional paid-in capital | | 11,218 | 11,218 |
| Reserves and consolidated income | | 79,247 | 73,589 |
| Group translation reserves | | (688) | (325) |
| **Total shareholders' equity, group share** | | **90,274** | **84,979** |
| Non controlling interests | | 0 | 0 |
| **Total shareholders' equity** | | **90,274** | **84,979** |
| Long-term provisions | 11 | 13,848 | 12,309 |
| Financial liabilities > 1 year | 12 | 89,690 | 93,294 |
| Other non-current liabilities | 13 | 632 | 368 |
| **Non-current liabilities** | | **104,170** | **105,972** |
| Short-term provisions | 11 | 7,932 | 9,139 |
| Financial liabilities < 1 year | 12 | 9,550 | 5,332 |
| Trade payables and related accounts | 13 | 14,565 | 13,442 |
| Tax and social security liabilities | 13 | 67,379 | 77,360 |
| Other current liabilities | 13 | 22,776 | 15,551 |
| **Current liabilities** | | **122,202** | **120,824** |
| **Total liabilities** | | **316,646** | **311,774** |

## Change in Consolidated Cash & Equivalents

| *In thousands of euros* | 09/30/16 | 09/30/15 | 03/31/2016 |
|---|---|---|---|
| **Consolidated net income** | **7,672** | **5,227** | **13,358** |
| Elimination of non-monetary items | | | |
| Net depreciation charges and provisions | 2,541 | 1,508 | 6,247 |
| Gain (loss) on disposals, net of tax | (6) | 35 | 49 |
| Other calculated income and expenses | (1,161) | 631 | (2,338) |
| Cost of financial debt | 833 | 0 | 0 |
| **Gross cash flow (1)** | **9,879** | **7,401** | **17,316** |
| Change in working capital requirements | (17,123) | (7,508) | (1,850) |
| **Net cash flow from operating activities (1)** | **(7,244)** | **(108)** | **15,466** |
| Acquisition of tangible and intangible assets | (4,010) | (679) | (7,645) |
| Asset disposals | 12 | 0 | 2 |
| Change in financial assets | (700) | (289) | (218) |
| Impact of changes in consolidation scope (2) | 0 | (5,225) | (88,520) |
| **Net cash flow from investing activities** | **(4,698)** | **(6,193)** | **(96,380)** |
| Dividends paid to shareholders of parent company | (2,014) | (1,915) | (1,915) |
| Dividends paid to non-controlling interests | 0 | 0 | 0 |
| Other cash flow from financing activities | (241) | 82 | 96,192 |
| **Net cash flow from financing activities** | **(2,255)** | **(1,834)** | **94,277** |
| **Change in net cash** | **(14,197)** | **(8,134)** | **13,363** |
| Impact of changes in exchange rates | (18) | 11 | (96) |
| Cash and equivalents at start of period | 39,417 | 26,150 | 26,150 |
| Cash and equivalents at end of period | 25,202 | 18,027 | 39,417 |

(1) Gross cash flow is calculated after current tax expense.

Tax paid amounted to 9,326 K€ in H1e 2016 vs. 4,409 K€ in H1 2015.

(*) Interests paid or assimilated which were previously presented in "Net cash flow from operating activities" are, from now on, included in "Other cash flow from financing activities".

Without this modification, on 09/30/16 net cash flow from operating activites would have been (€8,076k), and (€1,423k) for net cash flow from financing activities.

The figures in columns presenting cash flow on 09/30/15 and 03/31/16 have not been recalculated.
If they had been, net cash flow from operating activities would have been (€18k) on 09/30/15 and €15,986k on 03/31/16;
for net cash flow from financing activities (€1,923) on 09/30/15 and €93,758k on 03/31/16.

## Change in Consolidated Shareholders' Equity

| *In thousands of euros* | Capital | Premiums | Consolidated reserves | Full-year profit | Conversion gain (loss) | Shareholders' equity |
|---|---|---|---|---|---|---|
| **Consolidated sherholders' equity at 03/31/15** | **497** | **11,218** | **48,348** | **12,596** | **115** | **72,773** |
| Consolidated profit for the year | 0 | 0 | 0 | 13,358 | (4) | 13,354 |
| Fair value adjustment of hedging instruments | 0 | 0 | (58) | 0 | 0 | (58) |
| IAS 19 actuarial gain (loss) | 0 | 0 | 377 | 0 | 0 | 377 |
| **Net comprehensive income** | **0** | **0** | **319** | **13,358** | **(4)** | **13,673** |
| Appropriation of profit | 0 | 0 | 12,596 | (12,596) | 0 | 0 |
| Change in capital of the consolidating company | 0 | 0 | 0 | 0 | 0 | 0 |
| Distributions of the consolidating company | 0 | 0 | (1,915) | 0 | 0 | (1,915) |
| Treasury shares | 0 | 0 | (315) | 0 | 0 | (315) |
| Restatement of provision for free shares | 0 | 0 | 1,199 | 0 | 0 | 1,199 |
| Conversion gain (loss) | 0 | 0 | 0 | 0 | (436) | (436) |
| **Consolidated shareholders' equity at 03/31/16** | **497** | **11,218** | **60,231** | **13,358** | **(325)** | **84,979** |
| Consolidated profit for the year | 0 | 0 | 0 | 7,672 | (9) | 7,664 |
| Fair value adjustment of hedging instruments | 0 | 0 | (27) | 0 | 0 | (27) |
| IAS 19 actuarial gain (loss) | 0 | 0 | (642) | 0 | 0 | (642) |
| **Net comprehensive income** | **0** | **0** | **(669)** | **7,672** | **(9)** | **6,994** |
| Minority impacts | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriation of profit | 0 | 0 | 13,358 | (13,358) | 0 | 0 |
| Change in capital of the consolidating company | 0 | 0 | 0 | 0 | 0 | 0 |
| Distributions of the consolidating company | 0 | 0 | (2,014) | 0 | 0 | (2,014) |
| Treasury shares | 0 | 0 | (983) | 0 | 0 | (983) |
| Restatement of provision for free shares | 0 | 0 | 1,652 | 0 | 0 | 1,652 |
| Conversion gain (loss) | 0 | 0 | 0 | 0 | (354) | (354) |
| **Consolidated shareholders' equity at 09/31/16** | **497** | **11,218** | **71,575** | **7,672** | **(688)** | **90,274** |

The dividend paid for the fiscal year 2016/17 amounted to €0.41 per share (equivalent to a total amount of €2,014k).

Equity contains no taxable items. Cumulative deferred tax assets amounting to €1,275k relate to items booked under equity since the company was founded. These are generated by actuarial differences arising from the application of IAS 19 and changes in the fair value of hedging instruments.

## Statement of Net Comprehensive Income

| *In thousands of euros* | Note | 09/30/16 | 09/30/15 | 03/31/16 |
|---|---|---|---|---|
| **Net income** | | **7,672** | **5,227** | **13,358** |
| Fair value adjustment of hedging instruments | 14 | (27) | 11 | (58) |
| IAS 19 actuarial gain (loss) | 11 | (642) | 717 | 377 |
| **Total recognized as equity** | | **(669)** | **729** | **319** |
| **Net comprehensive income, group share** | | **7,003** | **5,955** | **13,677** |

# Notes to the consolidated interim financial statements

**Contents**

# 1. Overview

Wavestone is a public limited liability company (Société Anonyme) incorporated under French law and subject to laws and regulations governing businesses enterprises in France and notably the provisions of the French Commercial Code. Wavestone's registered offices and headquarters are located at Tour Franklin –100-101 terrasse Boieldieu – 92042 Paris La Défense Cedex France and the company is listed on Euronext Paris, compartment B.

The consolidated full-year financial statements of Wavestone (comprising Wavestone parent company and its subsidiaries) were approved by the Management Board on 11/25/16).

All amounts presented in the notes are expressed in thousands of euros (€k).

# 2. Key events in the first half

### Modification of the legal name of the company

The legal names for the group's companies have been modified as follows:

| Old legal name | New legal name |
|---|---|
| Solucom SA | Wavestone SA |
| SLM Consulting | Wavestone Maroc |
| Hudson & Yorke | Wavestone Advisors UK |
| Arthus Technologies | Wavestone Advisors Switzerland |
| Solucom Belgique | Solucom Belgique |
| Management Consulting Group France | Wavestone Advisors 3 |
| Kurt Salmon Associés France | Wavestone Advisors 2 |
| Kurt Salmon France | Wavestone Advisors |
| K2S Management | K2S Management |
| Kurt Salmon Luxembourg | Wavestone Luxembourg |
| Kurt Salmon Belgium | Wavestone Belgium |
| Kurt Salmon Maroc | Wavestone Advisors Maroc |
| Kurt Salmon Switzerland | Wavestone Consulting Switzerland |

### Wavestone Advisors UK earn-out payment

During H2 2016/17, Wavestone will pay the second earn-out for Wavestone Advisors UK, acquired on 02/11/15 in accordance with the terms of the acquisition protocol and the company's performance.

### Impact of business merging

On a like-for-like and constant forex basis, revenues came out at €104,762k, operating income on ordinary activities at €14,446k and group share of net profit at €7,962k in H1 2016 versus respectively €90,535k, €9,345k and €5,306k in H1 2015.

On a like-for-like and current forex basis, revenues came out at €104,513k, operating income on ordinary activities at €14,412k and group share of net profit at €7,934k in H1 2016 versus respectively €90,535k, €9,345k and €5,306k in H1 2015.

On a like-for-like basis and including acquisitions excluding Kurt Salmon, revenues came out €106,269, operating income on ordinary activities at €14,410k and group share of net profit at €7,927k in H1 2016 versus respectively €91,427k, €9,814 and €5,496k in H1 2015.

Factoring in all companies in the consolidation scope, interim revenues came out at €162,014k, operating income on ordinary activities at €15,829k and group share of net profit at €7,672k.

### International expansion

Wavestone created K2S Asia, an Asian subsidiary in Hong Kong. K2S Asia is a consulting company which advises its clients through information system, organization and management consulting assignments.

This operation had no impact on the consolidated financial statements as the capital was not paid on 09/30/16.

### New partnership with the Italian consulting firm Business Integration Partners

As part of its international development, Wavestone announced a new partnership with Business Integration Partners (Bip). Bip is a fast-growing Italian consulting firm founded in 2003, advising multinational companies and helping them to address large and complex transformation challenges through a blend of business expertise and innovative technologies.

With over 1,300 professionals, Bip is a leader in Italy and has developed an international footprint covering 12 countries, including Spain, Brazil and Turkey which makes it an ideal partner for Wavestone both in terms of geographic locations as well as skills.

# 3. Accounting methods and principles

## 3.1 Consolidation principles

### 3.1.1 Reporting framework

Since 04/01/05, Wavestone's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and European directive n° 1606/2002 dated 07/19/02. These include the IFRS and IAS standards as well as their interpretations which had been adopted by the European Union at 09/30/2016.

The accounting principles used to prepare Wavestone's consolidated financial statements are the same as those applied by the company to prepare its consolidated financial statements for fiscal year ended 03/31/2016.

### 3.1.2 Interim financial statements

The group's condensed consolidated financial statements for the interim period ended 09/30/16 were prepared in accordance with IAS 34, "Interim Financial Reporting".

Because of their condensed nature, these interim financial statements do not contain all of the information required by the International Financial Reporting Standards (IFRS) for annual financial statements. As such, they should be read in conjunction with the group's consolidated financial statements for fiscal year ended 03/31/16 and which were prepared in accordance with the IFRS standards adopted by the European Union.

### 3.1.3 Regulatory and standard-setting developments

The group has notably applied the IFRS and IASB standards, as well as the IFRIC interpretations adopted by the EU and which are mandatory for financial periods as of 04/01/16 (see the European Commission website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission). The application of these standards and interpretations had no significant impact on the measurement methods and presentation of the company's financial statements.

### IFRS standards, IFRIC interpretations and amendments applied by the company as of 04/01/16

| Standards, amendments and interpretations | Date adopted by the EU | Date of application (1) ; fiscal year beginning: |
|---|---|---|
| Amendments to IFRS 11 – Joint arrangements: Accounting of acquisitions of interests in joint operations | 11/25/15 | 01/01/16 |
| Amendments to IAS 16 - Tangible assets, and IAS 38 - Intangible assets: Clarification of acceptable methods of depreciation and amortization | 12/03/15 | 01/01/16 |
| IFRS annual improvements (2012-2014) | 12/16/15 | 01/01/16 |
| Amendments to IAS 1 – Presentation of financial statements – Disclosure initiative | 12/19/15 | 01/01/16 |
| Amendements to IAS 27 – Equity method used in separate financial statements | 12/23/15 | 01/01/16 |

(1) Date of EU application

### Accounting standards and interpretations that the company will apply in the future

At the interim stage, Wavestone chose not to apply the standards and interpretations published by the IASB that had not been adopted by the European Union at 09/30/15.

| Standards, amendments and interpretations | Date published by IASB(1) | Date implemented: financial period beginning: |
|---|---|---|
| IFRS 9 – Financial instruments – Phase 1: classification and measurement | 07/24/14 | 01/01/18 |
| IFRS 15 – Revenue from contracts with customers | 05/28/14 | 01/01/18 |
| Amendments to IAS 28 and IFRS 10 | 09/11/14 | Undetermined |
| IFRS 16 – Leasing contracts | 01/13/16 | 01/01/19 |
| Amendments to IAS 12 - Income taxes: Recognition of deferred tax assets for unrealized losses | 01/19/16 | 01/01/17 |
| Amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative | 01/29/16 | 01/01/17 |
| Amendments limited to IFRS 2 – Classification and measurement of share based payment transactions | 06/20/16 | 01/01/18 |
| Amendments to IFRS 15 Clarification (1) | 04/12/16 | 01/01/18 |

(1) Published by the IFRS Foundation

Wavestone has chosen not to adopt the early application of standards and interpretations published by the IASB that are mandatory for financial periods as of 01/01/17 and which were adopted by the EU at 09/30/16.

| Standards, amendments and interpretations | Date adopted by the EU | Date of application (1); fiscal year beginning: |
|---|---|---|
| None | n/a | n/a |

(1) Date of EU application

The impacts of the draft standards and interpretations currently being reviewed by the IASB have not been taken into account in these consolidated financial statements and cannot be reasonably estimated at this time.

### 3.1.4 Fiscal year comparability

The financial statements for the period ended 09/30/16 are comparable with those for the period ended 03/31/16 except for changes made to the scope of consolidation.

## 3.2 Consolidation methods

Wavestone is the consolidating company.

As such, the financial statements of the companies placed under its exclusive control are fully consolidated.

Wavestone does not exert any significant influence or joint control over any other company. Neither does it control, either directly or indirectly, any other ad hoc entity.

If required, the financial statements of the consolidated companies are restated to ensure the uniform application of accounting measurement and rules.

The financial statements of the company's consolidated subsidiaries were approved on 09/30/16.

On 09/30/16, the consolidated financial statements include the accounts of all the companies in the group over six months.

## 3.3 Currency conversion methods

**Conversion of financial statements from one currency to another**

Balance sheet of foreign companies are converted into euros at the prevailing exchange rate at the end of the period. The income and cash flow statements are converted at the average exchange rate for the period and the resulting conversion differences recognized in shareholders' equity under "Conversion adjustments for the group's share".

The closing and average CHF/euro, GBP/euro and MAD/euro exchange rates retained are listed in the table below:

| | | Closing exchange rate | | Average rate | |
|---|---|---|---|---|---|
| Currency | | 09/30/16 | 09/30/15 | 09/30/16 | 09/30/15 |
| Swiss Franc | CHF | 0.919456 | 0.091617 | 0.915318 | 0.928649 |
| Sterling Pound | GBP | 1.161440 | 1.354096 | 1.219066 | 1.386578 |
| Morrocan Dirham | MAD | 0.091452 | 0.091926 | 0.091637 | 0.092172 |
| American Dollars | USD | 0.895977 | n/a | 0.894654 | n/a |

The average exchange rate is determined by calculating the average monthly closing prices over the period.

**Recognition of foreign currency transactions**

Transactions denominated in a foreign currency are converted into euros at the effective exchange rate on the transaction date, or at the guaranteed rate when covered by a currency hedge.

## 3.4 Use of estimates

The preparation of financial statements in accordance with IFRS standards entails making estimates and assumptions of the book value of certain items in the financial statements, notably with regard to:

- Duration of asset depreciation
- Measurement of provisions and retirement commitments
- Assumptions used for impairment testing
- Fair-value measurement of financial instruments
- Estimates of accrued income and expenses
- Measurement of share-based payments
- Performance estimates retained for the calculation of subsidiary acquisition earn-out payments
- Recognition of deferred tax assets
- Recognition of revenue from fixed-price contracts.

Management reviews these estimates and assessments on a regular basis to take into account past experience and other factors deemed relevant which serve as the basis for it to make its assessments. Future results may differ significantly from forecasts given in this report should there be a change in assumptions or conditions.

## 3.5 Business mergers and goodwill

Each company in Wavestone's scope of consolidation is treated as a single Cash Generating Unit (CGU).

Due to reorganization measures carried out at the operating and legislative (asset transfers) levels in past years and during the current fiscal period, initial amounts of goodwill attributed to each company acquired by, and merged into the Wavestone parent company have since been consolidated and assigned to the merging structure. Individual goodwill monitoring of these subsidiaries is no longer possible given that the activities of the acquired companies have since been merged. In addition, note that the activities of the merged subsidiaries are identical in nature.

At the close of every financial year, or when there is an indication of loss in value, an impairment test is conducted on all assets that are subject to goodwill.

Goodwill impairment tests are conducted using the discounted future cash flow method whereby cash flows are determined on the basis of a set of estimates for the first 5 years and a hypothetical growth rate to infinity thereafter. Cash flows derived from these estimates are then discounted to present value.

These tests are based on the following assumptions:

- A growth rate to infinity of 2%; a level deemed reasonable in light of past performance observed in the IT services sector;
- A discount rate of 10% after tax which factors in a 10-year long bond yield, a market risk premium, a beta coefficient observed by comparable listed companies (including Wavestone)

and a risk premium specific to the company.

In addition, an analysis of the stock's sensitivity to the key assumptions used (growth rate to infinity and discount rate) serves as a means to verify the impact of likely changes in these assumptions.

## 3.6 Segment reporting

The Wavestone group specializes in a specific market segment; that of management and information systems consulting. Since all of these services are subject to the same risks and generate similar margins, and given the fact that almost all of Wavestone's turnover is generated in France, group revenues are not broken down by business line.

## 3.7 Seasonal nature of interim accounts

The seasonal impact on group revenues is limited to staff holidays taken for the most part in July and August, and, to a lesser extent, in May. These months all fall within the first half of Wavestone's fiscal year (April - September). This phenomenon has no substantial impact on Group sales, particularly since the effects are relatively foreseeable (and comparable from one year to the next).

## 3.8 Other information

- Wavestone owns a certain amount of treasury stock acquired within the context of the share buyback program authorized by the Annual General Meeting.
- In accordance with IAS 19, "Employee benefits", commitments resulting from, and costs related to defined benefit plans are measures on the basis of projected unit-credit method by independent actuaries. Wavestone's commitments are limited to the payment of end-of-career benefits in France and a commitment relative to the second pillar of the Swiss social protection system. The group is not bound by any other long-term or end-of-contract indemnity commitments. The discount rate used to calculate benefits is 0.80% in France and 0.60% in Switzerland.
- The group has set up an exchange rate hedge (cash flow hedging) to cover export sales risk. The gains generated by, or losses incurred on the recognition of hedging instruments at their fair value are booked under other comprehensive income (OCI). Latent gains or losses are written to the income statement upon liquidation of the hedged item.
- The group has also signed a contract (CAP) in order to cover the risk of an increase in interest rates which would affect interests on the loan used to finance the acquisition of Kurt Salmon[1].
- The company carried out R&D activities on a regular basis. Some of these are eligible for the French research tax credit. These R&D operations are capitalized as exceptional expenses (see note 7).

1 excluding retail and consumer goods consulting activities

# 4. Pro forma financial information

During fiscal year 2015/16, Wavestone acquired all of MCG France's shares, the latter already owned 100% of the shares of consulting companies under Kurt Salmon's brand name (Kurt Salmon France, Belgium, Luxembourg, Switzerland, Morocco and Financial Services and CIO Advisory activities in Kurt Salmon USA).

Thus, according to prevailing laws financial information must be provided in regards to:

- Prospectus and Transparence directives at both European and French levels, as reminded in AMF recommendation n°2013-08 relative to pro forma information, updated 04/15/16;
- IFRS standards (IFRS 3).

## 4.1 Transaction description

On 01/07/16 Wavestone acquired 100% of Management Consulting Group's capital which the holding company of the European activities of Kurt Salmon excluding retail and consumer goods.

The concerned scope is composed of Kurt Salmon France, Switzerland, Belgium, Luxembourg, Morocco, as well Financial Services and CIO Advisory (USA) activities. Retail and consumer goods consulting activities outside of France are not part of the merger.

Kurt Salmon is specialized in management consulting. Kurt Salmon advises its clients in their most important transformations, from defining strategic guidelines to piloting their implementation.

This acquisition was exclusively financed in cash, mainly by a banking facility contracted under market conditions, partly repayable at maturity.

## 4.2 Basis of presentation

**Construction hypotheses**

Consolidated pro forma financial information was calculated in k€ and represent the merger of Wavestone and Kurt Salmon entities after 01/07/16.

Pro forma financial information for the half year (April – September 2016) was established as if the acquisition of Kurt Salmon entities by Wavestone had taken place on 04/01/16.

Pro forma information has been exclusively presented in an illustrative purpose. They represent a hypothetical situation and therefore are, by definition, not representative of the actual financial situation, results nor future operating income of any acquired entity.

Only pro forma adjustments directly related to the acquisition and reliably estimated are taken into account. Pro forma financial information does not take into account any cost saving or other synergies that may result from the merger.

As the acquired entities end their fiscal year on 12/31, pro forma financial information has been calculated based on the following data:

- Unaudited accounting position of acquired entities finalized on 03/31/15, excluding American activities (business activities previously exploited within a legal body which operates in various sectors). These situations had already been established for the monthly report to the previous shareholder;
- Unaudited accounting position of acquired entities finalized on 09/31/15, excluding American activities (business activities previously exploited within a legal body which

operates in various sectors). These situations had already been established for the monthly report to the previous shareholder;

- Operating results (unaudited information) concerning 2015 American activities, which later resulted in a carve-out operation, were not audited as an independent company but as an integrated part of a larger one;
- Wavestone's consolidated financial statements on 09/30/15.

### Conversion

Foreign companies' financial statements are converted in euros according to the average exchange rate over the period which are detailed bellow (currency/euro):

| | Average exchange rate | | | |
|---|---|---|---|---|
| | 03/31/2015 | 09/30/2015 | 12/31/2015 | 12/312015 |
| | 3 months | 6 months | 12 months | 3 months |
| Swiss Franc (CHF) | n/a | 0.9442 | n/a | n/a |
| Moroccan Dirham (MAD) | n/a | 0.0922 | n/a | n/a |
| American Dollar (USD) | 0.9008 | 0.9008 | n/a | 0.9053 |

Source: Banque de France

The average rate is determined by calculating the average for each monthly closing exchange rate.

### Harmonization with Wavestone's accounting principles and methods

Differences in accounting principles and methods existed between Kurt Salmon and the Wavestone group. Consequently, a harmonization of these accounting principles and methods took place when differences were significant.

This harmonization concerned the following aspects:

- Calculation methods for retirement provisions (especially staff turnover rate hypotheses)

  The variation for retirement provision between 01/01/16 and 03/31/16, calculated according to the methods and hypotheses described in paragraph 3.13 of the present appendix and having impacted the consolidated result of the Wavestone group on 03/31/16, has been prorated over 6 months.

- Harmonization of methods used for provisions for litigation

  Provisions for litigation have been evaluated according to a legal council's estimate (which depends on the most probable risk) as stated in note 16 of the present appendix. The gap between the latter and the estimate historically done by Kurt Salmon entities was reattached to the period when the litigation was originally provisioned for.

- Harmonization of methods used for losses to completion

  All provisions for losses to completion identified on the date of entry in the consolidation perimeter were reattached to the period when the loss was originally anticipated.

### Adjustments or recalculation meant to simulate integration within Wavestone group from the beginning of the fiscal year

- Costs related to financing the merger

  Issue expenses and interests related to financing the merger were integrated as if the financing of the operation had taken place on 04/01/15. The amounts taken into account have been evaluated on the basis of the prorated charges paid during the first quarter of

2016. These costs have substituted costs which were historically accounted for by Kurt Salmon entities.

- Neutralization of “MCG group” royalties

  Royalties charged to Kurt Salmon entities by their ex-parent-company have been cancelled and replaced by the estimated cost of services to be carried out by the Wavestone group (insurance, …).

- Neutralization of the cost of directing the subgroup, which has now become pointless.

**Usual consolidation adjustments**

The usual consolidation adjustments which had a significant impact were done according to the accounting principles and methods described in the present appendix:

- Retirement compensation in French entities;
- Provisions for allocation of free share counted as personnel expenses;
- Reclassification of Company Added-Value Contribution (CVAE) as tax on earnings.

The 6-month tax charge related to pro forma results (excluding CVAE provisioned in Kurt Salmon entities’ original accounts) has been estimated by applying the withheld tax rate for differed taxes in the group’s consolidated accounts at 03/31/16 to the gross pro forma result.

**Impact of the Purchase Price Allocation**

The Purchase Price Allocation (PPA) had not been done before the present document’s publication (for example the depreciation of certain intangible elements potentially identified as depreciable during the final evaluation of goodwill) and therefore is not taken into account.

## 4.3 Pro forma financial information at 09/30/15

| | 09/30/15 | | | Historical unadjusted data | Pro forma adjustments | **Pro forma financial information** |
|---|---|---|---|---|---|---|
| *In thousands of euros* | **published 6 months** | *of which Wavestone 6 months* | *of which Kurt Salmon 6 months* | *Kurt Salmon 6 months* | *Kurt Salmon* | ***6 months*** |
| Revenue | 91,427 | 91,427 | 0 | 60,153 | 0 | 151,580 |
| EBIT | 9,402 | 9,402 | 0 | 2,944 | 1,005 (1) | 13,351 |
| Operating profit | 9,105 | 9,105 | 0 | 2,814 | 1,005 (1) | 12,924 |
| Net income, group share | 5,227 | 5,227 | 0 | 1,848 | (193) (2) | 6,882 |
| (1) EBIT adjustment details: | | | | | | |
| > Neutralization of "MCG group" royalities | | | | | 1192 | |
| > Wavestone group cost | | | | | (250) | |
| > Costs and compensation of previous mangement board departure | | | | | (395) | |
| > Harmonization of retirement compensation methods | | | | | (122) | |
| > Impact on litigation provisions | | | | | 42 | |
| > Reclassification of CVAE on income tax | | | | | 538 | |
| **Total** | | | | | **1005** | |
| (2) Net income, group share adjustment details: | | | | | | |
| > EBIT adjustment | | | | | 1,005 | |
| > Financing-related costs | | | | | (756) | |
| > Reclassification of CVAE on income tax | | | | | (538) | |
| > Impact of adjustements on income tax | | | | | 96 | |
| **Total** | | | | | **(193)** | |

# 5. Scope of consolidation

Wavestone's consolidated financial statements include the accounts of the following companies:

| Company | Head office | Company registration number | Legal form | Holding (%) | Nationality | Number of consolidated months |
|---|---|---|---|---|---|---|
| Wavestone SA | Tour Franklin<br>100-101 Terrasse Boieldieu<br>92042 La Défense Cedex | 37755024900041 | SA (Public limited company) | Sté mère | France | 6 |
| Wavestone Maroc | Résidence RIBH, angle Bir Anzarane et Caid Achtar<br>Casablanca | 266961 | SARL | 100% | Morocco | 6 |
| Wavestone Advisors UK | Warnford Court<br>29 Throgmorton Street<br>Londres, EC2N 2AT | 5896422 | Limited company | 100% | UK | 6 |
| Wavestone Advisors Switzerland | 105 rue de Lyon<br>1203 Genève | CHE-109.688.302 | SARL | 100% | Switzerland | 6 |
| Solucom Belgique | Avenue Louise 523<br>1050 Ixelles | 0639.931.071 | SA | 100% | Belgium | 6 |
| Wavestone Advisors 3 | Tour Franklin<br>100-101 Terrasse Boieldieu<br>92042 La Défense Cedex | 49154119900031 | SAS (Simplified joint stock company) | 100% | France | 6 |
| Wavestone Advisors 2 | Tour Franklin<br>100-101 Terrasse Boieldieu | 44985762200087 | SA | 100% | France | 6 |
| Wavestone Advisors | Tour Franklin<br>100-101 Terrasse Boieldieu | 43322484700114 | SAS | 100% | France | 6 |
| K2S Inc. | 650 Fifth Avenue<br>New York, NY10019 | 5905389 | Incorporated company | 100% | United States | 6 |
| Wavestone Luxembourg | 41 zone d'activité Am Bann<br>L-3372 Leudelange | B114630 | SA | 100% | Luxembourg | 6 |
| Wavestone Belgium | Square Stéphanie<br>Avenue Louise 65<br>1050 Bruxelles | 0879.426.546 | SA/NV | 100% | Belgium | 6 |
| Wavestone Advisors Maroc | Immeuble Racine d'Anfa<br>157 boulevard d'Anfa<br>20100 Casablanca | 219375 | SARL | 100% | Morocco | 6 |
| Wavestone Consulting Switzerland | 105 rue de Lyon<br>1203 Genève | CH-170.4.000.727-1 | SARL | 100% | Switzerland | 6 |

All of these companies have been fully consolidated.

# 6. Notes relative to certain income-statement and balance-sheet items

## Note 1. Payroll expenses

| Payroll expenses | 09/30/16 | 09/30/15 |
|---|---|---|
| Salaries and benefits | 79,648 | 45,466 |
| Social contributions | 33,331 | 21,164 |
| **Total** | **112,980** | **66,630** |

| Average FTE headcount | 09/30/16 | 09/30/15 |
|---|---|---|
| Engineers and managers | 2,390 | 1,476 |
| Employees | 38 | 55 |
| **Total** | **2,429** | **1,531** |

## Note 2. Non-current operating income and expenses

| | 09/30/16 | 09/30/15 |
|---|---|---|
| Other | 0 | 0 |
| **Other operating income** | **0** | **0** |
| Securities trading charges | (137) | (297) |
| Other | (488) | 0 |
| **Other operating expenses** | **(625)** | **(297)** |
| **Total net** | **(625)** | **(297)** |

Other operating expenses at 09/30/16 represent €265k of costs related to the physical merging of teams in Lyon (Kurt Salmon), €120k of sponsorship spending for the corporate foundation and €100k of sponsorship spending for the Paristech Foundation.

## Note 3. Financial profit (loss)

| | 09/30/16 | 09/30/16 |
|---|---|---|
| Net income from sale of cash equivalents | 30 | 25 |
| Interests on borrowing | (1,149) | (117) |
| Change in fair value of cash and equivalents | (4) | 0 |
| **Cost of net debt** | **(1,123)** | **(93)** |
| Other financial income and expenses | (526) | (111) |
| **Financial profit (loss)** | **(1,649)** | **(204)** |

Interests on borrowing essentially include interests on the banking facility obtained for the Kurt Salmon acquisition (€981k) and the Micado bonds (€90k).

Other financial income and expenses are mainly composed of the €731k earn-out payed to Wavestone Advisors UK.

## Note 4. Tax charge

**Net impact of tax profit**

| | 09/30/16 | 09/30/15 |
|---|---|---|
| Current tax | 6,196 | 2,767 |
| Deferred tax | (313) | 908 |
| **Total** | **5,883** | **3,675** |

In accordance with the 01/14/10 French Accounting Board (CNC), Wavestone opted to record the CVAE tax levy as a tax on earnings as of 2010. CVAE booked under "tax expenses" totaled €1,833k.

At 09/30/16, deferred taxes falling due in more than one year totaled €15,513k versus €14,938k on 03/31/16.

## Note 5. Earnings per share

| | 09/30/16 | 09/30/15 |
|---|---|---|
| **Earnings per share** | | |
| Net income, group share | 7,672 | 5,227 |
| Weighted average nuber of shares outstanding (1) | 4,912,708 | 4,912,708 |
| **Net diluted earnings per share, group share** | **1.56** | **1.06** |
| Number of titles issued as of 09/30 (1) | 4,912,708 | 4,912,708 |
| **Net diluted earnings per share, group share** | **1.56** | **1.06** |

(1) Excluding treasury shares

In accordance with IAS 33, net earnings per share at 09/30/15 have been restated retrospectively on the basis of the number of shares at 09/30/16.

## Note 6. Goodwill on the balance sheet

| | Net value at 03/31/16 | Change in scope | Reduction in the fiscal year | Conversion gains (losses) | Net value at 09/30/16 |
|---|---|---|---|---|---|
| Wavestone SA | 43,187 | 0 | 0 | 0 | 43,187 |
| FDC Industrie PEA | 70 | 0 | 0 | 0 | 70 |
| Wavestone Advisors UK | 2,714 | 0 | 0 | (219) | 2,495 |
| FDC Hapsis | 1,943 | 0 | 0 | 0 | 1,943 |
| Wavestone Advisors SZ | 2,798 | 0 | 0 | 14 | 2,813 |
| Kurt Salmon | 79,685 | (230) | 0 | 79 | 79,533 |
| **Total** | **130,397** | **(230)** | **0** | **(126)** | **130,041** |

Kurt Salmon's goodwill decreased €230k following the adjustment of provisions in opening accounts in order to calculate their final amounts on the basis of consumed amounts. These adjustments are presented in the "Other variations" column.

The Purchase Price Allocation (PPA) has not been done before the present document's publication (for example the depreciation of certain intangible elements potentially identified as depreciable during the final evaluation of the goodwill) and therefore is not taken into account.

## Note 7. Tangible and intangible assets

| Gross value | 03/31/2016 | Change in scope | Increase | Decrease | Translation gain (loss) | 09/30/2016 |
|---|---|---|---|---|---|---|
| Software | 9,295 | 0 | 52 | (6) | 0 | 9,341 |
| Intangible assets in construction | 20 | 0 | 396 | (3) | 0 | 413 |
| **Total intangible assets** | **9,315** | **0** | **448** | **(9)** | **0** | **9,755** |
| Other tangible assets | 13,735 | 0 | 9,911 | (2,869) | (7) | 20,771 |
| Other lease assets | 4,974 | 0 | 1,019 | (87) | 1 | 5,907 |
| Tangible assets in construction | 254 | 0 | 2,247 | (1,608) | 0 | 894 |
| **Total tangible assets** | **18,963** | **0** | **13,177** | **(4,563)** | **(6)** | **27,571** |

| Depreciation | 03/31/2016 | Change in scope | Increase | Decrease | Translation gain (loss) | 09/30/2016 |
|---|---|---|---|---|---|---|
| Software | 8,256 | 0 | 224 | (6) | 0 | 8,474 |
| **Total intangible assets** | **8,256** | **0** | **224** | **(6)** | **0** | **8,474** |
| Other tangible assets | 7,064 | 0 | 752 | (2,311) | (5) | 5,500 |
| Other lease assets | 3,313 | 0 | 342 | (36) | 0 | 3,620 |
| **Total tangible assets** | **10,377** | **0** | **1,095** | **(2,347)** | **(5)** | **9,120** |

| Depreciation | 03/31/2016 | Change in scope | Increase | Decrease | Translation gain (loss) | 09/30/2016 |
|---|---|---|---|---|---|---|
| Software | 400 | 0 | 0 | (15) | 0 | 386 |
| **Total intangible assets** | **400** | **0** | **0** | **(15)** | **0** | **386** |
| Other tangible assets | 1,003 | 0 | 0 | (583) | 0 | 419 |
| Other lease assets | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total tangible assets** | **1,003** | **0** | **0** | **(583)** | **0** | **419** |
| **Total net intangible assets** | **659** | **0** | **224** | **12** | **0** | **895** |
| **Total net tangible assets** | **7,584** | **0** | **12,083** | **(1,633)** | **(1)** | **18,033** |

None of Wavestone's intangible assets are subject to ownership restrictions.

The only tangible assets that are subject to ownership restriction are those funded by a leasing contract.

Reduction in current fixed assets mainly correspond to the activation of the corresponding assets.

Changes in "Payables to suppliers of fixed assets" showed a decline of €7,969k at 09/30/15, compared with €145k at 03/31/16.

## Note 8. Other assets

Financial assets are comprised exclusively of deposits and guarantees.

Other non-current assets consist mainly of deferred tax assets in the amount of €11,960k (€6,798k on 03/31/16).

## Note 9. Current assets

| Trade receivables and related accounts | 03/31/16 | Change in consolidation scope | Change | Conversion gain (loss) | 09/31/16 |
|---|---|---|---|---|---|
| **Gross value** | **103,112** | **0** | **6,706** | **(32)** | **109,785** |
| **Impairment** | **(2,135)** | **(81)** | **73** | **(1)** | **(2,145)** |
| **Net value** | **100,976** | **(81)** | **6,779** | **(34)** | **107,640** |

Wavestone analyzes trade receivables and recognizes impairment on a case-by-case basis taking into account the customer's specific situation and delays in payments. No overall impairment was recognized over the period.

| Other receivables | 03/31/16 | Change in consolidation scope | Change | Conversion gain (loss) | 09/31/16 |
|---|---|---|---|---|---|
| Advances and downpayments | 248 | 0 | 137 | 0 | 385 |
| Tax receivables | 16,314 | (298) | (1,814) | (39) | 14,164 |
| Other debtors | 4,466 | (255) | (1,377) | 1 | 2,834 |
| Prepaid expenses | 2,955 | 0 | 1,016 | (1) | 3,970 |
| **Gross value** | **23,984** | **(553)** | **(2,038)** | **(39)** | **21,354** |
| Impairment of other receivables | (15) | 0 | (4) | 0 | (19) |
| **Impairment** | **(15)** | **0** | **(4)** | **0** | **(19)** |
| **Net value** | **23,969** | **(553)** | **(2,043)** | **(39)** | **21,335** |

| Cash and cash equivalents | 03/31/16 | Change in consolidation scope | Change | Conversion gain (loss) | 09/31/16 |
|---|---|---|---|---|---|
| Money-market mutual funds (SICAVs) - Cash equivalents | 15,637 | 0 | (9,954) | 0 | 5,684 |
| Cash and cash equivalents | 24,149 | 0 | (4,453) | (18) | 19,678 |
| **Gross value** | **39,786** | **0** | **(14,406)** | **(18)** | **25,361** |
| **Impairment** | **0** | **0** | **0** | **0** | **0** |
| **Net value** | **39,786** | **0** | **(14,406)** | **(18)** | **25,361** |

The historical-cost value of money-market mutual funds (SICAVs) was €5,682k at 09/30/16 (€15,631k on 03/31/16).

## Note 10. Capital

At 09/30/16, the Wavestone parent company's share capital consisted of 4,966,882 fully paid up shares at €0.10 per share

At the same date, the company owned 54,174 treasury shares.

In addition, pursuant to the authorization granted to it by the Shareholders' General Meeting, the Management Board decided at its meeting on 07/01/2016 to freely allocate existing and/or to-be-issued shares to company executives. This plan provides for the definitive allocation of free shares at the end of the vesting period, subject to the beneficiary's presence in the company at the time of allocation and having a personal investment in Wavestone shares. In addition, the number of shares awarded is determined by a set of performance criteria based on achieving a predefined consolidated EBIT target. The OneFirm Share Plan (free allocation of shares to partners of the new firm in 2016) and the executive plans allocation is based by achieving a performance criteria based on the consolidated EBIT target.

Furthermore, at that same meeting, the Management Board decided to freely allocate existing and/or to-be-issued shares to staff members or certain categories of employees of the company and the group, within the context of Wavestone's Employee Savings Scheme.

Recognition of the respective benefits awarded within the context of these plans and plans previously attributed, for which a specific provision was written, had an impact on group equity in the financial statements at 09/30/16.

## Note 11. Provisions

| | 03/31/16 | Change in consolidation scope | Increase | Reversal | | Conversion gain (loss) | 09/31/16 |
|---|---|---|---|---|---|---|---|
| | | | | Used | Unused | | |
| Provisions for retirement packages | 12,309 | 0 | 1,631 | (71) | (26) | 4 | 13,848 |
| **Total long-term provisions** | **12,309** | **0** | **1,631** | **(71)** | **(26)** | **4** | **13,848** |
| Provisions for loss | 9,129 | (10) | 1,337 | (1,736) | (868) | 0 | 7,853 |
| Provisions for contingencies | 9 | 0 | 111 | (36) | (6) | 0 | 79 |
| **Total short-term provisions** | **9,139** | **(10)** | **1,448** | **(1,772)** | **(873)** | **0** | **7,932** |
| **Total provisions** | **21,448** | **(10)** | **3,080** | **(1,842)** | **(899)** | **4** | **21,780** |

Changes in the amount of provisions impacted operating income on ordinary activities of €915k and (€273k) for operating income on non-current activities.

### Sensitivity tests

Tests were carried out to measure the sensitivity of end-of-career provisions to fluctuations in the discount rate.

An increase of 0.25% in the discount rate applied to these provisions would reduce the actuarial difference by €639k (booked as equity), while a decline of 0.25% would augment the actuarial difference by €677k.

# Note 12. Financial liabilities and net debt

| | 03/31/16 | Change in consolidation scope | Change | Conversion gain (loss) | 09/30/16 |
|---|---|---|---|---|---|
| **Debt > 5 years** | **37,864** | **0** | **91** | **0** | **37,954** |
| Bonds | 0 | 0 | 0 | 0 | 0 |
| Bank borrowings | 37,864 | 0 | 91 | 0 | 37,954 |
| **Debt 1 ≥ 5 years** | **55,430** | **0** | **(3,695)** | **0** | **51,735** |
| Bonds | 2,964 | 0 | 7 | 0 | 2,971 |
| Bank borrowings | 51,535 | 0 | (4,176) | 0 | 47,359 |
| Financial debt (leases) | 931 | 0 | 474 | 0 | 1,405 |
| **Total non-current financial liabilities** | **93,294** | **0** | **(3,604)** | **0** | **89,690** |
| Bank borrowings | 3,876 | 0 | 4,288 | 0 | 8,163 |
| Other borrowings and financial debt | 68 | 0 | 0 | 0 | 68 |
| Financial debt (leases) | 625 | 0 | 160 | 0 | 786 |
| Bank overdrafts | 364 | 0 | (206) | 0 | 158 |
| Accrued interest not due | 399 | 0 | (24) | 0 | 375 |
| **Total current financial liabilities (<1 year)** | **5,332** | **0** | **4,218** | **0** | **9,550** |
| **Total financial liabilities excluding bank overdrafts** | **98,262** | **0** | **819** | **0** | **99,082** |
| **Total financial liabilities** | **98,626** | **0** | **614** | **0** | **99,240** |

**Breakdown of financial liabilities by rate:**

| | 03/31/16 | | 09/30/16 | |
|---|---|---|---|---|
| **Rate** | **fixed** | **variable** | **fixed** | **variable** |
| Non-current financial liabilities | 3,895 | 89,399 | 4,376 | 85,314 |
| Current financial liabilities | 1,139 | 4,193 | 1,094 | 8,456 |
| **Total financial liabilities** | **5,034** | **93,592** | **5,470** | **93,770** |

Assets pledged as collateral against these borrowings are described in note 15 below.

The group did not default on any of its debt repayment obligations during the period.

The features of the bond subscribed to by the Micado France 2018 mutual funds are as follows:

- Nominal: €3,000k
- Coupon: 5.5%
- Maturity: 10/02/18
- Issue date: 10/30/12

The features of the bond subscribed to fund the acqusition :

- Nominal: €95,000k
- Rate: variable (Euribor + margin)

- Maturity: 01/20/22
- Issue date: 01/07/16

| Cash and cash equivalents | 03/31/16 | Change in consolidation scope | Change | Conversion gain (loss) | 09/30/16 |
|---|---|---|---|---|---|
| Cash equivalents at historic value | 15,632 | 0 | (9,952) | 0 | 5,679 |
| Cash and cash equivalents | 24,149 | 0 | (4,453) | (18) | 19,678 |
| Bank overdrafts | (364) | 0 | 206 | 0 | (158) |
| **Total cash net of overdrafts** | **39,417** | **0** | **(14,200)** | **(18)** | **25,199** |
| Fair value adjustment of cash and equivalents | 6 | 0 | (1) | 0 | 4 |
| **Consolidated cash** | **39,423** | **0** | **(14,201)** | **(18)** | **25,203** |
| **Financial liabilities excluding bank overdrafts** | **98,262** | **0** | **819** | **0** | **99,082** |
| **Net cash / financial (debt)** | **(58,840)** | **0** | **(15,020)** | **(19)** | **(73,878)** |

## Note 13. Other liabilities

| | 03/31/16 | Change in consolidation scope | Change | Conversion gain (loss) | 09/30/16 |
|---|---|---|---|---|---|
| **Other non-current liabilities** | | | | | |
| Tax and social security liabilities | 159 | 0 | 305 | 0 | 463 |
| *o/w tax liabilities* | *159* | *0* | *305* | *0* | *463* |
| Other debts | 209 | 0 | (41) | 0 | 169 |
| **Total** | **368** | **0** | **264** | **0** | **632** |
| **Current liabilities** | | | | | |
| Trade payables and related accounts | 13,442 | 0 | 1,125 | (2) | 14,565 |
| Tax and social security liabilities | 77,360 | (1,423) | (8,570) | 11 | 67,379 |
| *o/w tax liabilities* | *22,872* | *0* | *1,065* | *0* | *23,937* |
| *o/w social liabilities* | *54,489* | *(1,423)* | *(9,635)* | *11* | *43,442* |
| Other current liabilities | 15,551 | 176 | 7,020 | 29 | 22,776 |
| *o/ suppliers of assets* | *209* | *0* | *8,009* | *0* | *8,219* |
| *o/w other debts* | *7,180* | *176* | *11* | *25* | *7,393* |
| *o/w prepaid income* | *8,162* | *0* | *(1,000)* | *3* | *7,165* |
| **Total** | **106,353** | **(1,246)** | **(424)** | **38** | **104,721** |
| **Total other liabilities** | **106,721** | **(1,246)** | **(160)** | **38** | **105,353** |

## Note 14. Financial instruments

Wavestone's financial-instrument portfolio is made up of:

- Holdings in money-market mutual funds (SICAVs), all of which are indexed to the EONIA interest rate, and thus free of risk;
- Futures contracts of less than 6 months and, as such, not subject to early-exit penalties;
- Treasury stock;
- Long-term currency contracts;
- Interest rate contracts (CAP).

## Accounting classification and fair value of financial assets and liabilities

| | Instrument type | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Level 1 | Level 2 | Level 3 | |
| On 09/30/16 | Derivatives qualified as hedges | Financial assets valued at fair value | Loans and receivables | Financial liabilities carried at amortized cost | Net balance sheet value | Quoted price in an active market | Internal model with observable parameters | Internal model with non-observable parameters | Fair value |
| Available-for-sale equity | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Financial loans and receivables | 0 | 0 | 1,509 | 0 | **1,509** | 0 | 1,509 | 0 | **1,509** |
| Derivative asset instruments | 29 | 0 | 0 | 0 | **29** | 0 | 29 | 0 | **29** |
| Current financial accounts | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Cash equivalents | 0 | 5,684 | 0 | 0 | **5,684** | 5,684 | 0 | 0 | **5,684** |
| Cash | 0 | 19,678 | 0 | 0 | **19,678** | 19,678 | 0 | 0 | **19,678** |
| **Total assets** | **29** | **25,361** | **1,509** | **0** | **26,900** | **25,361** | **1,539** | **0** | **26,900** |
| Bonds | 0 | 0 | 0 | 3,053 | **3,053** | 0 | 3,053 | 0 | **3,053** |
| Bank borrowings | 0 | 0 | 0 | 93,770 | **93,770** | 0 | 93,770 | 0 | **93,770** |
| Financial debt (including leases) | 0 | 0 | 0 | 2,259 | **2,259** | 0 | 2,259 | 0 | **2,259** |
| Current bank overdrafts | 0 | 0 | 0 | 158 | **158** | 158 | 0 | 0 | **158** |
| Derivative liability instruments | 1 | 0 | 0 | 0 | **1** | 0 | 1 | 0 | **1** |
| Current financial accounts | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| **Total liabilities** | **1** | **0** | **0** | **99,240** | **99,241** | **158** | **99,083** | **0** | **99,241** |

| | Instrument type | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Level 1 | Level 2 | Level 3 | |
| On 03/31/16 | Derivatives qualified as hedges | Financial assets valued at fair value | Loans and receivables | Financial liabilities carried at amortized cost | Net balance sheet value | Quoted price in an active market | Internal model with observable parameters | Internal model with non-observable parameters | Fair value |
| Available-for-sale equity | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Financial loans and receivables | 0 | 0 | 1,189 | 0 | **1,189** | 0 | 1,189 | 0 | **1,189** |
| Derivative asset instruments | 113 | 0 | 0 | 0 | **113** | 0 | 113 | 0 | **113** |
| Current financial accounts | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Cash equivalents | 0 | 15,637 | 0 | 0 | **15,637** | 15,637 | 0 | 0 | **15,637** |
| Cash | 0 | 24,149 | 0 | 0 | **24,149** | 24,149 | 0 | 0 | **24,149** |
| **Total assets** | **113** | **39,786** | **1,189** | **0** | **41,089** | **39,786** | **1,302** | **0** | **41,089** |
| Bonds | 0 | 0 | 0 | 3,046 | **3,046** | 0 | 3,046 | 0 | **3,046** |
| Bank borrowings | 0 | 0 | 0 | 93,592 | **93,592** | 0 | 93,592 | 0 | **93,592** |
| Financial debt (including leases) | 0 | 0 | 0 | 1,625 | **1,625** | 0 | 1,625 | 0 | **1,625** |
| Current bank overdrafts | 0 | 0 | 0 | 364 | **364** | 364 | 0 | 0 | **364** |
| Derivative liability instruments | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Current financial accounts | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| **Total liabilities** | **0** | **0** | **0** | **98,626** | **98,626** | **364** | **98,262** | **0** | **98,626** |

# Note 15. Off balance sheet commitments

| Commitments given | Total value at 09/30/16 | < 1 year | 1 ≥ 5 years | > 5 years |
|---|---|---|---|---|
| Guarantees and sureties | 3,902 | 1,768 | 1,409 | 725 |
| Pledges | 90,900 | 0 | 0 | 90,900 |
| Financial lease agreements | 31,926 | 3,318 | 15,989 | 12,619 |
| **Total** | **126,728** | **5,086** | **17,399** | **104,244** |
| **Commitments received** | | | | |
| Guarantees and sureties | 1,069 | 1,069 | 0 | 0 |
| Undrawn cerdit lines | 25,184 | 0 | 10,000 | 15,184 |
| Liability guarantees (1) | 20,759 | 1,950 | 15,927 | 2,882 |
| Financial instruments | 92 | 92 | 0 | 0 |
| **Total** | **47,105** | **3,112** | **25,927** | **18,066** |

(1) Including bank guarantees totalling €1,537k, an escrow accoount in the amount of €407k and an insurance policy (Kurt Salmon transaction) of €15,000k.

Pledges totaling €90,900k are composed of Wavestone Advisors 3, intra-group receivables held by Wavestone Advisors 3 and its subsidiaries as well as amounts receivable if the acquisition guarantee is used. These assets were put up as collateral for a €95,000k credit granted to the group by its bankers, and of several lines of credit in the initial amount of €25,000k. These commitments mature in 2022.

Wavestone received liability guarantees on all company acquisitions carried out in fiscal 2013/14, 2014/15 and 2015/16.

| Commitments given | Total value at 03/31/16 | < 1 year | 1 ≥ 5 years | > 5 years |
|---|---|---|---|---|
| Guarantees and sureties | 1,876 | 1,816 | 0 | 60 |
| Pledges | 90,645 | 0 | 15,000 | 75,645 |
| Financial lease agreements | 16,555 | 3,494 | 10,047 | 3,014 |
| **Total** | **109,076** | **5,311** | **25,047** | **78,719** |
| **Commitments** | | | | |
| Guarantees and sureties | 1,119 | 1,119 | 0 | 0 |
| Undrawn credit lines | 25,183 | 0 | 10,000 | 15,183 |
| Liability guarantees (1) | 21,009 | 1,800 | 16,074 | 3,135 |
| Financial liabilities | 406 | 406 | 0 | 0 |
| **Total** | **47,717** | **3,325** | **26,074** | **18,318** |

(1) Including bank guarantees totalling €1,535k, an escrow accoount in the amount of €442k and an insurance policy (Kurt Salmon transaction) of €15,000k.

## Note 16. Related-party transactions

Wavestone did not carry any material transactions with any third parties that could be considered "related parties" as defined under IAS 24.9.

## Note 17. Post-closure events

None.

## Note 18. Risk factors

Risk factors are presented in the 2015/16 registration document, note 24 of the consolidated financial statements.

# Statutory Auditors’ Report

## Statutory Auditors’ Report on the group’s financial information for the interim period from April 1st, 2016 to September 30st, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders’ Meeting and in accordance with the requirements specified in Article L.451-1-2 III of the French monetary and financial code, we hereby report to you on:

- the limited review of the accompanying condensed consolidated financial statements of WAVESTONE for the interim period from April 1st, 2016 to September 30th, 2016;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our limited review.

### 1. Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France.

A limited review of interim financial information involves making inquiries with the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, a review does not guarantee that the financial statements taken as a whole reflect all significant matters that might be identified in an audit.

Based on our limited review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements have not been prepared in accordance with IFRS standard IAS 34, as adopted by the European Union applicable to interim financial information.

## 2. Specific verification

We have also verified the information presented in the interim management report on the condensed consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed consolidated interim financial statements.

*Neuilly-sur-Seine and Paris La Défense, November 29th, 2016*

The Statutory Auditors

| | |
|---|---|
| DELOITTE & ASSOCIÉS | Dominique Laurent |
| MAZARS | Paul-Armel Junne |