



WAVESTONE

Interim financial report
September 30, 2019

Contents

1. Analysis of Wavestone's results	3
Analysis of the consolidated financial statements	3
Wavestone Individual financial statements	5
2. Wavestone's interim performance	6
3. Post-cloture events	8
4. Information on risks and uncertainties during the second half	8
5. Main related-party transactions	8

In case of discrepancy between the French and English versions of this interim financial report, only the French version should be deemed valid.

Statement from management responsible for preparing the financial statements
I certify that, to the best of my knowledge,

the half-year financial statements have been prepared in accordance with generally accepted accounting principles and with IAS 34 and give a true and fair view of the assets, liabilities, financial position and results of the Company and of all the companies included in the scope of consolidation, and

that the accompanying interim report gives a true and fair view of the significant events that have taken place over the first half of the year, their impact on the financial statements, the main related-party transactions, as well as a description of the main risks and uncertainties for the second half of the financial year.

Paris-La Défense, December 3, 2019



Pascal Imbert, CEO

Interim report

1. Analysis of Wavestone's results

Analysis of the consolidated financial statements

The Group's consolidated half-yearly financial statements at September 30, 2019 comprise the financial statements of Wavestone SA, Wavestone Advisors UK, Wavestone Advisors Switzerland, Wavestone Advisors Morocco, Wavestone Advisors and its subsidiaries: Wavestone US, Wavestone Luxembourg, Wavestone Belgium, Wavestone Consulting Switzerland, Wavestone HK, Xceed Holding (Group) and its subsidiaries: Xceed Group, Wavestone Consulting UK, Xceed 2007, M3G and its subsidiaries: Metis Consulting, Metis Consulting HK, Metis (Shanghai) Consulting, as well as WGroup and WGroup Consulting India.

At September 30, 2018, the Group's consolidated half-yearly financial statements comprised Wavestone SA, Wavestone Advisors UK Limited, Wavestone Advisors Switzerland, Wavestone Advisors and its subsidiaries: Wavestone US Inc., Wavestone Luxembourg, Wavestone Belgium, Wavestone Consulting Switzerland, Wavestone Advisors Morocco and Wavestone HK, Xceed Holding (Group) and its subsidiaries: Xceed Group, Xceed Consultancy Services and Xceed 2007.

The Group's consolidated annual financial statements at March 31, 2019, comprised the financial statements of Wavestone SA, Wavestone Advisors UK, Wavestone Advisors Switzerland, Wavestone Advisors Morocco, Wavestone Advisors and its subsidiaries: Wavestone US, Wavestone Luxembourg, Wavestone Belgium, Wavestone Consulting Switzerland, Wavestone HK, Xceed Holding (Group) and its subsidiaries: Xceed Group, Wavestone Consulting UK, Xceed 2007 as well as M3G and its subsidiaries: Metis Consulting, Metis Consulting HK, Metis (Shanghai) Consulting.

The financial statements at September 30, 2019, September 30, 2018 and March 31, 2019 were prepared based on International Financial Reporting Standards (IFRS). The financial statements follow Recommendation 2009-R.03 of July 2, 2009, issued by the French accounting standards board (CNC, now ANC). The interim management balances (under French GAAP) given in these financial statements and commented on in this report are the ratios defined by the CNC.

Revenue and profitability

<i>in thousands of euros</i>	H1 2019/20	H1 2018/19	Change
Revenue	194,466	182,564	7%
EBIT	20,702	19,886	4%
<i>EBIT margin</i>	10.6%	10.9%	
Operating income	18,644	18,475	1%
Group share of net income	9,304	10,649	-13%
<i>Net margin</i>	4.8%	5.8%	

Our first-half consolidated revenue rose a solid 7% to €194,466k from €182,564k in the same period last year.

At €20,702k (after employee profit-sharing), operating income on ordinary activities was up 4% year-on-year (from €19,886k). Our EBIT margin (calculated as operating income on ordinary activities divided by revenue) is 10.6%, compared with 10.9% in H1 2018.

EBIT was also up in the first half, from €18,475k for H1 2018 to €18,644k. It includes in particular amortization of customer relations for the acquisition of the European business of Kurt Salmon in January 2016 for €785k, and acquisition costs totaling €1,273k. Other operating income and expenses at September 30, 2018 amounted to €(159)k, essentially comprised of the cost of acquisition and cost of vacating offices in Belgium.

The net cost of debt was €852k in the period, compared with €812k for H1 2018. The net cost of debt for the period is primarily made up of interest on borrowings, capital gains on disposal of short-term investments and foreign exchange gains and losses.

Earnings before tax decreased by 1% to €17,764k from €18,027k in H1 2018.

Net income for the period came out at €9,304k, giving a net margin of 4.8% and including a tax expense of €8,460k. This represents a decrease of 13% on the same period last year (€10,649k, net margin of 5.8% after a tax expense of €7,378k).

There are no minority shareholders. Therefore, Group share of net income equates to net income: down by 13% to €9,304k, from €10,649k in H1 2018.

Financial structure and cash

<i>in thousands of euros</i>	9/30/19	3/31/19	Change
Non-current assets	232,849	177,409	31%
<i>Incl. goodwill</i>	<i>166,556</i>	<i>140,621</i>	18%
Current assets (excl. cash and cash equivalents)	152,408	156,112	-2%
Cash and cash equivalents	39,754	50,709	-22%
Equity	152,341	150,810	1%
Non-current liabilities	123,639	81,803	51%
<i>incl. financial liabilities</i>	<i>72,063</i>	<i>65,703</i>	10%
Current liabilities	149,031	151,618	-2%
<i>incl. financial liabilities</i>	<i>29,401</i>	<i>23,720</i>	24%
Balance sheet total	425,011	384,230	11%

Consolidated equity amounted to €152,341k at September 30, 2019 (vs. €150,810k at March 31, 2019).

Wavestone's net debt¹ was €61,710k at September 30, 2019, from €38,714k at March 31, 2019 and €61,719k at September 30, 2018.

Financial liabilities (excluding lease liabilities) totaled €101,464k on September 30, 2019 vs. €89,423k on March 31, 2019. On September 30, 2019, these broke down into €101,187k in bank loans and €276k of other financial liabilities (accrued interest not yet due, bank overdrafts).

¹ Gross cash less financial liabilities (excluding lease liabilities)

Wavestone Individual financial statements

Since the Group operating model deployed in 2017 is fully integrated, synergies between companies (multi-company, multi practice projects) increased substantially, thereby generating a constant rise in inter-company flows. Monitoring of the financial statements of Wavestone SA (the Group parent company) do not therefore reflect the reality of its specific activity. Consequently, the firm has decided to no longer comment on Wavestone SA's individual financial statements on a half-year basis.

2. Wavestone's interim performance

Over H1 2019/20, Wavestone recorded revenue of €194.5m, an increase of +7%.

At constant scope and exchange rates (excluding Metis Consulting and WGroup), the firm's six-monthly growth reached +1%. Excluding WGroup, i.e. taking the scope used to set objectives at the beginning of the fiscal year, half-yearly growth stood at +4%.

Consultant utilization rate under pressure in H1 2019/20, but sales prices hold up well

As a result of more challenging market conditions, especially in the Financial Services, Manufacturing, and Retail sectors, the company had to face the impacts of some clients delaying or suspending projects during the summer. Utilization rate fell to 72% over the first half of the year, compared with 75% for the entirety of the previous fiscal year.

The average daily rate was €876 in H1, compared with €872 for the whole of the 2018/19 fiscal year.

At September 30, 2019, the firm's order book stood at 3.3 months of work, compared with 3.6 months at the end of March 2019.

Strong momentum on human resources and a robust performance from WGroup

Wavestone maintained a strong recruitment dynamic in H1 2019/20, in line with its objective of over 600 gross hires over the whole fiscal year.

Helped by an easing of the labor market, staff turnover rates continued to fall—to 16% at September 30, 2019, on a rolling twelve-month basis—compared with an equivalent figure of 18% at March 31, 2019. The rate is now approaching the 15% target level.

At September 30, 2019, Wavestone had 3,262 employees, compared with 3,094 at March 31, 2019.

H1 saw Wavestone acquire WGroup, a US-based company that delivers IT consulting services. Its integration is well underway and has yielded the first commercial synergies between Wavestone US and WGroup. More generally, WGroup has performed well during its first months within Wavestone.

A solid half-yearly EBIT margin of 10.6%

Half-yearly EBIT stood at €20.7m, an increase of +4% compared with the first six months of 2018/19. As a result, the EBIT margin was a solid 10.6%, compared with 10.9% a year earlier, despite the reduction in utilization rate.

The application of the new leases standard IFRS 16 for the 2019/20 fiscal year, which required transfers between "external charges" and "depreciation and provisions", resulted in a €0.1m increase in EBIT.

Operating income reached €18.6m in H1 2019/20, up +1%, compared with the previous year. This includes -€1.3m in other operating income and expenses, which mainly consist of costs associated with the acquisition of WGroup.

After taking into account financial expenses and taxes, group share of net income was €9.3m. Net margin for H1 was 4.8%, compared with 5.8% a year earlier.

Strong cash flow generation

Gross cash flow margin stood at €19.4m at the end of H1, an increase of +9%. Despite seasonal effects in H1 that are typically unfavorable to working capital requirements, close control of payment collections achieved a cash flow from operations of €12.7m, compared with €0.2m in H1 2018/19. It should be noted that this figure benefited, by +€3.3m, from the application of IFRS 16.

Investment operations consumed €24.6m over the first half of the year, of which €22.3m was related to the acquisition of WGroup. Financing flows remained balanced at -€0.5m. These included, in particular, share buybacks of €3.5m, dividend payments of €4.6m, and loans received (net of repayments) of €11.7m.

At September 30, 2019, Wavestone's consolidated equity amounted to €152.3m, for a net financial debt (excluding lease liabilities) of €61.7m, compared with the same figure of €61.7m at September 30, 2018, and €38.7m at the end of March 2018.

A strong focus on business development, while maintaining momentum in recruitment

H1 2019/20 was largely disappointing, mainly because of increasingly difficult market conditions which affected the firm's business activities.

In the face of these more challenging economic conditions, Wavestone is continuing its intense business development efforts, while, in parallel, shifting focus toward the sectors and accounts with the highest potential—especially those in energy, transportation, and the public sector.

After a low point reached during summer, the consultant utilization rate began to recover gradually, even with considerable numbers of new hires joining the firm from September onwards. However, Wavestone remains cautious about the pace of recovery on this indicator in the coming months.

Having seen positive results from the recruitment-related actions it put in place at the start of 2019, the company decided to maintain a dynamic approach to hiring in H2, with the aim of underpinning its growth potential in the coming fiscal years.

Prudence on growth target and integration of WGroup into annual objectives

With WGroup's consolidation on August 1, 2019, Wavestone has updated its revenue objective and is targeting annual growth of over 8%, compared with an initial objective of more than 5%. It should be noted that, due to slower growth in H1, this new objective reflects a degree of prudence of one percentage point on non-WGroup growth.

The profitability objective remains unchanged: the company will continue to target an EBIT margin greater than 13%.

These objectives are calculated on a constant forex basis and exclude new acquisitions.

3. Post-cloture events

On November 26, 2019, Wavestone received a rectification proposal following a tax control for the fiscal years ending March 31, 2016, March 31, 2017 and March 31, 2018. The French tax administration estimated that three projects are not eligible for the French research tax credit and is envisaging a rectification of a total amount of €618k. Assisted by specialized advisors, the firm considers it has the necessary arguments to justify the eligibility of these projects and intends to contest the French tax administration's position. In this respect, an observation letter is to be sent within the requested time-frame. Other items concerned by the rectification proposal were accepted. Their amount is not significant.

4. Information on risks and uncertainties during the second half

Other than the risks and uncertainties below, there has been no marked change in the risk factors described in our registration document filed with the French financial markets authority, AMF, on July 10, 2019, number D.19-0669.

5. Main related-party transactions

None

The Management Board

December 3, 2019

Consolidated financial statements at 9/30/2019

Consolidated income statement

€k	Note	9/30/2019	9/30/2018	3/31/2019
Revenue	1	194,466	182,564	391,530
Purchases consumed		5,563	6,212	12,346
Personnel expenses	2	136,893	125,838	262,989
External expenses		24,404	25,913	51,429
Taxes		2,049	2,674	5,992
Depreciation and provisions for the year		5,196	2,114	3,501
Other-recurring income and expenses		(342)	(73)	29
Recurring operating income		20,702	19,886	55,243
Customer relations depreciation	3	785	1,252	2,289
Other operating income and expense	3	(1,273)	(159)	(525)
Operating income		18,644	18,475	52,430
Financial income	4	6	7	10
Cost of gross financial debt	4	858	819	1,688
Cost of net financial debt		852	812	1,678
Other financial income and expense	4	(28)	363	(120)
Pre-tax profit		17,764	18,027	50,631
Income tax expense	5	8,460	7,378	19,861
Net profit		9,304	10,649	30,770
Non-controlling interests		0	0	0
Consolidated net profit - Group share		9,304	10,649	30,770
Consolidated net profit - Group share per share (euros) (1)	6	0.47	0.53	1.54
Diluted net profit - Group share per share (euros)	6	0.47	0.53	1.54

(1) Weighted number of shares over the period.

Consolidated balance sheet

€k	Note	9/30/2019	3/31/2019
Goodwill	7	166,556	140,621
Intangible assets	8	9,090	10,094
Property, plant and equipment	8	14,893	17,099
Right-of-use of properties leased	9	31,719	0
Financial assets - share over one year	10	2,026	1,961
Other non-current assets	10	8,564	7,635
Non-current assets		232,849	177,409
Trade and other receivables	11	127,037	130,420
Other receivables	11	25,371	25,692
Cash and cash equivalents	11	39,754	50,709
Current assets		192,162	206,821
Total assets		425,011	384,230
Share capital	12	505	505
Paid-in capital		11,218	11,218
Reserves and consolidated income		141,985	139,762
Group translation reserves		(1,367)	(675)
Share capital - Group share		152,341	150,810
Non-controlling interests		0	0
Total share capital		152,341	150,810
Long-term provisions	13	16,061	14,566
Financial liabilities - share over one year	14	72,063	65,703
Lease liabilities - share over one year	9	30,961	0
Other non-current liabilities	15	4,555	1,535
Non current liabilities		123,639	81,803
Short-term provisions	13	5,120	4,297
Financial liabilities - share less than one year	14	29,401	23,720
Lease liabilities - share less than one year	9	7,326	0
Trade and other payables	15	15,206	19,381
Tax and payroll liabilities	15	66,533	81,369
Other current liabilities	15	25,445	22,851
Current liabilities		149,031	151,618
Total liabilities		425,011	384,230

Change in consolidated cash and cash equivalents

€k	Note	9/30/2019	Reported 9/30/2018	Adjusted (1) 9/30/2018	3/31/2019
Net profit from consolidated entities		9,304	10,649	10,649	30,770
Depreciation and provisions		7,879	4,878	4,878	9,210
Capital gains/losses net of tax		(36)	(15)	(15)	(60)
Other calculated income and expenses		1,425	(196)	1,698	1,888
Cost of net financial debt (incl. interest on lease liabilities)		818	634	634	1,262
Cash flow ⁽²⁾		19,389	15,949	17,843	43,071
Change in working capital requirements		(6,708)	(17,611)	(17,611)	(10,448)
Net cash flow generated by operating activities		12,681	(1,662)	231	32,622
Acquisitions of tangible and intangible assets	8	(2,388)	(766)	(766)	(1,449)
Disposals of tangible and intangible assets		62	21	21	75
Change in financial fixed assets		22	(4,938)	(373)	(321)
Impact of changes in the scope of consolidation ⁽³⁾		(22,267)	(15,155)	(15,155)	(21,619)
Net cash flow from (used in) investing activities		(24,571)	(20,838)	(16,273)	(23,314)
Disposal (acquisition) of treasury stock by the Company ⁽⁴⁾		(3,542)	-	(6,459)	(8,070)
Dividends paid to parent company shareholders		(4,572)	(4,054)	(4,054)	(4,054)
Dividends paid to minority interests in integrated companies		0	0	0	0
Loan subscriptions	14	23,220	12,000	12,000	19,600
Loan reimbursements	14	(11,531)	(6,130)	(6,130)	(17,307)
Reimbursement of lease liabilities	9	(3,354)	0	0	0
Net financial interest paid		(592)	(565)	(565)	(1,284)
Net interest paid on lease liabilities	4	(122)	0	0	0
Net cash flow from (used in) financing activities		(494)	1,251	(5,207)	(11,114)
Change in cash and cash equivalents		(12,384)	(21,248)	(21,248)	(1,806)
Effect of foreign exchange rate fluctuations	14	79	204	204	403
Cash at start of period	14	50,592	51,996	51,996	51,996
Cash at end of period	14	38,287	30,951	30,951	50,592

(1) The Company has decided to change the presentation of the cash flow statement to better materialize the effects of treasury share purchases. This change impacts the lines "Other calculated income and expense" and "Change in financial fixed assets" and leads to the creation of the line "Disposal (acquisition) of treasury stock by the Company".

(2) Cash flow is calculated after current taxes.

The amount of tax paid totaled €10,237k in the first half of 2019 and €14,699 in the first half of 2018.

(3) The line "Impact of changes in the scope of consolidation" corresponds to the outlay of items relative to the acquisition of the WGroup scope and the first additional consideration for Métis.

(4) For information purposes, the company delivered treasury stock of an amount of €2,058k.

Change in consolidated shareholders' equity

€k	Share capital	Premiums	Reserves consolidated	Result for fiscal year	in conversion	Capital share
Consolidated share capital 3/31/2018	497	11,218	92,758	26,628	(852)	130,249
Consolidated profit for the year	0	0	0	30,770	0	30,770
Change in fair value of hedging instruments	0	0	(28)	0	0	(28)
IAS 19 actuarial differences	0	0	500	0	0	500
Overall net profit	0	0	472	30,770	0	31,242
Impact minority interests	0	0	0	0	0	0
Allocation of income	0	0	26,628	(26,628)	0	0
Changes in equity of consolidating company	8	0	(8)	0	0	0
Dividends paid out by consolidating company	0	0	(4,054)	0	0	(4,054)
Treasury shares	0	0	(7,345)	0	0	(7,345)
Provision adjusted for bonus shares	0	0	541	0	0	541
Change in translation differences	0	0	0	0	177	177
Consolidated share capital 3/31/2019	505	11,218	108,992	30,770	(675)	150,810
Consolidated profit for the year	0	0	0	9,304	0	9,304
Change in fair value of hedging instruments	0	0	(2)	0	0	(2)
IAS 19 actuarial differences	0	0	(889)	0	0	(889)
Overall net profit	0	0	(891)	9,304	0	8,413
Impact minority interests	0	0	0	0	0	0
Allocation of income	0	0	30,770	(30,770)	0	0
Changes in equity of consolidating company	0	0	0	0	0	0
Dividends paid out by consolidating company	0	0	(4,572)	0	0	(4,572)
Treasury shares	0	0	(2,822)	0	0	(2,822)
Provision adjusted for bonus shares	0	0	1,204	0	0	1,204
Change in translation differences	0	0	0	0	(692)	(692)
Consolidated share capital 9/30/2019	505	11,218	132,681	9,304	(1,367)	152,341

Wavestone paid a dividend of €0.23 per share during the period, for a total payout of €4,572k.

Shareholders' equity contains no taxable items. Cumulative deferred tax assets amounting to €670k relate to items booked under shareholders' equity since the Company was founded. They are generated by actuarial gains and losses arising from the application of IAS 19 and by the fair value remeasurement of hedging instruments.

Statement of net comprehensive income

€k	Note	9/30/2019	9/30/2018	3/31/2019
Net profit		9,304	10,649	30,770
Change in fair value of hedging instruments	16	(2)	(27)	(28)
IAS 19 actuarial differences	13	(889)	(101)	500
Amounts recognized in equity		(891)	(128)	472
Comprehensive net profit - Group share		8,413	10,521	31,242

Notes to the consolidated financial statements

1	Overview	14
2	Main events during the half-year period	15
3	Accounting principles and methods	16
4	Scope of consolidation	23
5	Notes relative to certain income statement and balance sheet items	25
Note 1	Revenues	25
Note 2	Payroll expenses	25
Note 3	Non-recurring operating income and expenses	25
Note 4	Financial income (loss)	26
Note 5	Tax charge	26
Note 6	Earnings per share	26
Note 7	Goodwill on the assets side of the balance sheet	27
Note 8	Intangible and tangible assets	28
Note 9	Leases	29
Note 10	Other assets	30
Note 11	Current assets	30
Note 12	Capital	31
Note 13	Provisions	31
Note 14	Financial liabilities and net debt	32
Note 15	Other liabilities	33
Note 16	Financial instruments	34
Note 17	Off-balance sheet commitments	35
Note 18	Related-party transactions	36
Note 19	Subsequents events	36
Note 20	Risk factors	36

1 Overview

Wavestone is a public limited company (*société anonyme*) incorporated in France and subject to all laws and regulations governing commercial companies in France and notably the provisions of the French Commercial Code. Its headquarters are located at Tour Franklin, 100-101 Terrasse Boieldieu, 92042 Paris-La Défense cedex. The Company is listed in compartment B of Euronext Paris.

The consolidated interim financial statements of Wavestone (comprising the Wavestone parent company and its subsidiaries) were approved by the Management Board on 12/2/2019.

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

2 Main events during the half-year period

Acquisition of WGroup

On July 18, 2019, Wavestone acquired 100% of the capital of WGroup, which itself owns 100% of UpGrow LLC and WGroup Consulting India Project Ltd.

Created in 2004 and based in Philadelphia, Pennsylvania, US, WGroup is a consulting firm offering IT consulting, cost optimization and operating process improvement services to IT departments of large corporations in North America.

WGroup is mostly present in the Healthcare, Insurance, Media & Entertainment, Global Manufacturing, Retail and Financial Services sectors.

It has around 100 staff members, with more than 50 full-time employees.

For its last fiscal year (ended December 31, 2018), WGroup recorded consolidated revenue of \$26,135k (approximately €23,301k), up +16%, and an adjusted EBITDA margin of around 15%.

This acquisition was financed entirely in cash, through the use of credit lines already available to Wavestone.

The company will be consolidated in Wavestone's financial statements as of January 8, 2019, namely for two months of its fiscal year.

Goodwill is recognized in the firm's consolidated financial statements including eventual additional considerations equal to 30% of the acquisition price.

Impact of business combinations

On a like-for-like and constant forex basis, Wavestone generated revenues of €184,656k, operating income on ordinary activities of €18,588k, and Group share of net income of €8,937k for the first half of 2019, versus revenues of €182,564k, operating income on ordinary activities of €19,886k and Group share of net income of €10,649k for the first half of 2018.

On a like-for-like and current forex basis, Wavestone generated revenues of €185,002k, operating income on ordinary activities of €18,533k, and Group share of net income of €8,856k for the first half of 2019, versus revenues of €182,564k, operating income on ordinary activities of €19,886k and Group share of net income of €10,649k for the first half of 2018.

On a full-scope basis, Wavestone had revenue of €194,466k, operating income on ordinary activities of €20,702k and Group share of net income of €9,304k.

3 Accounting principles and methods

3.1 Consolidation principles

3.1.1 Reporting framework

Since April 1, 2005, Wavestone's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and EU regulation no. 1606/02 dated July 19, 2002. These standards are IFRS, IAS, and their interpretations, adopted by the European Union at September 30, 2019.

The accounting principles used to prepare these consolidated financial statements are the same as those used to prepare its consolidated financial statements at 3/31/2019.

3.1.2 Interim financial statements

Wavestone Group's condensed interim financial statements covering the six-month period ended on 9/30/19 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

These are condensed financial statements and accordingly do not include all the information required by IFRS for the preparation of the annual financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements prepared in accordance with IFRS as adopted in the European Union for the year ended March 31, 2019.

3.1.1 Changes in accounting standards

The firm has applied the IASB's IFRS and the IFRIC interpretations, as adopted by the European Union, for annual reporting periods beginning on or after April 1, 2019 (available on the European Commission website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission). The impact on the presentation of the financial statements are set out in the following paragraph and in Note 9 "Leases".

IFRS standards, IFRIC interpretations and amendments applied by the Company as of April 1, 2019

Standards, amendments and interpretations	Date of adoption by the EU	Dates of application⁽¹⁾: fiscal years beginning on or after
IFRS 16 "Leases"	11/9/2017	1/1/2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	3/26/2018	1/1/2019
IFRIC 23 "Uncertainty over Income Tax Treatments" (1)	10/23/2018	1/1/2019
IAS 28 "Investments in associates"	2/11/2019	1/1/2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	3/14/2019	1/1/2019
IFRS annual improvements (2015-2017)	3/15/2019	1/1/2019

(1) Published by the IFRS Foundation

Application of IFRS 16

IFRS 16 "Leases" is also mandatory for fiscal years commencing on or after April 1, 2019. The standard provides a single lessee accounting model for all leases: a right-of-use is recognized under assets and a lease liability under liabilities. In the income statement, the lessee recognizes depreciation of the right-of-use asset and interest on the lease liability.

This standard replaces IAS 17 "Leases" as well as interpretations SIC 15 "Operating Leases - Incentives", SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". It removes the distinction between financial leases and operating leases.

Wavestone applies IFRS 16 as of April 1, 2019 using the simplified retrospective approach. This method implies no adjustment to comparative periods. The right-of-use asset and lease liability are calculated according to discounted leases still running on April 1, 2019. Contract analysis and quantification of the impacts of application of the new standard were carried out using a standardized tool.

The Group applied the exemptions planned for by the standard in terms of contracts with a duration of less than or equal to 12 months, or with a value of less than USD5k. Elsewhere, the Group excluded from the scope of adjustment vehicle leases with a non-significant value.

As such, only property leases are the object of the adjustment planned for by the standard.

In accordance with the ANC proposal, the maximum duration of 9 years was retained for so-called 3,6,9 leases in France. This duration is aligned with the duration of depreciation for the fittings of the said premises.

A unique discount rate of 1% was retained for all entities, corresponding to that prevailing on the main current credit lines.

Reported off-statement of financial position commitments on 3/31/2019	44,097
Contracts not concerned by IFRS 16	-3,03
New gross lease liability on 4/1/2019	41,066
Discounted	-1,922
Others	595
New gross lease liability discounted as of 4/1/2019	39,739
Reclassification of financial leases as lease liabilities on 4/1/2019	1,263
Recognized lease liability as of 4/1/2019	41,002

Impact of the implementation of IFRS 16

	Reported 3/31/2019	Implementation of IFRS 16	4/1/2019
Goodwill	140,621	0	140,621
Intangible assets	10,094	0	10,094
Property, plant and equipment	17,099	-1,279	15,820
Right-of-use of properties leased	0	34,659	34,659
Financial assets - share over one year	1,961	0	1,961
Other non-current assets	7,635	0	7,635
Non-current assets	177,409	33,380	210,789
Inventory	0	0	0
Trade and other receivables	130,420	0	130,420
Other receivables	25,692	669	26,361
Financial assets	0	0	0
Cash and cash equivalents	50,709	0	50,709
Current assets	206,821	669	207,490
Total assets	384,230	34,050	418,280
Share capital	505	0	505
Paid-in capital	11,218	0	11,218
Reserves and consolidated income	139,762	0	139,762
Group translation reserves	-675	0	-675
Share capital - Group share	150,810	0	150,810
Non-controlling interests	0	0	0
Total share capital	150,810	0	150,810
Long-term provisions	14,566	0	14,566
Financial liabilities - share over one year	65,703	-458	65,245
Lease liabilities - share over one year	0	34,306	34,306
Other non-current liabilities	1,535	0	1,535
Non current liabilities	81,803	33,848	115,651
Short-term provisions	4,297	-426	3,871
Financial liabilities - share less than one year	23,720	-805	22,915
Lease liabilities - share less than one year	0	6,697	6,697
Trade and other payables	19,381	-3,952	15,429
Tax and payroll liabilities	81,369	0,0	81,369
Other current liabilities	22,851	-1,312	21,539
Current liabilities	151,618	202	151,820
Total liabilities	384,230	34,050	418,280

Accounting standards and interpretations that the Company will apply in the future

The Company has chosen not to apply the following standards and interpretations published by the IASB but not yet adopted by the European Union at 9/30/2019.

Standards, amendments and interpretations	Date published by the IASB	Date of application: fiscal years beginning on or after
Amendments to IAS 28 and IFRS 10	9/11/2014	Undetermined
Amendments limited to IFRS 3	10/22/2018	1/1/2020
Amendments IAS 1 and IAS 8	10/31/2018	1/1/2020

The IASB has published standards and interpretations, adopted by the European Union at 9/30/2019, that are applicable to reporting periods beginning on or after 1/1/2020. The Group has chosen not to early adopt these texts.

Standards, amendments and interpretations

Standards, amendments and interpretations	Date of adoption by the EU	Date of application: fiscal years beginning on or after
None		

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

3.1.2 Comparability of financial statements

The financial statements for the fiscal years ended September 30, 2019 and March 31, 2019 are comparable, except for changes in the scope of consolidation and the implementation of IFRS 16.

3.2 Consolidation methods

Wavestone is the consolidating company.

The financial statements of the companies placed under its exclusive control are fully consolidated.

Wavestone does not exert significant influence or joint control over any company. It does not directly or indirectly control any special purpose vehicle.

The financial statements of the consolidated companies are, if necessary, restated to ensure the uniform application of accounting and measurement rules.

The financial statements of the consolidated companies were all prepared as at 9/30/2019.

On September 30, 2019, the consolidated financial statements included all Wavestone's companies for six months, with the exception of the companies acquired over the period: WGroup and its subsidiaries (2 months).

3.3 Currency translation methods

Translation of financial statements denominated in foreign currencies

The balance sheets of foreign companies are translated into euros at the prevailing exchange rate at the end of the period. The income and cash flow statements are translated at the average exchange rate for the period and the Group's share of the resulting translation differences is recognized in shareholders' equity under "Translation adjustments."

The closing and average exchange rates are listed in the table below (Currency/Euro):

Currency		Closing rate		Average rate	
		9/30/2019	3/31/2019	9/30/2019	3/31/2019
Swiss franc	CHF	0.921914	0.894374	0.901537	0.874731
Chinese Yuan	CNY	0.128561	0.132631	0.129253	0.128549
British Pound	GBP	1.12905	1.165094	1.12075	1.133603
Hong Kong Dollar	HKD	0.11714	0.113385	0.114605	0.110346
Moroccan Dirham	MAD	0.094141	0.092191	0.093022	0.091234
US Dollar	USD	0.918358	0.890076	0.897868	0.865395

Source Banque de France

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

The rate retained for the translation of the WGroup companies acquired is the rate on July 31, 2019 for entry into the scope and the average rate over two months for the financial statements.

Specifics rates on entry of WGroup

Currency		Closing rate	Rate on scope entry	Average rate over two months
		9/30/2019	7/31/2019	9/30/2019
US Dollar	USD	0.918358	0.896781	0.912201
Indian Rupee	INR	0.01296	0.013038	0.012821

Source Banque de France

Recognition of foreign currency transactions

Transactions denominated in foreign currencies are translated into euros at the exchange rate on the transaction date.

3.4 Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions concerning the measurement of certain amounts in the financial statements, notably with regard to:

- / Duration of asset depreciation,
- / Measurement of provisions and pension obligations,
- / Measurements used for impairment testing,
- / Fair value measurement of financial instruments,
- / Estimates of accrued income and expenses,
- / Measurement of share-based payments,

- / Performance estimates for additional premiums on the acquisition price of subsidiaries,
- / 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 reasonable which serve as the basis for these assessments. Future results may differ significantly under different assumptions or conditions.

3.5 Business combinations and goodwill

The integrated operating model rolled out in July 2016 across the Group has enabled Wavestone to develop synergies between all of its units, regardless of the legal form of their affiliation with the Group, to establish individual commercial interfaces with all of its clients, and to efficiently form project teams on a daily basis comprising consultants from its different units. These units are not identified by business sector, region or legal structure. This operating model will be regularly updated to better meet market needs.

Implementation of this operating model, the organization of which transcends the scopes of the companies and activities that Wavestone SA has acquired as it has grown, makes it impossible to track the individual goodwill initially associated with the different companies or activities concerned. For this reason, the Wavestone firm constitutes a single Cash Generating Unit (CGU).

Impairment tests are conducted using, first, the discounted future cash flow method and, second, the market value derived from Wavestone's market capitalization.

Cash flows are determined on the basis of projections for a five-year period and a perpetual growth rate assumption thereafter. The cash flows derived from these estimates are then discounted.

To establish market value, the Group's market capitalization is measured at the end of the fiscal year, less 2% for disposal costs.

3.6 Segment reporting

Wavestone specializes in the specific market segment of management and information systems consulting. Since all of these services are subject to the same risks and generate similar levels of profitability, Company revenues are not broken down by business line. The breakdown between France and international is provided in note 1 to the consolidated financial statements.

3.7 Seasonality of the interim financial statements

Seasonal impacts are limited to the concentration of vacation time during certain months of the year, in May, July and August. The impact is primarily in the first half of our fiscal year (from April to September). However, the impact on Wavestone's business is insignificant, all the more so as these holiday periods are predictable and the impact is comparable from year to year.

3.8 Change in method

IFRS 16 "Leases" is applied for the first time, implying a change in accounting method. The impacts of applying this new standard to the consolidated financial statements are set out in 3.1.3.

Lastly, Wavestone contracted interest rate hedges (caps) to cover the risk of an increase in the interest rate on the loans contracted to finance acquisitions.

3.9 Other provisions

- / Wavestone owns treasury shares under the share buyback program authorized by the General Shareholders' Meeting.
- / In accordance with IAS 19 "Employee benefits," obligations resulting from and costs related to defined-benefit plans are measured on the basis of the projected unit-credit method by independent actuaries. Wavestone's obligations are limited to the payment of termination benefits to its employees in France and to employer contributions under the "second pillar" of the Swiss social protection system. The Company also has a retirement and benefits commitment in Belgium, which was calculated as not material at 3/31/16 and not remeasured at 9/30/19. Wavestone has no other long-term or termination benefit obligations. The discount rate for the measurement of entitlements is 0.47% in France, 0.60% in Switzerland for Wavestone Advisors Switzerland, and 0.45% for Wavestone Consulting Switzerland.
- / Wavestone has currency hedges (cash flow hedges) to cover the risk to which export sales may be exposed. The gain or loss resulting from the fair value measurement of hedging instruments is booked under "Other comprehensive income" (OCI). Unrealized gains and losses are written to the income statement when the hedged item is realized. The Group has also taken out currency futures contracts and a cross-currency swap to hedge its loans and current accounts denominated in foreign currencies, as well as a portion of Xceed's securities. Lastly, Wavestone contracted interest rate hedges (cap) to cover the risk of an increase in the interest rate on the loans contracted to finance external growth operations.
- / The Company carries out R&D activities on a regular basis. Some of these are eligible for the French research tax credit. These R&D activities are capitalized only on an exceptional basis (see note 7).

4 Scope of consolidation

Changes in the Group's scope of consolidation (acquisitions) are described in section 2 "Significant events in the fiscal year."

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

Entities	Head office	Siret	Legal form	% holding	Nationality	No. of months consolidated
Wavestone	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	37755024900041	SA	Parent company	France	6
Wavestone Advisors UK	Warnford Court 29-30 (4th Floor) Cornhill London, EC3V 3NF	5896422	Limited company	100%	UK	6
Wavestone Advisors Switzerland	105 rue de Lyon 1203 Geneva	CHE-109.688.302	SARL	100%	Switzerland	6
Wavestone Advisors	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	43322484700114	SAS	100%	France	6
Wavestone US	1330 Avenue of the Americas New York, NY10019	5905389	Incorporated company	100%	United States of America	6
Wavestone Luxembourg	10 rue du Château d'Eau 3364 Leudelange	B114630	SA	100%	Luxembourg	6
Wavestone Belgium	Square Stéphanie Avenue Louise 65 1050 Brussels	0879.426.546	SANV	100%	Belgium	6
Wavestone Advisors Morocco	Immeuble Racine d'Anfa 157 boulevard d'Anfa 20100 Casablanca	219375	SARL	100%	Morocco	6
Wavestone Consulting Switzerland	105 rue de Lyon 1203 Geneva	CH-170. 4.000.727 -1	SARL	100%	Switzerland	6
Wavestone HK	21/F, On Hing Building, 1 On Hing Terrace Central, Hong Kong	66431968-000-07-16-9	Limited company	100%	Hong-Kong	6
Xceed Group (Holdings) Limited	Warnford Court 29-30 Cornhill London, EC3V 3NF	10468064	Limited company	100%	UK	6
Xceed Group Limited	Warnford Court 29-30 Cornhill London, EC3V 3NF	6526750	Limited company	100%	UK	6
Wavestone Consulting UK	Warnford Court 29-30 Cornhill London, EC3V 3NF	4965100	Limited company	100%	UK	6
Xceed (2007)	1013 Centre Road, Suite 403-B Wilmington, Delaware 19805	6173240	Incorporated company	100%	United States of America	6

M3G	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	79120544600028	SASU	100%	France	6
Metis Consulting	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	50299920400030	SASU	100%	France	6
Metis Consulting Hong Kong	Flat 7107B, 1 Austin Road West, Kowloon, Hong Kong	2381018	Private company	100%	Hong-Kong	6
Metis Shanghai Consulting	N°1045 Huai Hai Zhong Road, Xuhui District, Shanghai	91310000MA1FR9 T09X	Limited company	100%	China	6
WGroup	150 N. Radnor Chester Road, Suite A230 Radnor, PA 19087, USA	3191624	Incorpo- rated company	100%	United States of America	2
UpGrow	150 N. Radnor Chester Road, Suite A230 Radnor, PA 19087, USA	6360853	Incorpo- rated company	100%	United States of America	2
WGroup Consulting India Project	4th Floor, WeWork The Galaxy Hotel Sector 15 Gurugram HR 122001, India	U74999HR2019FT C079593	Private limited company	100%	India	2

All these companies have been fully consolidated.

5 Notes relative to certain income statement and balance sheet items

Note 1 Revenues

The bulk of our revenue is generated in France.

Revenue	9/30/2019	9/30/2018
France	168,454	158,520
International	26,012	24,044
Total	194,466	182,564

Headcount average	9/30/2019	9/30/2018
France	2,700	2,405
International	344	308
Total	3,044	2,713

Note 2 Payroll expenses

Personnel expenses	9/30/2019	9/30/2018
Wages and salaries	97,767	90,046
Payroll on-costs	39,126	35,792
Total	136,893	125,838

Average headcount FTE	9/30/2019	9/30/2018
Engineers and executive-level staff	2,989	2,667
Employees	55	47
Total	3,044	2,713

Note 3 Non-recurring operating income and expenses

The amortization of customer relationships is recognized as non-current given the non-recurring nature and the scale of the Kurt Salmon transaction.

	9/30/2019	9/30/2018
Various	311	168
Other operating income	311	168
Securities and goodwill acquisition costs	(1,276)	(207)
Various	(308)	(119)
Other operating expense	(1,584)	(327)
Net total	(1,273)	(159)

Other sundry operating expenses are made up of costs for the former Metis premises in Paris for €83k as well as asset retirements for €180k related to the said premises.

Note 4 Financial income (loss)

	9/30/2019	9/30/2018
Net income from disposals of cash and cash equivalents	6	7
Interest on loans	(858)	(819)
Cost of net debt	(852)	(812)
Other financial income and expense	(28)	363
Financial income	(880)	(448)

Interest expenses consisted mainly of €543k in interest on the bank loan contracted to finance the acquisition of Kurt Salmon and acquisition credits for €216k.

Note 5 Tax charge

Net impact of taxes on income:

	9/30/2019	9/30/2018
Current tax	8,272	4,834
Deferred tax	188	2,544
Total	8,460	7,378

In accordance with the French Accounting Board (CNC) circular of January 14, 2010, Wavestone opted to record the Company Added-Value Contribution (CVAE) under income tax as of 2010. The CVAE booked under "Tax charge" totaled €2,292k.

At 9/30/2019, deferred tax assets due in more than one year totaled €7,296k, from €6,046k at 3/31/19.

Note 6 Earnings per share

	9/30/2019	9/30/2018	3/31/2019
Earnings per share			
Net profit from companies - Group share	9,304	10,649	30,770
Weighted average number of shares in circulation ⁽¹⁾	19,870,888	20,004,086	19,953,337
Net profit - Group share per share undiluted (euros) (1)	0.47	0.53	1.54
No. of shares issued on September 30 (1)	19,870,888	20,004,086	19,953,337
Net profit - Group share per share diluted (euros)	0.47	0.53	1.54

⁽¹⁾excluding treasury stock

Note 7 Goodwill on the assets side of the balance sheet

	Net carrying amount on 3/31/2019	Change in scope	Increase in fiscal year	Trans. diff.	Net carrying amount on 9/30/2019
Wavestone SA	45,200	0	0	0	45,200
Wavestone Advisors UK	2,503	0	0	(77)	2,425
Wavestone Advisors SZ	2,736	0	0	84	2,820
Kurt Salmon	68,995	0	0	122	69,117
Xceed	11,219	0	907	(340)	11,786
Metis	9,968	0	0	0	9,968
WGroup	0	24,647	0	593	25,240
Total	140,621	24,647	907	382	166,556

Because of its structure, Wavestone consists of only one cash-generating unit (CGU) as noted in section 3.5 "Accounting principles and methods."

Calculating goodwill on newly consolidated acquisitions

Goodwill on newly consolidated acquisitions breaks down as:

	WGroup	Total
Acquisition cost		
Acquisition price	18,362	18,362
Price adjustment	(221)	(221)
Additional consideration	7,623	7,623
Total I	25,763	25,763
	WGroup	Total
Assets acquired on acquisition date		
Net fixed assets	645	645
Non-current assets	0	0
Current assets	6,673	6,673
Sub total B	7,317	7,317
Liabilities acquired on acquisition date		
Non current liabilities	452	452
Short-term provisions	37	37
Current liabilities	5,713	5,713
Sub total C	6,201	6,201
Total II - net assets acquired (B-C)	1,116	1,116
	WGroup	Total
Goodwill (I-II)	24,647	24,647

Impairment test

Since there was no indication of impairment, no impairment test was conducted at 9/30/19, in accordance with IAS 36.

Note 8 Intangible and tangible assets

Gross value	3/31/2019	Implementation of IFRS 16	Change in the scope of consolidation	Increase Increase	Decrease	Trans. diff.	9/30/2019
Software	5,527	0	98	31	(327)	(59)	5,270
Customers	16,546	0	0	0	0	0	16,546
Intangible assets in progress	0	0	0	0	0	0	0
Total intangible assets	22,073	0	98	31	(327)	(59)	21,816
Other tangible assets	23,898	0	347	340	(488)	(11)	24,086
Other lease fixed assets	4,776	(4,776)	0	0	0	0	0
Intangible assets in progress	19	0	0	191	(121)	0	89
Total intangible assets	28,693	(4,776)	347	531	(609)	(11)	24,175

Depreciation and amortization	31/03/19	Implementation of IFRS 16	Change in the scope of consolidation	Increase	Decrease	Trans. diff.	9/30/2019
Software	3,204	0	38	417	(327)	(32)	3,299
Customers	7,871	0	0	785	0	0	8,657
Total intangible assets	11,075	0	38	1,202	(327)	(32)	11,956
Other tangible assets	7,880	0	279	1,341	(300)	1	9,201
Other lease fixed assets	3,497	(3,497)	0	0	0	0	0
Total intangible assets	11,377	(3,497)	279	1,341	(300)	1	9,201

Impairments	31/03/19	Implementation of IFRS 16	Change in the scope of consolidation	Increase	Decrease	Trans. diff.	9/30/2019
Software	903	0	59	26	(192)	(27)	770
Total intangible assets	903	0	59	26	(192)	(27)	770
Other tangible assets	217	0	16	23	(174)	(1)	82
Other lease fixed assets	0	0	0	0	0	0	0
Total intangible assets	217	0	16	23	(174)	(1)	82

Total intangible assets	10,094	0	1	(1,197)	192	0	9,090
Total tangible assets	17,099	(1,279)	52	(832)	(135)	(11)	14,893

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

The only tangible assets that are subject to ownership restrictions are those financed through a lease.

In accordance with IFRS 16, financial leases existing on March 31, 2019 were reclassified as a right-of-use asset as of April 1, 2019.

Decreases in fixed assets under construction consist mainly of the activation of the corresponding assets.

The change in "Liabilities on capital assets" was €(1,946)k at 9/30/19, compared with €1,666k at 3/31/19.

Note 9 Leases

In accordance with IFRS 16, financial leases existing on March 31, 2019 were reclassified as a right-of-use asset or a lease liability as of April 1, 2019.

Right-of-use

Gross value	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Increase Increase	Decrease	Trans. diff.	9/30/19
Operating lease	0	33,380	581	0	0	(7)	33,954
Property lease	0	33,380	581	0	0	(7)	33,954
Financial lease	0	4,776	0	0	(3)	3	4,777
IT and office equipment	0	4,672	0	0	(3)	0	4,669
Transport equipment	0	104	0	0	0	3	107
Total rights-of-use	0	38,157	581	0	(3)	(4)	38,731
Depreciation and amortization	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Increase	Decrease	Trans. diff.	9/30/19
Operating lease	0	0	0	3,083	0	6	3,090
Property lease	0	0	0	3,083	0	6	3,090
Financial lease	0	3,497	0	423	0	2	3,922
IT and office equipment	0	3,447	0	413	0	0	3,861
Transport equipment	0	50	0	9	0	2	61
Total rights-of-use	0	3,497	0	3,506	0	8	7,011
Total net rights-of-use	0	34,659	580	(3,506)	(3)	(12)	31,719

Lease liability

	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/19
Debts over five years	0	8,000	0	(2,385)	0	5,615
Rental debts	0	8,000	0	(2,385)	0	5,615
Financial lease debts	0	0	0	0	0	0
Debts from one to five years	0	26,305	452	(1,391)	(21)	25,345
Rental debts	0	25,847	452	(1,143)	(21)	25,136
Financial lease debts	0	458	0	(248)	0	209
Total non-current lease liabilities	0	34,306	452	(3,776)	(21)	30,961
Rental debts	0	5,892	129	665	8	6,694
Financial lease debts	0	805	0	(175)	1	631
Total current (less than one year) lease liabilities	0	6,697	129	491	9	7,326
Total lease liabilities	0	41,002	580	(3,285)	(11)	38,286

Guarantees pledged as collateral against these lease liabilities are described in note 17 below.

Impact of IFRS 16 on the consolidated income statement.

The table below sets out the impact of IFRS 16 on each of the items in the half-year income statement.

	Reported 9/30/2019	Impacts IFRS 16 9/30/2019	Excl. impact IFRS 16 9/30/2019
Revenue	194,466	0	194,466
Other revenue	0	0	0
Purchases consumed	5,563	0	5,563
Personnel expenses	136,893	0	136,893
External expenses	24,404	-3,261	27,665
Taxes	2,049	0	2,049
Depreciation and provisions for the year	5,196	3,157	2,039
Other-recurring income and expenses	-342	0	-342
Operating income on ordinary activities	20,702	104	20,598
Customer relations depreciation	785	0	785
Other operating income and expense	-1,273	0	-1,273
Operating income	18,644	104	18,539
Financial income	6	0	6
Cost of gross financial debt	858	-5	863
Cost of net financial debt	852	-5	857
Other financial income and expense	-28	-194	166
Pre-tax profit	17,764	-84	17,848
Income tax expense	8,460	-25	8,485
Net profit	9,304	-59	9,363
Non-controlling interests	0	0	0
Consolidated net profit - Group share	9,304	-59	9,363

Note 10 Other assets

Financial assets consist exclusively of deposits and guarantees.

Other non-current assets consist mainly of deferred tax assets in the amount of €7,296k (€6,046k at 3/31/2019).

Note 11 Current assets

Trade and other receivables	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/2019
Receivables	91,979	0	5,256	(14,074)	165	83,326
Invoices to send	39,823	0	112	5,112	30	45,078
Gross value	131,802	0	5,369	(8,962)	195	128,404
Depreciation and amortization	(1,381)	0	0	19	(5)	(1,367)
Net book value	130,420	0	5,369	(8,943)	190	127,037

Wavestone analyzes its trade receivables on a case-by-case basis and recognizes impairment on an individual basis, taking into account the customer's specific situation and delays in payments. Overall, no impairment was recognized over the period.

Other receivables	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/2019
Advances and down-payments	523	0	0	445	2	970
Tax receivables	19,447	0	133	(2,646)	(30)	16,905
Various debtors	1,312	0	45	732	1	2,091
Prepaid expenses	4,427	669	157	156	11	5,421
Gross value	25,710	669	336	(1,313)	(15)	25,386
Trade and other receivables	(18)	0	0	2	0	(15)
Depreciation and amortization	(18)	0	0	2	0	(15)
Net book value	25,692	669	336	(1,311)	(15)	25,371

Cash and cash equivalents	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/2019
Monetary funds - cash equivalents	1	0	0	0	0	1
Cash on hand and bank balances	50,708	0	986	(12,062)	120	39,753
Gross value	50,709	0	986	(12,062)	120	39,754
Depreciation and amortization	0	0	0	0	0	0
Net book value	50,709	0	986	(12,062)	120	39,754

Note 12 Capital

At 9/30/2019, the capital of the Wavestone parent company comprised 20,196,492 fully paid-up shares at €0.025 per unit.

At the same date, the Company owned 325,604 Wavestone shares.

In addition, pursuant to the authorization granted to it by the General Shareholders' Meeting, the Management Board decided at its meeting on 7/2/2019 to freely allocate existing and/or newly issued shares to the Company's executive directors. These free shares vest when the following two conditions are met: the beneficiary has a personal shareholding in the Company and he or she fulfills a performance criterion for certain plans, relating to the achievement of a consolidated operating income on ordinary activities target.

In addition, at that same meeting, the Wavestone Management Board decided to freely allocate existing and/or newly issued shares to salaried staff members or certain categories of employees of the Company and the Group, within the context of the Employee Savings Plan set up by the Company.

Recognition of the respective benefits awarded within the context of these plans, for which a specific provision was written, had an impact on shareholders' equity in the financial statements at 9/30/2019.

Note 13 Provisions

Most of the provisions relate to retirement benefits, which were measured by an independent actuary; proceedings before the labor courts, measured based on legal counsel's estimates of the most probable risk and, if applicable, provisions for trade disputes.

	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Other changes	Increase	Decrease (reversals)		Trans. diff.	9/30/19
						Used	Unused		
Provisions for IFC	14,566	0	0	0	1,774	(311)	(1)	33	16,061
Total long-term provisions	14,566	0	0	0	1,774	(311)	(1)	33	16,061
Provisions for contingencies	4,297	(426)	37	1,196	691	(575)	(111)	11	5,120
Total short-term provisions	4,297	(426)	37	1,196	691	(575)	(111)	11	5,120
Total provisions	18,862	(426)	37	1,196	2,465	(886)	(112)	44	21,180

Changes in provisions for the period had a €(437)k impact on operating income on ordinary activities and a €135k impact on non-recurring operating income.

Sensitivity tests

Tests of sensitivity to the discount rate were performed on the provision for termination benefits.

A 0.25% increase in the discount rate would represent a €782k decrease in actuarial differences (recognized in shareholders' equity) while a 0.25% decrease in the discount rate would represent a €831k increase in actuarial differences.

Note 14 Financial liabilities and net debt

	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/2019
Debts over five years	0	0	0	0	0	0
Bank borrowings	0	0	0	0	0	0
Debts from one to five years	65,703	(458)	0	6,818	0	72,063
Bank borrowings	65,245	0	0	6,818	0	72,063
Financial borrowings (leases)	458	(458)	0	0	0	0
Total non-current financial liabilities	65,703	(458)	0	6,818	0	72,063
Bonds	0	0	0	0	0	0
Bank borrowings	22,605	0	0	5,098	0	27,703
Financial borrowings (leases)	805	(805)	0	0	0	0
Current used banking facilities	116	0	3,175	(1,866)	41	1,466
Accrued interest not yet matured	194	0	0	38	0	232
Total current (less than one year) financial liabilities	23,720	(805)	3,175	3,270	41	29,401
Total financial liabilities excluding current banking facilities	89,306	(1,263)	1,256	10,697	0	99,997
Total financial liabilities	89,422	(1,263)	3,175	10,088	41	101,464

In accordance with IFRS 16, financial leases existing on March 31, 2019 were reclassified as a lease liability as of April 1, 2019.

Breakdown of financial liabilities by rate

Rate	3/31/19		9/30/19	
	fixed	variable	fixed	variable
Non-current financial liabilities	737	64,966	209	71,854
Current financial liabilities	1,061	22,659	141	29,261
Total financial liabilities	1,798	87,625	349	101,115

Assets pledged as collateral against these borrowings are described in note 17 below.

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

The characteristics of the acquisition/refinancing loan are as follows:

- / Nominal: €95,000k
- / Rate: variable (Euribor + margin)
- / Maturity: 1/20/2022
- / Date of issue: 1/7/2016

Features of the Acquisitions loan:

- / Nominal: €15,000k
- / Rate: floating (Euribor + margin)
- / Maturity: 7/20/2021
- / Date of issue: 4/19/2018

Characteristics of the 2018 loan for acquisitions:

- / Nominal: €22,820k
- / Rate: variable (Euribor + margin)
- / Maturity: 1/20/2022
- / Date of issue: 11/14/2018

Change in net cash/debt:

Cash and cash equivalents	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/2019
Cash equivalents with historical value	1	0	0	0	0	1
Cash on hand and bank balances	50,708	0	986	(12,062)	120	39,753
Current used banking facilities	(116)	0	(3,175)	1,866	(41)	(1,466)
Total cash net of overdrafts	50,592	0	(2,189)	(10,196)	79	38,287
Change in fair value of cash equivalents	0	0	0	0	0	0
Consolidated cash	50,592	0	(2,189)	(10,196)	79	38,287
Financial liabilities excluding current banking facilities	89,306	(1,263)	1,256	10,697	0	99,997
Net financial cash/(debt)	(38,714)	1,263	(2,189)	(22,149)	79	(61,710)

Note 15 Other liabilities

	3/31/19	Implementation of IFRS 16	Change in the scope of consolidation	Change	Trans. diff.	9/30/2019
Other non-current liabilities						
Tax and payroll liabilities	170	0	0	371	0	540
<i>O/w tax liabilities</i>	170	0	0	371	0	540
other liabilities	1,365	0	0	2,578	72	4,014
Total	1,535	0	0	2,948	72	4,555
Current liabilities						
Trade and other payables	19,381	(3,952)	899	(1,140)	18	15,206
Tax and payroll liabilities	81,369	0	719	(15,595)	40	66,533
<i>O/w tax liabilities</i>	37,027	0	114	(3,404)	7	33,744
<i>O/w payroll liabilities</i>	44,342	0	604	(12,191)	33	32,789
Other current liabilities	22,851	(1,312)	791	2,984	131	25,445
<i>O/w suppliers of fixed assets</i>	1,988	0	0	(1,946)	0	42,000
<i>O/w other liabilities</i>	9,454	0	791	3,564	122	13,932
<i>O/w deferred income</i>	11,409	(1,312)	0	1,366	9	11,472
Total	123,601	(5,264)	2,409	(13,750)	189	107,184
Total other liabilities	125,136	(5,264)	2,409	(10,802)	260	111,739

Note 16 Financial instruments

Wavestone's financial instrument portfolio is made up of:

- / Holdings in SICAV money-market funds, all of which are indexed to EONIA, and are thus risk-free;
- / Treasury stock;
- / Currency futures contracts;
- / Cross-currency swaps;
- / Interest rate hedges (caps).

Accounting classification and fair value of financial assets and liabilities

	Instrument category						Fair value			
	Derivatives qualified as hedging	Financial assets recorded at fair value through			Assets	Liabilities	Level 1	Level 2	Level 3	Fair value
		income	capital share	at cost amortized	financial	financial	Price listed	Model internal with	Model internal with parameters	
					at cost	at cost	over one market assets	parameters observable	not observable	
Value net in the statement										
At 9/30/2019										
Equity instruments	0	0	0	0	0	0	0	0	0	0
Financial assets at amortized cost and financial receivables	0	0	0	2,026	0	2,026	0	2,026	0	2,026
Derivative instrument assets	417	0	0	0	0	417	0	417	0	417
Financial current accounts	0	0	0	0	0	0	0	0	0	0
Cash equivalents	0	1	0	0	0	1	1	0	0	1
Cash on hand and bank balances	0	39,753	0	0	0	39,753	39,753	0	0	39,753
Total assets	417	39,754	0	2,026	0	42,197	39,754	2,443	0	42,197
Bond loans	0	0	0	0	0	0	0	0	0	0
Bank loans	0	0	0	0	99,997	99,997	0	99,997	0	99,997
Financial debt (including leases)	0	0	0	0	841	841	0	841	0	841
Current used banking facilities	0	0	0	0	1,466	1,466	1,466	0	0	1,466
Derivative instrument liabilities	1,338	0	0	0	0	1,338	0	1,338	0	1,338
Financial current accounts	0,000	0	0	0	0	0	0	0	0	0,000
Total liabilities	1,338	0	0	0	102,305	103,643	1,466	102,176	0	103,643

	Instrument category						Fair value			
	Derivatives qualified as hedging	Financial assets recorded at fair value through		Assets	Liabilities	Value net in the statement	Level 1	Level 2	Level 3	Fair value
		income	capital	financial	financial		Price	Model	Model	
		share	at cost	at cost	at cost		listed	internal	internal with	
over one	with	not	parameters	market	parameters	observable	observable			
At 3/31/2019										
Equity instruments	0	0	0	0	0	0	0	0	0	0
Financial assets at amortized cost and financial receivables	0	0	0	2,030	0	2,030	0	2,030	0	2,030
Derivative instrument assets	195	0	0	0	0	195	0	195	0	195
Financial current accounts	0	0	0	0	0	0	0	0	0	0
Cash equivalents	0	1	0	0	0	1	1	0	0	1
Cash on hand and bank balances	0	50,708	0	0	0	50,708	50,708	0	0	50,708
Total assets	195	50,709	0	2,030	0	52,934	50,709	2,225	0	52,934
Bond loans	0	0	0	0	0	0	0	0	0	0
Bank loans	0	0	0	0	88,043	8,804	0	88,043	0	88,043
Financial debt (including leases)	0	0	0	0	1,263	1,263	0	1,263	0	1,263
Current used banking facilities	0	0	0	0	116	116	116	0	0	116
Derivative instrument liabilities	1,338	0	0	0	0	350	0	350	0	350
Financial current accounts	0	0	0	0	0	0	0	0	0	0
Total liabilities	350	0	0	0	89,422	89,772	116	89,656	0	89,772

Note 17 Off-balance sheet commitments

Commitments given	Total amount		At more than one year		
	At 9/30/2019	Due 1 year or more	And 5 years or more	More than five years	
Approvals and guarantees	1,955	632	0		1,323
Pledges	118,257	0	118,257		0
Operating lease commitments	6,814	2,986	3,828		0
Total	127,026	3,618	122,085		1,323
Commitments received					
Approvals and guarantees	2,892	1,754	0		1,138
Unused credit lines ⁽¹⁾	21,780	16,780	5,000		0
Liability guarantees ⁽¹⁾	29,741	0	29,741		0
Total	54,413	18,534	34,741		1,138

(1) o/w sequestered account of €3,541k and insurance policy (Kurt Salmon transaction) of €15,000k.

The €118,257k in pledges concern Wavestone Advisors shares, intra-group debt held by Wavestone Advisors and its subsidiaries and any receivables arising from the exercise of liability guarantees related to this acquisition. These assets were pledged to the banks as collateral to cover the €100,138k loans and the confirmed lines of credit of €21,780k granted by these banks. These commitments mature in 2022.

Following implementation of IFRS 16, the amount of off-statement of financial position commitments for property leases is now booked and no longer appears in the table above. Concerning property leases, now under lease liabilities:

- / The lease in the United States is covered by an unlimited guarantee from Wavestone SA which would substitute for Wavestone US should it fail to meet its commitments to its lessor.
- / The lease in the United Kingdom is covered by an unlimited guarantee from Wavestone SA which would substitute for Wavestone Advisors UK should it fail to meet its commitments to its lessor.
- / The lease in Luxembourg is covered by a first-demand rental guarantee from a bank in the amount of €173k granted to Wavestone Luxembourg in return for a pledge agreement in the same amount, maturing in 2024.
- / Leases in Belgium are hedged through a bank rental guarantee of €60k, maturing in 2023, and of €28k maturing in 2028.

Wavestone's liability guarantees arose from the acquisitions carried out during the 2014/15, 2015/16, 2018/19 and 2019/20 fiscal years.

Commitments given	Total amount		At more than one year	
	At 3/31/2019	Due 1 year or more	And 5 years or more	More than five years
Approvals and guarantees	2,088	887	0	1,201
Pledges	97,594	0	97,594	0
Operating lease commitments	44,097	7,550	29,483	7,064
Total	143,780	8,438	127,078	8,264
Commitments received				
Approvals and guarantees	2,796	1,751	0	1,045
Unused credit lines ⁽¹⁾	45,000	45,000	0	0
Liability guarantees ⁽¹⁾	26,373	0	26,373	0
Total	74,169	46,751	26,373	1,045

(1) o/w sequestered account of €1,282k and insurance policy (Kurt Salmon transaction) of €15,000k.

Note 18 Related-party transactions

None.

Note 19 Subsequents events

On November 26, 2019, Wavestone received a rectification proposal following a tax control for the fiscal years ending March 31, 2016, March 31, 2017 and March 31, 2018. The French tax administration estimated that three projects are not eligible for the French research tax credit and is envisaging a rectification of a total amount of €618k. Assisted by specialized advisors, the firm considers it has the necessary arguments to justify the eligibility of these projects and intends to contest the French tax administration's position. In this respect, an observation letter is to be sent within the requested time-frame. Other items concerned by the rectification proposal were accepted. Their amount is not significant.

Note 20 Risk factors

Risk factors are detailed in note 24 to the consolidated financial statements included in the 2018/19 registration document.

Statutory Auditors' Review Report

Statutory Auditors' Review Report on the 2019 Half-year Financial Information Period from April 1 to September 30, 2019

This is a free translation into English of the Statutory Auditors' review report issued in French and it is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting and in accordance with the requirements of article L.451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- / the review of the accompanying condensed half-year consolidated financial statements of WAVESTONE, for the period from April 1 to September 30, 2019;
- / the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to note 9 to the condensed half-year consolidated financial statements, regarding the impact of the first implementation of IFRS 16.

2. Specific verification

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

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

Paris – La Défense, December 3, 2019

The Statutory Auditors

French original signed by

**AUDITEURS & CONSEILS
ASSOCIES
ACA NEXIA**

Sandrine GIMAT

MAZARS

Paul-Armel JUNNE
