# INTERIM FINANCIAL REPORT
## 30 JUNE 2019

altran

# 1 SIGNIFICANT EVENTS OVER THE PERIOD

# 1.1__ Project to acquire Altran Technologies by Capgemini

On 24 June, Capgemini, world global leader in consultancy, IT services and digital transformation, and Altran Technologies, global leader in ER&D, announced that they have entered into an agreement for exclusive negotiations whereby Capgemini is to acquire Altran through a friendly takeover bid at €14.00 per Altran share, payable in cash. The total amount of the transaction will stand at €3.6 bn, before taking into account the net financial debt of approximately €1.4 bn.

The agreement was unanimously recommended by the Capgemini and Altran Boards of Directors.

Furthermore, on July 2, 2019, Capgemini acquired 29,378,319 Altran shares from shareholders organised around Apax Partners, representing 11.43% of the share capital.

On August 11,2019 Capgemini and Altran signed the tender offer agreement which sets the terms and conditions of the proposed acquisition.

# 1.2__ Cyber-attack

End of January 2019, Altran was the target of a cyber-attack affecting operations in several European countries.

The impact on revenues, mostly in the first quarter, and is estimated to €15m, mostly in Western and Central Europe. The bench (unutilized resources) linked to the cyber-attack, as well as the remediation costs, amounted to €19m in the first half. All these costs have been booked as Non-Recurring Expenses, as being both significant in amount and exceptional by nature. Some remediation costs, expected to be marginal, will still occur and be booked in the second half of the year.

During the course of the second quarter, the Insurance funded Altran with an advance payment of €3m based on the preliminary report of damages and as a partial anticipation of the full damage compensation.

This insurance proceed has been booked under Non-Recurring income. As a consequence, the H1 net impact of the cyber-attack Non-Recurring Expenses is a €16m loss.

Altran is expecting insurance refunds to take place before year end.

The net impact on the Group's full-year operating income is still expected to be negative and marginal, owing to this insurance coverage.

# 2 HALF-YEAR ACTIVITY REPORT

# 2.1 Group Performance

## 2.1.1 Income analysis for the first half of 2019 and the first half of 2018

Financial information relating to the first half of 2019 includes the impacts of the implementation of IFRS 16 "Leases" compared with those of the first half of 2018.

The table below shows the Group's financial performance for the first half of 2019 and the first half of 2018.

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 | % |
|---|---|---|---|
| Revenues | 1,594.0 | 1,372.7 | +16.1% |
| Net operating expenses | (1,415.8) | (1,234.2) | +14.7% |
| **Operating margin** | **178.2** | **138.5** | **+28.7%** |
| % of revenues | 11.2% | 10.1% | 1.1 pt |
| Other operating expenses | (84.3) | (69.9) | +20.6% |
| **Operating income** | **93.9** | **68.6** | **+36.9%** |
| Net financial expenses | (44.6) | (53.8) | -17.1% |
| Income tax | (15.8) | (5.0) | +216.0% |
| **Net income before discontinued operations** | **33.5** | **9.8** | **+241.8%** |
| Net income from discontinued operations | 0.0 | (0.2) | n.a. |
| Non-controlling interests | (0.3) | (0.1) | n.a. |
| **NET INCOME (GROUP SHARE)** | **33.2** | **9.5** | **+249.5%** |
| Earnings per share *(in euros)* | 0.13 | 0.05 | |
| Diluted earnings per share *(in euros)* | 0.16 | 0.05 | |

The impacts of the implementation in 2019 of IFRS 16 on the Group's income statement were not particularly significant:

- the operating margin improved by 0.3 point; and
- the impact on the net profit was -€1.7m.

### 2.1.1.1 Revenues

#### Growth in revenues

In the first half of 2019, the Group's consolidated revenues was up €221.3m (or +16.1 %), rising from €1,372.7m to €1,594.0m.

This increase in revenues partially stems from the effect of changes in consolidation scope of +7.7% related to the acquisition of Aricent on March 20, 2018. The impact of the disposal in early 2019 of Altran Aviation Consulting, a German player in the AÜG business (temporary work) for the aeronautical industry and which had achieved revenues of €5.4m in the first half of 2018, is not particularly significant.

The reported growth was also driven by changes in the foreign exchange rate (+1.0%), mainly due to the strengthening of the US dollar against the euro (7.1%) based on average foreign exchange rates for the first half of 2019 compared with average exchange rates in the first half of 2018.

The Group generated organic growth of +7.4% over the period. It is calculated as follows: Reported growth less (i) the effects of consolidation scope changes as a result of acquisitions and disposals or discontinued activities as well as (ii) the effects of changes in foreign exchange rates.

| **Reported growth** | **16.1%** |
|---|---|
| Scope impact | 7.7% |
| Foreign exchange rate impact | 1.0% |
| **ORGANIC GROWTH** | **7.4%** |

Reported growth was also affected by fewer weighted working days in the first half of 2019, which amounted to 123.9 days, compared with 125.3 days in the first half of 2018 (i.e. down 1.1%).

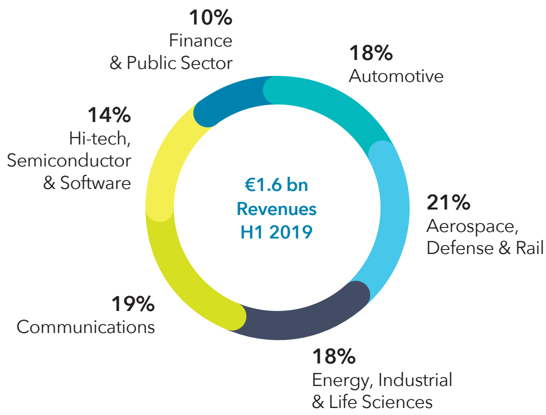
Economic growth, which corresponds to organic growth, restated for the working days effect, stood at +8.5% for the first half of 2019.

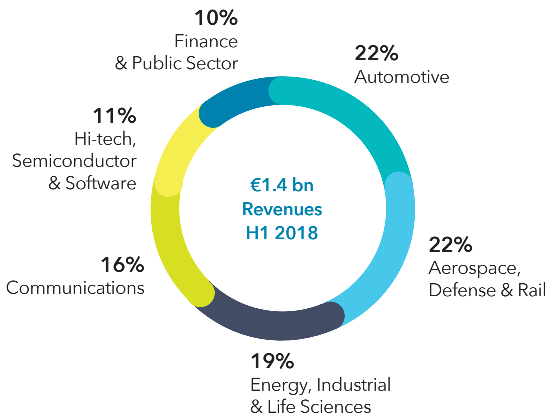
| **Organic growth** | **7.4%** |
|---|---|
| Working days impact | -1.1% |
| **ECONOMIC GROWTH** | **8.5%** |

2

## Breakdown of revenues by type of industry *

The diagram below breaks down revenues by industries for the first half of 2019 and the first half of 2018, according to the new industry segmentation used by the Altran group following the acquisition of Aricent.




* *Unaudited indicative data.*

### *Communications*

The Communications industry has reached an inflection point for both Network Operators and Network Equipment Suppliers:

- revenue growth from existing services and products is slowing. At the same time, both network operators and solution developers need to invest heavily in the next generation of services if they are to regain their target growth rates, with digitization and connectivity now touching all B2B segments. As a result, all Communications players are looking for agility, flexibility and efficiency at scale to face a very competitive market, still under consolidation (e.g. Sprint & T-Mobile US merger);
- the market players are accelerating Cloud Solutions, Network Virtualization, SD-WAN introduction as foundations of Next Generation networks and preparing for the massive launch of 5G/IoT. The 5G market is slowly rising now in Europe and Middle East, following 5G launches in US, South Korea and China where it is more established.

Altran has positioned its services to address both trends with its extensive experience and capabilities enabling the Group to provide end-to-end solutions.

Similarly, Altran is also well positioned to help service and solution providers implement the next generation of services in a cost effective manner. This positioning includes skilled resources, a partner ecosystem and a global services model that in combination can accelerate the introduction of 5G, Cloud Infrastructure and a range of services enabling Digital Transformation.

Altran's strategy led to commercial successes in the first half of 2019: in the US, the Group signed a master service agreement with a Tier-1 Communication Service Provider (CSP) to support and reinforce their India Development Center.

In Europe, Altran is expanding its partnership with Vodafone group started in 2018 with Italy to support 5G use case development: the Group is now supporting the 5G journey with Spain thanks to its cross-industry expertise. frog design also became a strategic partner of a Tier-1 European CSP with a team of designers with user experience (UX) and user interface (UI) capabilities supporting the design factory of the client to deliver B2C and B2B projects for internal customers.

Finally, Altran has signed a framework agreement with a Tier-1 Network Equipment Provider (NEP) to provide services accross multiple software products including Cloud, SBC, AAA, Payment applications, and Altran has set-up an offshore engineering center for delivering these services from India.

### *Hi-tech, Semiconductor & Software*

***Semiconductor & Electronics***

In the first half of 2019, demand for integrated circuits (IC) design services remained steady as growth continued to be constrained by limited availability of quality, experienced resources in India delivery centers. Expansion into other geographies such as China and Malaysia is underway to mitigate the impacts of the resource shortage and to establish footholds for domain growth in other semiconductor areas. 'System' software (e.g. firmware, drivers, etc., needed to design a chip for application development) is becoming an outsourcing priority for semiconductor companies, particularly in industry leaders, as software becomes more crucial to their go-to-market differentiation. Altran continues to establish a reputation as the 'go-to' ER&D provider for derivative and legacy IC generations, and its share of chip-design projects focused on disruptive, next-gen technologies, such as 5G, IoT, Artificial Intelligence (AI)/Machine Learning (ML), Augmented Reality (AR)/Virtual Reality (VR) and automotive platforms (e.g., ADAS and V2X), continues to grow.

In the first half of 2019, Altran won strategic projects that strengthened existing partnerships and leveraged its cross-vertical expertise:

- Altran signed a multimillion dollars multi-year deal with a global semiconductor leader to provide 3G, 4G, 5G software engineering services for next-gen, derivative and legacy ICs;
- Altran was signed by Europe's largest semiconductor chip company as a new strategic partner for automotive chip-design services in a new India offshore development center.

Altran also sharpened its focus on its Electronics business including: semiconductor manufacturing and test equipment; industrial manufacturing and test equipment; smart building and IoT; consumer electronics and enterprise electronics. The correction in progress in the Semiconductor vertical has negatively impacted capital equipment spending in semiconductor manufacturing equipment markets, but long-term IC demand is expected to remain strong. All subsegments are being targeted for strategic growth, with new solutions for digital transformation of products and operations, embedded platforms, industrialization and manufacturing, lifecycle optimization, and customer experience design and strategy, many of which will leverage the expertise of Altran Next Core Services for Advanced Manufacturing, IoT Solutions and frog design.

Electronics wins over the period included:

- developing a material handling qualification stand for the industry leader in semiconductor manufacturing equipment; and
- a new opportunity to optimize user experience for the global leader in materials handling.

***Software & Internet***

Altran is well positioned to respond to talent scarcity issues in software thanks to its footprint stemming from the combination of Lohika, acquired in 2016, which enabled the Group to grow substantially and to win a large number of contracts with companies financed by Silicon Valley venture capital and Aricent which broadened Altran offer in the Software & Internet sector. Altran is now in a position to address all market players, from start-ups to large software companies and GAFAM.

The fast paced transition to Software-As-A-Service (SaaS) and Platform based business models continue to drive increasingly higher R&D spend for Software & Internet companies globally. The rise of the Digital Consumer now cuts across all industries and countries. Many of our clients see continued strong demand for design lead digital engineering services to drive ever more pervasive user experiences for consumers.

Altran is ideally suited to capture today and tomorrow's strong market demand by helping clients with strategy, design, software innovation as well as managed digital services. The combination of the unique assets of Lohika, frog design, Tessella provides the Group with an edge to engage with clients very early in their product life cycles as such becoming a true strategic partner.

Altran's growth is driven by strong investments from Venture Capital and Private Equity companies into Software & Internet companies. This trend is significant and rapidly broadens the overall addressable market for the Group. Many of Altran's Venture Capital backed companies have seen tremendous market traction for their SaaS or Digital Services offerings, often displacing incumbent traditional Software & Internet companies.

Altran's growth is also sustained across smaller, mid-size and very large Software & Internet companies.

Altran continued to partner with the world leader in enterprise-class IT solutions to support their transformation. In the first half of 2019, Altran won four projects, a combination of new contracts and renewals, to support virtual private cloud infrastructure build-out, virtual private networking, and master cloud management (cloud brokerage).

*Automotive*

In the Automotive sector, R&D spending continued to increase to further strategic areas such as connectivity technologies, autonomous vehicles, transition from combustion to electric engines, and the design and development of car-derived utility vehicles. The market momentum also benefits from the change in industrial processes (IoT), standardization of vehicle architectures, platform development.

Similarly to 2018, the Altran automotive activity was bolstered during the first half of 2019 by these trends, with a strategic focus on the following areas:

- the autonomous car and connectivity technologies, with strengthened skills around Vehicle to X connectivity, user experience, artificial intelligence, machine learning, man-machine interface, cybersecurity, functional safety, or digital services.

  During the period, the Group won a project for a German carmaker around fully connected car, developing test scenarios including virtual test cases, test bench and real car tests for key online functions. The Group also developed for a European carmaker virtual and full scale tests for ADAS functions/components and, for CNH Industrial, a project on a parametric seating buck, a virtually integrated device that can provide an immersive ambient to study the design and interact with the virtual machine (evaluating efficiency, visibility, and human performance);
- electrical mobility to respond to the ever-greater obligations to reduce $CO_2$ emissions; helping our customers to get ahead in the e-mobility race, providing expertise and safety compliant electrification design for both passenger cars and commercial and special vehicles.

  In the first half of 2019 the Group won a project to develop and validate the battery systems of a French carmaker by using the Group's Industrialized GlobalShore® solution for a 3 years duration; and
- the development of complete vehicles, supported by a joint-venture with Magna International. Altran had some successes in the first half of 2019 nominated by a major German Original Equipment Manufacturer (OEM) as one of the key suppliers for Class A surfacing for complete automotive interiors and exteriors. The Group was chosen to develop a system for passenger protection for a European carmaker.

### *Aerospace, Defense & Rail*

***Aeronautics***

The entire aerospace industrial system is adapting to a record projected aircraft production for the next 10 years. Aerospace manufacturers are under increasing pressure to produce innovative designs and ramp up production in response to the increasing market demands. Despite the lack of new programs, the optimization of operating conditions forces them to invest in R&D, particularly in digitization.

Altran's unique position on the whole value chain, from design to production, including digitization, provides us with opportunities with the sector's main customers specifically in their digital transformation.

Technological breakthroughs also favor Altran which, thanks to R&D investments in key technologies such as the IoT, 5G, drones, artificial intelligence, Analytics, Green etc., is well positioned at aircraft and equipment manufacturers. The Group's activities in digitization continued to grow significantly in in the first half of 2019.

The Industrialized GlobalShore® model also took part in the growth in the first half of 2019. Automotive successes in recent years had an impact on clients in Aeronautics and an increasing number of projects are being delivered from our Global Engineering Centers in Tunisia, India or Morocco.

***Space, Defense & Naval***

The Space sector is increasingly attractive, supported by the growing demand for new satellite systems, nanosatellites and launchers. The main countries such as the United States, China, Russia, India and the European Union are massively investing in these new technologies.

For some years now, the global Defense and Security market has seen strong growth, which is encouraging the major military manufacturers to invest in digitization and cybersecurity solutions.

The Naval industry is a booming market with strong demand for shipyard production, smarter, digitalized, autonomous etc. Naval Group and Fincantieri joint venture illustrates the trend to move to a strong European Naval industry more efficient and innovative.

During the first half, Altran's business remained steady in those three industries with its positioning focused on the modernization of products and services, against a backdrop of increased demand and digitization.

***Rail, Infrastructure & Transportation***

The rail industry has seen steady growth in train manufacture and refurbishment, as well as rapid growth in digitization and advanced signaling:

- Rail OEM are under pressure to compete on quality and cost in an expanding market. Altran is well positioned with these clients on Train Design Innovation services. In the first half of 2019 Altran has been selected by a Rail OEM to provide a nearshore train design service for new and legacy trains;
- Rail Operators are investing in Smart Mobility. Altran is finely placed with world class expertise in all of these topics. In the first half of 2019 Altran has been selected by a Rail Operator to provide a significant part of its Safety, Technical and Engineering function, and by another Rail operator for the redesign of the train station to put the passenger experience at the core.

### *Energy, Industrial & Life Sciences*

***Energy***

The Energy industry is rapidly being disrupted by anticipated changes in energy sources, consumption levels and the digital transformation of its entire value chain.

In the first half of 2019, Altran focused on nuclear and wind sectors providing end-to-end engineering services leveraging its global engineering centers and key expertise such as project management and owner's engineering, system engineering, design-to-cost approach and dedicated offers for nuclear. The Group continued to push digitalization through the launch of a dedicated offer for the digitalization of operations of utilities.

Despite an underlying market that is globally not particularly dynamic, the Group won several projects in the first half 2019, and particularly:

- Altran won a digital twin project for a leading energy manufacturer to enable self-learning around real-life testing, based on running the self-driving algorithms for applications like maintenance, sales training and operation for each individual turbine;
- Siemens-Gamesa announced Altran as a Category A – preferred Supplier and key strategic partner to strengthen cooperation and setting expectations in several countries in engineering and Digital activities;
- for a major European energy utility Altran has been engaged for a user-experience vision for the future of the smart institution platform in the US, which ladders up to the clients zero net carbon as a service offering;
- a nuclear player has chosen Altran to deploy the first asset tracking solution for the first of its manufacturing site where are designed and manufactured some key components of nuclear reactors; and
- Altran has been awarded as MindSphere partner of Siemens to offer end-to-end digital twin capability, thus providing for a wide range of connected manufacturing solutions based on data insights from advanced engineering analytics. Altran will provide application development and management for MindSphere, to support clients and offer analytical services such as predictive maintenance and energy monitoring.

***Industry & Consumer Goods***

In the first half of 2019, the Industry of Consumer Goods sector tracked above market growth and Altran formalized its focus in this vast market with 3 specific segments:

- the Industry sector is growing largely through investments in Industry 4.0 technologies to drive smart manufacturing and automation. Other growth comes from advanced robotics and AI, as they become more commonplace drivers of deep transformation of equipment manufacturing and from metal additive manufacturing as 3D printing matures from prototyping to use in mass production. In the first half of 2019, Altran won a deal from a world-leading manufacturer of industrial tools and equipment for an automated testing controller compressor room. Altran will also help the global leader in postage meters and mailing equipment and services deploy new apps for small and midsize business customers and develop, maintain and QA payment solutions. Both projects will leverage a combination of on-site and offshore teams;

- strong growth continued in industrial IoT as smart, connected devices become more mainstream across various industrial markets. IoT is also boosting demand for embedded systems with sensors (the fastest growth segment), growing use of 5G as unified connectivity standard, and edge computing to drive low cost hardware;
- Consumer Goods continues to prioritize digital experience as a key strategy for differentiation. In response, Altran is developing expanded offers in customer experience design and strategy leveraging frog design.

#### *Life Sciences*

Increased demand for innovation and demonstrated value, use of new technologies and an ever changing regulatory environment are some of the key challenges faced by the sector. In the first half of 2019, increased spending on R&D in the Life Sciences sector was sustained by digital transformation and especially of production sites, the reinforcement of investments in the digital health segment and the significant need for AI and data analysis. Furthermore, the push for the market to outsource non core activities continues to grow (e.g. for quality assurance processes or regulatory affairs).

Altran has developed high value Life Sciences solutions to support its clients in their digital transformation and the optimization of their compliance activities, leveraging the strengths of its Next Core entities frog design, IoT Solutions, Analytics and Advanced Manufacturing (Digital therapeutics, Digital transformation of Manufacturing, Compliance transformation and Managed services, etc).

In the first half of 2019, Altran has strengthened its position with global Life Sciences leaders, by continuing its commitment to transformation projects and the reinforcement of its quality assurance and regulatory affairs capabilities in its near and offshore locations, creating strong partnerships in the digitalization of industrial operations and digital health.

In particular, a partnership has been signed with the Public Hospitals of Paris and echOpen to design and develop a functional low-cost and open source echo-stethoscope connected to a smartphone.

Furthermore, Altran has reinforced its footprint in North America to fully support its clients' global product and project initiatives.

#### *Finance & Public Sector*

Financial institutions are setting up new operational models, investing in emerging technologies and gradually morphing into technology companies, particularly by reinventing the user experience.

For its Finance & Public Sector clients, Altran has developed three service offerings to best meet these new challenges:

- core business solutions and regulatory compliance: the Group supports its clients to become regulatory compliant with more efficiency and with better risk management, in particular by integrating core business solutions in IT systems, developing specific public administration solutions, putting procedures in place to protect against financial crime and money laundering, auditing risk management processes and performing robustness tests on critical IT systems;
- digital transformation: Altran partners with its customers to reinvent the customer journey and experience and to leverage client data through design thinking, advanced data analytics techniques, IoT solutions, robotic process automation and the application of Blockchain technology;
- operational excellence: Altran supports its clients in streamlining their operations thanks to flexible commitment models that can improve efficiency while reducing operating costs, by offering lean management and process optimization services, Product Lifecycle Management (PLM) and outsourcing services based on the Industrialized GlobalShore® model.

### 2.1.1.2 Net operating expenses

Net operating expenses for the period break down as follows:

| *(in millions of euros)* | **1st half of 2019** | **1st half of 2018** |
|---|---|---|
| Cost of revenues | (1,137.9) | (995.6) |
| *o/w amortization of large software deals* | *(15.4)* | *(7.3)* |
| SG&A | (277.9) | (238.6) |
| **NET OPERATING EXPENSES** | **(1,415.8)** | **(1,234.2)** |

The table below provides details of net operating expenses for the first half of 2019 and the first half of 2018, by type of operating expense.

| *(in millions of euros)* | 1st half of 2019 Service cost | 1st half of 2019 SG&A | 1st half of 2019 Total | 1st half of 2018 Service cost | 1st half of 2018 SG&A | 1st half of 2018 Total |
|---|---|---|---|---|---|---|
| Other income from operations | 44.4 | 0.7 | 45.1 | 37.1 | 0.0 | 37.1 |
| Cost of goods and services sold | (20.6) | (4.3) | (24.9) | (15.7) | (3.3) | (19.0) |
| Change in work in progress | 0.9 | 0.0 | 0.9 | 0.4 | 0.0 | 0.4 |
| External expenses | (212.4) | (60.6) | (273.0) | (203.7) | (69.0) | (272.7) |
| Personnel costs [(a)] | (905.8) | (183.0) | (1,088.8) | (795.9) | (152.1) | (948.0) |
| Taxes and duties | (0.6) | (2.3) | (2.9) | 0.0 | (2.3) | (2.3) |
| Net depreciation, amortization and provisions [(a)] | (38.7) | (26.2) | (64.9) | (14.2) | (8.3) | (22.5) |
| Other operating expenses | (5.1) | (2.2) | (7.3) | (3.6) | (3.6) | (7.2) |
| **COST OF REVENUES** | **(1,137.9)** | | | **(995.6)** | | |
| **SG&A** | | **(277.9)** | | | **(238.6)** | |
| **NET OPERATING EXPENSES** | | | **(1,415.8)** | | | **(1,234.2)** |

(a) Excluding the impact of share-based compensation not covered by the definition of net operating expenses.

## Other income from operations

Other income from operations mainly comprises operating grants (including the French research tax credit – *crédit impôt recherche*) and self-constructed assets. In the first half of 2019, these were up €8.0m (or +21.6%), rising from €37.1m to €45.1m. This increase mainly concerns West Europe and, to a lesser extent, the impact of the scope changes with the consolidation of Aricent over a full half-year in 2019.

## Cost of goods services sold

Cost of goods and services sold mainly comprises purchases not held in inventory, including materials, supplies and project equipment. These were up €5.9m (or +31.1%), rising from €19.0m for the first half of 2018 to €24.9m for the first half of 2019.

## External expenses

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 | Variation |
|---|---|---|---|
| Revenues | 1,594.0 | 1,372.7 | +16.1% |
| Total external expenses | (273.0) | (272.7) | +0.1% |
| % of revenues | 17.1% | 19.9% | -2.8 pts |
| *o/w outsourcing* | *(115.3)* | *(102.8)* | *+12.2%* |
| % of revenues | 7.2% | 7.5% | -0.3 pt |

External expenses were up by €0.3m (or +0.1%) over the period, rising from €272.7m in the first half of 2018 to €273.0m in the first half of 2019. The stability of the external expenses is due to the cancellation of rent expenses for €35.3m during the first half of 2019 resulting from the implementation of IFRS 16 "Leases", offset by the increase in external expenses relating to the impact of changes in scope with the consolidation of Aricent over a full half-year in 2019.

The ratio of outsourcing on revenues decreased by 0.3 point, as outsourcing was less used particularly in Central Europe, where an action plan was implemented to optimize the margin.

The variation in external expenses by type can be explained as follows:

- operating leases and associated costs (mainly property leases) amounting to -€27.3m resulting from the implementation in 2019 of IFRS16;
- outsourcing expenses amounting to +€12.5m;
- transportation and travel expenses amounting to +€8.9m; and
- other purchases and external services for €5.6m.

### Personnel costs

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 | Variation |
|---|---|---|---|
| Revenues | 1,594.0 | 1,372.7 | +16.1% |
| Personnel costs [(a)] | (1,088.8) | (948.0) | +14.9% |
| % of revenues | 68.3% | 69.1% | -0.8 pt |

(a) Excluding the impact of share-based compensation not covered by the definition of net operating expenses.

Personnel costs were up €140.8m (or +14.9%) over the period, rising from €948.0m in the first half of 2018 to €1,088.8m in the first half of 2019. This increase reflects Group trends in staff levels as well as the impact of the scope variations with the acquisition of Aricent on March 20, 2018.

The table below shows the total headcount at the end of the period as well as the average headcount.

| | 06/30/2019 | 12/31/2018 | 06/30/2018 |
|---|---|---|---|
| Total headcount at end of period | 48,555 | 46,693 | 45,526 |

| | 1st half of 2019 | 2018 | 1st half of 2018 |
|---|---|---|---|
| Average headcount | 47,655 | 43,785 | 41,491 |

At June 30, 2019, the Group had a total of 48,555 employees (up 4.0%), representing an increase of 1,862 employees compared with the year ended December 31, 2018 and up 6.7% (+3,029 employees) compared with June 30, 2018.

On a like-for-like basis, the Group's total headcount was up 4.3% (+1,986 employees) compared with December 31, 2018 and 6.9% (+3,153 employees) compared with June 30, 2018.

The Americas region represents more than half of the growth in the headcount compared with December 31, 2018 (+1,008 employees), this momentum is particularly seen on the Group's near- and offshore platform with an increased headcount of 15.7% in Ukraine and 13.4% in India compared with December 31, 2018.

At June 30, 2019, the Group had an average of 47,655 employees, up 8.8% (i.e. 3,870 employees) compared with the year ended December 31, 2018 and up 14.9% (i.e. 6,164 employees) compared with June 30, 2018. The acquisition of Aricent on March 20, 2018 with the arrival of 11,000 employees explains a greater increase in the average headcount compared with the total headcount.

### Net depreciation, amortization and provisions

Net depreciation, amortization and provisions are reported excluding the impact of share-based compensation not covered by the definition of net operating expenses, (see section 2.1.1.3 "Operating margin").

Net depreciation, amortization and provisions increased by €42.4m, rising from €22.5m for the first half of 2018 to €64.9m for the first half of 2019.

They are comprised of:

- €24.0m of depreciation expenses relating to intangible assets, of which €15.4m for major software contracts;
- €13.3m of depreciation expenses relating to property, plant and equipment including office and IT equipment as well as general installations, fixtures and fittings;
- €31.6m of amortization expenses for usage rights relating to rental debts (IFRS 16);
- €2.4m of net reversals of provisions. A provision relating to the tax adjustment notified in 2014, in respect of a portion of the R&D tax credit for 2011 and 2012, was cancelled following a favourable ruling by the Versailles Administrative Court.

## 2.1.1.3 Operating margin

The operating margin is an Alternative Performance Measure (APM) used, alongside other indicators, to measure the Group's operating performance.

The operating margin is defined as the difference between, on the one hand, revenues, and on the other hand, net operating expenses as detailed in section 2.1.1.2 above "Net operating expenses".

The Group's operating margin was up €39.7m (or +28.7%), rising from €138.5m in the first half of 2018 to €178.2m in the first half of 2019. The operating margin ratio was up 110 basis points, rising from 10.1% to 11.2% over the period. The implementation of IFRS 16, from January 1, 2019, had a positive impact of 0.3 point on the operating margin.

The table below shows the reconciliation between the Group's operating income on ordinary activities and the operating margin for the first half of 2019 and the first half of 2018.

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 |
|---|---|---|
| **OPERATING INCOME ON ORDINARY ACTIVITIES** | **137.6** | **111.3** |
| Share-based compensation | (9.2) | (0.8) |
| *o/w personnel costs* | *(8.3)* | *(2.0)* |
| *o/w depreciation, amortization and net provisions* | *(0.9)* | *1.2* |
| Amortization of intangibles arising from business combinations | (31.4) | (26.4) |
| **OPERATING MARGIN** | **178.2** | **138.5** |

## 2.1.1.4 Other operating expenses

Other operating expenses include share-based compensation items, amortization of intangibles arising from business combinations, as well as non-recurring items likely to alter the understanding of the Group's operating performance.

Other operating income and expenses for the first half of 2019 and the first half of 2018 were as follows:

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 |
|---|---|---|
| Share-based compensation | (9.2) | (0.8) |
| Amortization of intangibles arising from business combinations | (31.4) | (26.4) |
| Restructuring costs | (12.0) | (14.8) |
| Costs and litigations related to acquisitions and legal reorganizations | (5.2) | (27.5) |
| Litigations and miscellaneous | (26.5) | (0.4) |
| **OTHER OPERATING EXPENSES** | **(84.3)** | **(69.9)** |

### Share-based compensation

The total cost of share-based compensation and long-term multi-year share-based compensation plans amounted to €9.2m in the first half of 2019 compared with €0.8m for the first half of 2018 and mainly concerned free share plans set up on June 1, 2016, April 28, 2017 and September 5, 2018.

At the meeting of May 15, 2019, the Board of Directors allocated the maximum number of 1,093,485 free shares in favor of the Group's employees on condition of uninterrupted service (see note 4.4 "Personnel costs" of the consolidated financial statements).

### Amortization of intangibles arising from business combinations

The amortization expense related to the intangible assets arising from business combinations in the first half of 2019 mainly concerns the fixed-term intangible assets recognized upon allocation of the acquisition price of Aricent, for €29.3m, compared with €24.4m for the first half of 2018.

Other amortizations basically concern customer relationships recognized as acquisitions in previous financial years. These amounted to €2.1m, compared with €2.0m in the first half of 2018.

### Non-recurring operating income and expenses

During the period, non-recurring operating income and expenses comprised (see also note 4.6 "Non-recurring operating income and expenses" of the consolidated financial statements):

- a net impact of -€12.0m under restructuring plans (compared with -€14.8m for the first half of 2018) of which -€9.7m in the Europe region and -€2.0m for Aricent;
- costs and litigations related to acquisitions and legal reorganizations of €5.2m (compared with €27.5m in the first half of 2018), of which an expense of €3.4m relating to the acquisition of Aricent (compared with €31.6m in the first half of 2018). In 2018, the balance was comprised of an income of €5.0m related to the confirmation of the positive outcome in the first of half of 2018 of a dispute relating to a previous acquisition; and
- litigations and other non-recurring costs of €26.5m (compared with €0.4m in the first half of 2018) including a net expense of €16.3m related to the cyber attack suffered at the end of January 2019 and an expense of €3.1m related to the result of the disposal of the German entity, Altran Aviation Consulting.

After the cyber attack, some of the Altran engineers were not in a position to work, which generated a "cyber bench". The cost of this bench and the remediation costs were €19.3m in the first half of 2019. It is expected that there will be remediation costs during the second half-year but they should be marginal. During the course of the second quarter, the insurance funded Altran with an advance payment of €3m based on the preliminary report of damages and as a partial anticipation of the full damage compensation. This insurance proceed has been booked under non-recurring income. As a consequence, the H1 net impact of the cyber-attack non-recurring expenses is a €16.3m loss.

### 2.1.1.5 Net income

#### Net financial expenses

Over the period, net financial expenses break down as follows:

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 |
|---|---|---|
| Interest expense on loans | (32.4) | (25.2) |
| Other interest income and expenses | (1.2) | 0.3 |
| **Cost of net financial debt** | **(33.6)** | **(24.9)** |
| Other financial income and expenses | (11.0) | (28.9) |
| **NET FINANCIAL EXPENSES** | **(44.6)** | **(53.8)** |

In the first half of 2019 the cost of net financial debt rose by €8.7m (increasing from €24.9m to €33.6m).

The cost of net financial debt in the first half of 2019 related:

- to interest income of €0.6m (compared with €1.4m in the first half of 2018), from the investment of cash and cash equivalents; and
- to bond-related interest expense and the cost of other financing operations amounting to €34.1m (compared with €26.3m in the first half of 2018), primarily comprising:
  - amortized interest and expenses relating to the Term Loan B of €29.5m, and
  - amortized interest and expenses relating to the €1.4m Revolving Credit Facility (compared with €1.0m in the first half of 2018), and
  - interest on factoring transactions amounting to €1.1m.

Other financial income and expenses changed as follows:

- other financial income decreased by €0.5m during the period, dropping from €5.8m in the first half of 2018 to €5.3m in the first half of 2019, particularly due to the decline in foreign exchange gains (€5.4m in the first half of 2018 compared with €4.3m in the first half of 2019);
- other financial expenses were down €18.4m, decreasing from an expense of €34.8m for the first half of 2018 to a net expense of €16.4m for the first half of 2019. This reduction can be explained mainly by the penalties paid in 2018 following the early repayment of the bonds of €17.2m and the unamortized issue costs of €6.2m. In the first half of 2019, other financial expenses include interest of €5.7m relating to the discounting of debts related to rental debts due to IFRS 16 coming into force.

#### Income tax

The tax expense increased by €10.8m over the period, rising from an expense of €5.0m for the first half of 2018 to one of €15.8m for the first half of 2019. The effective tax rate estimated for financial year 2019 stands at 32%. It includes secondary taxes such as the CVAE in France (contribution on the added value of companies) and the IRAP in Italy.

#### Net income (Group share) and earnings per share

In the first half of 2019, net revenue attributable to the Group rose by €23.7m, increasing from €9.5m to €33.2m. Earnings per share for the first half of 2019 stood at €0.13.

## 2.1.2 Analysis of revenues and operating margin by operating segment for the first half of 2019 and the first half of 2018

In accordance with IFRS 8, the Group discloses the segmentation of its business activity in line with Internal Management Reports reviewed by the Group's Chief Operating Decision Maker (CODM).

Since January 1, 2019, Altran has been operating in Europe through clusters, that is groupings of countries.

The Group's operating segments for the period were as follows:

- Europe:
  - West Europe: France, Belgium, Luxembourg, Morocco and Tunisia,
  - South East Europe: Italy and Switzerland,
  - Iberia: Spain and Portugal,
  - Central Europe: Germany, Austria, Czech Republic, Slovakia and Romania,
  - North Europe: Netherlands, United Kingdom and Scandinavia;
- Americas: North America (including Aricent) and South America, India and Ukraine; and
- Asia: China, Malaysia, Japan and the United Arab Emirates.

France includes the operating subsidiaries and the Group's headquarters (with the management bodies and Group-wide services).

The tables below provide a breakdown of revenues and operating margin by operating segment for the first half of 2019 and the first half of 2018.

| *(in millions of euros)* | 1st half of 2019 | | 1st half of 2018 | | | | |
|---|---|---|---|---|---|---|---|
| | Revenues | % of revenues | Revenues | % of revenues | Variation | Organic growth | Economic growth |
| **Europe** | **1,187.5** | **74.5%** | **1,104.0** | **80.4%** | **7.6%** | **8.1%** | **9.1%** |
| West Europe | 553.7 | 34.7% | 519.1 | 37.8% | 6.7% | 6.7% | 7.5% |
| South East Europe | 148.4 | 9.3% | 133.9 | 9.8% | 10.8% | 10.2% | 11.1% |
| Iberia | 147.1 | 9.2% | 130.2 | 9.5% | 13.0% | 13.0% | 14.8% |
| Central Europe | 148.7 | 9.3% | 144.5 | 10.5% | 2.9% | 7.2% | 8.0% |
| North Europe | 189.6 | 11.9% | 176.3 | 12.8% | 7.4% | 7.6% | 8.1% |
| **Americas** | **388.4** | **24.4%** | **252.2** | **18.4%** | **54.0%** | **3.9%** | **4.9%** |
| **Asia** | **18.1** | **1.1%** | **16.5** | **1.2%** | **9.7%** | **9.1%** | **10.0%** |
| **TOTAL** | **1,594.0** | **100%** | **1,372.7** | **100%** | **16.1%** | **7.4%** | **8.5%** |

| *(in millions of euros)* | 1st half of 2019 | | | | 1st half of 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Revenues | % of revenues | Operating margin | Operating margin *(%)* | Revenues | % of revenues | Operating margin | Operating margin *(%)* |
| **Europe** | **1,187.5** | **74.5%** | **120.2** | **10.1%** | **1,104.0** | **80.4%** | **102.6** | **9.3%** |
| **Americas** | **388.4** | **24.4%** | **58.0** | **14.9%** | **252.2** | **18.4%** | **36.0** | **14.3%** |
| **Asia** | **18.1** | **1.1%** | **0.0** | **-0.1%** | **16.5** | **1.2%** | **(0.1)** | **-0.8%** |
| **TOTAL** | **1,594.0** | **100%** | **178.2** | **11.2%** | **1,372.7** | **100%** | **138.5** | **10.1%** |

## 2.1.2.1 Europe

In the first half of 2019, the Europe's consolidated revenues were up €83.5m (or +7.6%), rising from €1,104.0m to €1,187.5m, representing economic growth of 9.1%. Moreover, the growth includes a scope effect mainly related to the disposal of Altran Aviation Consulting in Germany in January 2019. During the first half of 2018, this entity had generated revenues of €5.4m.

The Group's international acquisition policy, and in particular the acquisition of Aricent finalized during the first half of 2018, reduced the extent of Europe's contribution to the Group's consolidated revenues, in this way reduced from 80.4% in the first half of 2018 to 74.5% in the first half of 2019.

Nevertheless, Europe remained particularly dynamic, driven mainly by:

- the West Europe cluster whose revenues increased by €34.6m (or +6.7%), rising from €519.1m to €553.7m, an economic growth of 7.5% during the first half-year. France is the most dynamic in the region, mainly in the Aeronautics and Energy sectors. In Morocco, Altran has implemented its strong near-shoring development strategy in the Automotive segment and confirmed its ability to diversify through programs in the Life Sciences and Aeronautics segments. The operating margin of the West Europe cluster increased compared with the first half of 2018. In France, the operating margin excluding the holding, held up well and the ratios are progressing in the other countries of the region following plans to optimize projects' margins;
- South East Europe cluster shows a growth of €14.5m, or an economic growth of 11.1% thanks to a strong position in the Communications and Life Sciences segments. The operating margin is stable in particular thanks to the control of indirect expenditures which enables the countries to absorb pressure on prices;
- Iberia, with economic growth of 14.8% driven by strong growth in Portugal, particularly in the Communications segment and Spain's good performance in the Space, Defense & Naval segment;
- the Central Europe cluster driven by economic growth of 8.0%. This growth, together with the transformation plan implemented since 2017, has made it possible to substantially improve the margin, which was breakeven at the end of the first half of 2019; and
- the North Europe cluster achieved economic growth of 8.1% due in particular to a high-added value positioning which in the future will be used as a growth platform for other European countries. Scandinavia and the Netherlands were confronted by a very competitive environment on the recruitment market. Operating difficulties in a transformation context may be added to this. Nevertheless, the decision to structure Europe in clusters enabled a sufficient critical size to be reached to maintain the operating margin at a level close to that of the first half of 2018.

The impact of IFRS 16, implemented since January 1, 2019, is +0.2 point on the operating margin level for the Europe region.

#### 2.1.2.2 Americas

The Americas region mainly groups the United States and India. Their performances should be read together, as a large part of American projects were carried out in India.

In the first half of 2019, the Group's revenues for the Americas region was up €136.2m, rising from €252.2m to €388.4m, or economic growth of 4.9%. Growth in the region includes a scope effect of €114.5m corresponding to the contribution made by Aricent during the first quarter of 2019 (acquisition on March 20, 2018).

This acquisition increased the contribution made by the Americas region to the Group's consolidated revenues, rising from 18.4% to 24.4%.

The acquisition of Aricent substantially increased the activity in the region on the Communications market. Attention paid to the customer, together with operating discipline, during the first half of 2019 enabled the segment to record growth both within Network Equipment Providers (NEP) clients and Communication Service Providers (CSP) clients. The region benefited from continued relations with major international customers in the Communications segment.

The operating margin in the Americas region increased by €22.0m, rising from €36.0 to €58.0m driven in particular by the Group's strong competitiveness stemming from its nearshore base in Ukraine and offshore in India.

The impact of IFRS 16, implemented since January 1, 2019, is +0.5 point on the operating margin level for the Americas region.

#### 2.1.2.3 Asia

In the first half of 2019, revenues for the Asia region were up €1.6m (or +9.7%), rising from €16.5m to €18.1m, and recorded economic growth of 10.0%.

Business in China suffered in the Automotive sector, but recorded good performances in the Semiconductor and Communications sectors.

Between the first half of 2018 and the first half of 2019, the operating margin improved, rising by €0.1m to a balanced position. China improved its profitability but did not manage to offset the downturn in the United Arab Emirates.

Implementation of IFRS 16 did not have any impact on the operating margin in the region.

## 2.2 Financial structure of the Group

The main financing requirements of the Group consist of working capital requirement, capital expenditure (particularly relating to acquisitions), payment of interest expenses on loans and repayment of these loans.

The Group's main source of regular liquidity consists of its cash flows from operating activities. The Group's ability to generate future cash flows from operating activities will depend on its future operating performance, which to some extent depends on economic, financial, competitive, market, regulatory and other factors. The majority of these factors are beyond the Group's control. The Group uses its cash and cash equivalents to finance its daily funding requirements.

### 2.2.1 Free Cash Flow

Free Cash Flow is an Alternative Performance Measure (APM) used by the Company to measure performance. It corresponds to the cash flows generated by Group operations after payment of taxes, investments needed by the Group to carry out its business, and payment of net interest. It represents the cash flow available to repay debt, pay out dividends or carry out specific transactions, in particular growth-related operations.

Free Cash Flow is calculated as follows: operating margin plus depreciation, amortization and provisions plus amortization of rights of use plus current income and expenses without cash impact plus non-recurring expenses with cash impact plus/minus change in working capital requirement minus capital expenditures net of disposals plus or minus changes in payables on fixed assets minus repayment of rental debts minus net interest and financial expense paid minus interest on rental debts minus tax paid.

Free Cash Flow is broken down as follows:

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 | Variation |
|---|---|---|---|
| **Operating margin** | **178.2** | **138.5** | **39.7** |
| Depreciation, amortization and provisions | 33.2 | 25.1 | 8.1 |
| Amortization of rights of use | 31.0 | 0.0 | 31.0 |
| Other P&L items | (0.8) | (0.2) | (0.6) |
| Non-recurring items (cash impact) | (39.1) | (24.4) | (14.7) |
| **Cash flows before net interest expenses and taxes** | **202.5** | **139.0** | **63.5** |
| Change in working capital requirement | (71.4) | (168.8) | 97.4 |
| Net interest and financial expense paid | (34.3) | (105.5) | 71.2 |
| Interest on rental debts | (5.7) | (0.0) | (5.7) |
| Tax paid | (32.3) | (20.1) | (12.2) |
| Repayment of rental debts | (30.2) | (0.0) | (30.2) |
| Capital expenditures | (59.5) | (69.4) | 9.9 |
| *o/w payments of large software deals* | *(31.8)* | *(32.0)* | *0.2* |
| **FREE CASH FLOW** | **(30.9)** | **(224.8)** | **193.9** |
| % of revenues | -1.9% | -16.4% | +14.5 pts |

Free Cash Flow increased by €193.9m between the first half of 2018 and the first half of 2019 to stand at -€30.9m (compared with -€224.8m in the first half of 2018).

During the first half of financial year 2019, the Group continued its plan to improve conversion of revenues into cash initiated during the second half of financial year 2018 which incorporated optimization of invoicing and cash collection, as well as the monetization of receivables (Research Tax Credit in France). This plan played its part in the substantial increase in the Free Cash Flow during the period and made it possible to neutralize the impact on the cash flow of the invoicing delays due to the cyber-attack suffered by the Group in January 2019.

The change in the Free Cash Flow over the period is mainly due to:

- cash flows before net interest expenses and taxes (defined as operating margin increased by depreciation, amortization and provisions, amortization of rights of use, non-recurring income and expenses with cash impact and reduced by current income and expenses without cash impact) standing at €202.5m, up €63.5m compared with the first half of financial year 2018 (and up €32.5m excluding IFRS 16 and the effect of the amortization and depreciation of rights of use relating to rental debts);
- an increase of the change in the working capital requirement of €97.4m over the period, mainly due to:
  - the effect of the Aricent transaction on the change in working capital of about -€31.0m in the working capital in the first half of 2018,
  - benefits from the cash conversion plan, including monetization in the first half of 2019 of the Research Tax Credit refunds in France relating to financial year 2018 of €34.3m,
  - partially offset by organic growth of revenues in the second quarter of 2019 of +6.8% (compared with +6.2% in the second quarter of financial year 2018) which had a negative effect on the change in the working capital requirement at the end of the half-year;
- net interest and financial expenses paid of -€34.3m, i.e. a decrease of €71.2m compared with the first half of 2018, mainly explained by the negative impact in 2018 of the refinancing of -€84.6m related to the acquisition of Aricent;
- increased net tax paid of €12.2m, including a negative scope effect related to the acquisition of Aricent of about €7.6m;
- repayments of rental debts and related interests in the first half of 2019 of -€35.9m;
- net payments relating to acquisitions of property, plant and equipment and intangible assets (excluding large software deals) of €27.7m (a decrease of €9.7m) mainly corresponding to investments made in:
  - tangible assets: the most significant investments made in the first half of 2019 relate to the finalization of the extension of Cambridge Consultants' premises amounting to €4.4m (compared with €10.2m for the same project during the first half of 2018) and to the acquisition of computer equipment and furniture in the different countries where the Group operates;
  - intangible assets: in 2019, the Group continued to invest in an innovative, open software platform for the next generation of intelligent vehicles and machines, in methods and tools development projects relating to product development cycles as part of multi-sector R&D in Spain, and in the development of platforms, products and solutions relating to the Internet of Things (IoT) in France.

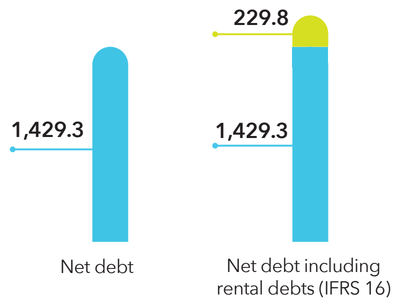
## 2.2.2 Group net debt

### 2.2.2.1 Net debt

Group net debt at June 30, 2019 and at December 31, 2018 is shown in the table below:

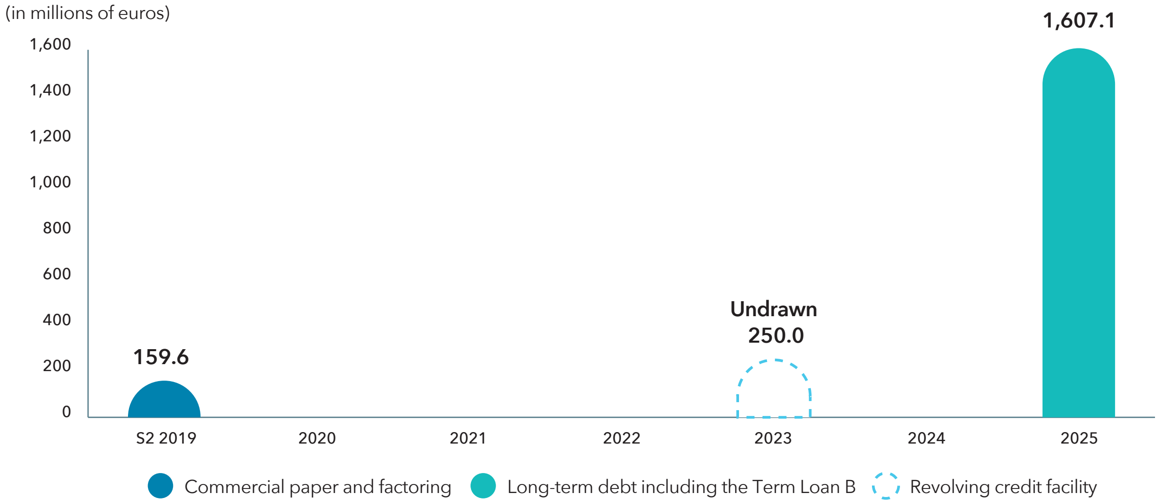
| *(in millions of euros)* | **06/30/2019** | **12/31/2018** | **Variation** |
|---|---|---|---|
| Long-term credit line | 1,607.1 | 1,603.3 | 3.8 |
| Short-term credit line | 159.6 | 181.2 | (21.6) |
| *o/w factoring* | *29.1* | *47.7* | *(18.6)* |
| **Gross financial debt** | **1,766.7** | **1,784.5** | **(17.8)** |
| Cash and cash equivalents | 337.4 | 472.7 | (135.3) |
| **NET FINANCIAL DEBT** | **1,429.3** | **1,311.8** | **117.5** |
| Rental debts (IFRS 16) | 229.8 | 0.0 | 229.8 |
| **NET DEBT** | **1,659.1** | **1,311.8** | **347.3** |

The net debt at June 30, 2019 is broken down as follows:




All the financial liabilities and analysis of net debt by category and by contractual annual maturity are described in note 3.11 "Net debt" of the consolidated financial statements.

The chart below shows the Group's debt maturity schedule (net payments) at June 30, 2019:



### 2.2.2.2 Financial leverage ratio

The financial leverage ratio published by the Group is defined as follows: net financial debt excluding earn-out clauses/EBITDA.

EBITDA corresponds to the operating margin reduced by share-based expenses and increased by depreciation, amortization and changes in net provisions, and personnel costs (IAS 19).

In accordance with the terms of the Senior Facility Agreement, the financial leverage ratio does not include impacts from the implementation of IFRS 16, which entered into force subsequent to the date of signature of the contract.

Furthermore, the impact on the implementation of IFRS 16 on the financial leverage ratio was marginal at June 30, 2019.

The Group's financial leverage ratio at the end of the first half of 2019 is as follows:

| | **06/30/2019** |
|---|---|
| Net financial debt [a]/EBITDA [b] | 3.2 |

(a) Net financial debt excluding earn-out clauses.
(b) Last 12-month EBITDA.

### 2.2.2.3 Variation in net debt

The table below shows the change in Group net debt in the first half of 2019 and the first half of 2018.

| *(in millions of euros)* | **1st half of 2019** | **1st half of 2018** |
|---|---|---|
| **Free Cash Flow** | **(30.9)** | **(224.8)** |
| Financial Investments/Divestments | 0.0 | (1.2) |
| Net debt flows relating to changes in scope | (55.3) | (1,768.5) |
| Capital increase | 0.0 | 718.8 |
| Dividends paid | 0.0 | (60.9) |
| Treasury share transactions (purchase/sales) | 1.0 | 0.1 |
| Impact of cash flows relating to discontinued activities | 0.0 | (0.2) |
| Change in factoring | (28.3) | (23.6) |
| Other | (4.0) | 13.8 |
| **NET DEBT VARIATION** | **(117.5)** | **(1,346.5)** |

In the first half of 2019, Group net financial debt rose by €117.5m increasing from €1,311.8m at December 31, 2018 to €1,429.3m at June 30, 2019.

Apart from the Free Cash Flow detailed in section 2.2.1, this change is mainly due to:

- changes in scope of -€55.3m in the first half of financial year 2019 corresponding mainly to the acquisition of a 5% non-controlling interest in Global Edge Software, compared with -€1,768.5m in the first half of financial year 2018, which included the closing of a syndicated senior term loan (Senior Facility Agreement) for €2,125m, as well as a revolving credit facility of €250m. A capital increase of €718.5m enabled part of the Term Loan B to be repaid;
- and the change in receivables assigned to the factoring bank in the first half of 2019 for -€28.3m (compared with -€23.6m in the first half of 2018).

## 2.2.3 Consolidated cash flows

The table below provides a summary of the Group's cash flows for the first half of 2019 and the first half of 2018.

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 |
|---|---|---|
| Cash flows before net interest expenses and taxes | 202.5 | 139.0 |
| Change in working capital requirement | (71.4) | (177.6) |
| **NET OPERATING CASH FLOWS** | **131.1** | **(38.6)** |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **58.8** | **(167.3)** |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **(119.4)** | **(1,838.8)** |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | **(75.6)** | **1,861.2** |

### 2.2.3.1 Net cash flows from operating activities

The table below shows the reconciliation between the Group's net cash flows from operating activities and the Free Cash Flow (see section 2.2.1 "Free Cash Flow") for the first half of 2019 and 2018.

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 |
|---|---|---|
| **Net cash flows from operating activities** | **58.8** | **(167.3)** |
| Capital expenditures | (59.5) | (69.4) |
| Repayment of rental debts | (30.2) | 0.0 |
| Impact of cash flows relating to discontinued activities | 0.0 | 0.2 |
| Advanced financing of the CICE (French Tax Credit for Competitiveness and Employment) | 0.0 | 8.8 |
| Other | 0.0 | 2.9 |
| **FREE CASH FLOW** | **(30.9)** | **(224.8)** |

### 2.2.3.2 Net cash flows from investing activities

The table below shows the reconciliation between the Group's net cash flows from investing activities and net debt flows relating to changes in scope for the first half of 2018 and 2019 (see section 2.2.2 "Group net debt")

| *(in millions of euros)* | 1st half of 2019 | 1st half of 2018 |
|---|---|---|
| **Net cash flows from investing activities** | **(119.4)** | **(1,838.8)** |
| Capital expenditures | 59.5 | 69.4 |
| Financial Investments/Divestments | 0.0 | 1.2 |
| Borrowings by the companies acquired | 0.0 | (3.1) |
| Change in loans and advances granted | 2.9 | 2.9 |
| Liquidity contract | 1.7 | 0.2 |
| Other | 0.0 | (0.3) |
| **NET DEBT FLOWS RELATING TO CHANGES IN SCOPE** | **(55.3)** | **(1,768.5)** |

### 2.2.3.3 Net cash flows from financing activities

During the first half of 2019, cash flows from financing activities stand at -€75.6m, and included:

- the repayment of loans for -€31.7m including repayment of rental debts for -€30.2m and the contractual amortization of the block denominated in dollars of the Term Loan B for -€1.3m;
- new loans of €4.1m including various subsidized loans in Spain and Portugal for €2.1m as well as a short-term drawing of a credit line in China for €1.5m;
- other flows relating to financing operations for -€49.6m, including a change in the factoring liabilities before consolidation for -€47.7m, the least use of commercial paper compared with end December 2018 for -€16.6m and the increase in banking facilities for €14.6m.

In the first half of 2018, net cash flows from financing activities stood at €1,861.2m and mainly concerned the external financing of the acquisition of Aricent.

## 2.3__ Outlook

The Group confirms it remains confident in its business outlook thanks to its diversified portfolio of offerings  which addresses clients' needs. The continuous improvement of operating performance will enable Altran to repay some debt before the end of the year.

The Group is focused to deliver its set of mid-term financial objectives, by leveraging its service models.

## 2.4__ Other information

Monitoring of financial risks, information concerning related parties and changes in scope are described in the notes to the consolidated financial statements at June 30, 2019. Operational risks are described in the 2018 Registration Document, in chapter 2.1 "Risk factors".

As part of Aricent acquisition, Altran Group purchased a Representation and Warranty insurance through various insurance providers totalling a coverage amount of $200m with a $21m deductible. The examination by the insurers is ongoing.

# 3___ FINANCIAL STATEMENTS AT JUNE 30, 2019

# 3.1 Consolidated Financial Statements

## Assets

| *(in thousands of euros)* | Notes | June 2019 | Dec. 2018 |
|---|---|---|---|
| Goodwill | *3.1* | 2,385,004 | 2,363,178 |
| Intangible assets | *3.2* | 639,121 | 679,515 |
| Rights of use | *3.12* | 215,599 | - |
| Tangible assets | *3.3* | 135,508 | 144,074 |
| Non-current financial assets | *3.4* | 54,268 | 50,217 |
| Deferred tax assets | | 105,449 | 101,070 |
| Other non-current assets | *3.5* | 90,318 | 96,856 |
| **TOTAL NON-CURRENT ASSETS** | | **3,625,267** | **3,434,910** |
| Inventory and work in progress | *3.6* | 2,267 | 2,044 |
| Trade accounts and other receivables | *3.7* | 590,774 | 527,570 |
| Assets linked to customer contracts | *3.8* | 275,900 | 202,100 |
| Current financial assets | *3.9* | 23,095 | 22,525 |
| Cash and cash equivalents | *3.11* | 337,372 | 472,706 |
| **TOTAL CURRENT ASSETS** | | **1,229,408** | **1,226,945** |
| **TOTAL ASSETS** | | **4,854,675** | **4,661,855** |

## Shareholders' equity and liabilities

| *(in thousands of euros)* | Notes | June 2019 | Dec. 2018 |
|---|---|---|---|
| Capital | *3.10* | 128,511 | 128,511 |
| Share premium | | 1,069,807 | 1,040,425 |
| Reserves attributable to parent company shareholders | | 382,417 | 449,420 |
| Foreign currency translation reserve | | 58,384 | 42,218 |
| Net income attributable to the owners of the parent | | 33,186 | 80,590 |
| **Equity attributable to the owners of the parent** | | **1,672,305** | **1,741,164** |
| Non-controlling interests | | 3,344 | (48,707) |
| **SHAREHOLDER'S EQUITY** | | **1,675,649** | **1,692,457** |
| Non-current financial liabilities | *3.11* | 1,607,109 | 1,603,329 |
| Non-current lease liabilities | *3.12* | 167,977 | - |
| Non-current provisions for contingencies and liabilities | *3.13* | 69,866 | 61,165 |
| Non-current employee benefits | *3.14* | 78,657 | 64,473 |
| Deferred tax liabilities | | 169,189 | 169,029 |
| Other long-term liabilities | *3.15* | 41,237 | 66,071 |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,134,035** | **1,964,067** |
| Trade accounts and other payables | *3.16* | 714,423 | 648,271 |
| Liabilities linked to customer contracts | *3.8* | 87,244 | 99,581 |
| Provisions for short-term risks and charges | *3.13* | 21,849 | 22,668 |
| Current liabilities for securities | *3.17* | - | 53,608 |
| Current financial liabilities | *3.11* | 159,635 | 181,203 |
| Current lease liabilities | *3.12* | 61,840 | - |
| **TOTAL CURRENT LIABILITIES** | | **1,044,991** | **1,005,331** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **4,854,675** | **4,661,855** |

# 3.2__ Consolidated Income Statement

| *(in thousand of euros)* | Notes | June 2019 | Dec. 2018 | June 2018 |
|---|---|---|---|---|
| Revenues | *4.1 & 4.2* | 1,594,046 | 2,916,416 | 1,372,691 |
| Other income from operations | | 45,106 | 99,111 | 37,126 |
| **REVENUES FROM ORDINARY OPERATIONS** | | **1,639,152** | **3,015,527** | **1,409,817** |
| Cost of goods and services sold | | (24,871) | (45,788) | (18,948) |
| Change in work in progress | | 864 | 390 | 358 |
| External expenses | *4.3* | (273,016) | (580,970) | (272,741) |
| Personnel costs | *4.4* | (1,096,999) | (1,957,051) | (949,992) |
| Taxes and duties | | (2,948) | (3,955) | (2,253) |
| Net Depreciation, amortization and provisions | *4.5* | (65,859) | (59,953) | (21,344) |
| Other operating expenses | | (7,295) | (17,167) | (7,193) |
| Amortization of intangibles arising from business combinations | | (31,460) | (48,673) | (26,421) |
| **OPERATING INCOME ON ORDINARY ACTIVITIES** | | **137,568** | **302,360** | **111,283** |
| Other non-recurring operating income and expenses | *4.6* | (43,718) | (85,375) | (42,664) |
| **OPERATING INCOME** | | **93,850** | **216,985** | **68,619** |
| Cost of net financial debt | *4.7* | (33,567) | (60,017) | (24,898) |
| Other financial income | *4.8* | 5,292 | 9,551 | 5,803 |
| Other financial expenses | *4.8* | (16,349) | (44,296) | (34,770) |
| **NET INCOME BEFORE TAX** | | **49,226** | **122,223** | **14,754** |
| Income tax | *4.9* | (15,753) | (41,163) | (5,016) |
| **NET INCOME BEFORE DISCONTINUED OPERATIONS** | | **33,473** | **81,060** | **9,738** |
| Net income from discontinued operations | *4.1* | - | (101) | (173) |
| **NET INCOME** | | **33,473** | **80,959** | **9,565** |
| **of which attributable to:** | | | | |
| - the owners of the parent | | 33,186 | 80,590 | 9,493 |
| - non-controlling interest | | 287 | 369 | 72 |
| **Earnings per share:** | | | | |
| Earnings per share *(in euros)* | | 0.13 | 0.35 | 0.05 |
| Diluted earnings per share *(in euros)* | | 0.16 | 0.36 | 0.05 |
| Earnings per share on continuiting activities *(in euros)* | | 0.13 | 0.35 | 0.05 |
| Diluted earnings per share on continuiting activities *(in euros)* | | 0.16 | 0.36 | 0.05 |
| Earnings per share on discontinued operation *(in euros)* | | - | (0.00) | (0.00) |
| Diluted earnings per share on discontinued operation *(in euros)* | | - | (0.00) | (0.00) |

# 3.3 Consolidated Statement of Comprehensive Income



| *(in thousands of euros)* | **June 2019** | **Dec. 2018** | **June 2018** |
|---|---|---|---|
| **NET INCOME FOR THE PERIOD** | **33,473** | **80,959** | **9,565** |
| Cash flow hedging | (289) | (5,044) | (2,522) |
| Exchange differences on translation of foreign operations | 12,925 | 92,601 | 63,963 |
| Deferred tax on recyclable items | (2,664) | (15,490) | (8,396) |
| **Other comprehensive income that may subsequently be reclassified to profit** | **9,972** | **72,067** | **53,045** |
| Actuarial gain and losses on retirement plans and post employment benefits | (11,157) | 182 | - |
| Deferred tax on non-recyclable items | 2,939 | (212) | - |
| **Other comprehensive income that will not be reclassified to profit** | **(8,218)** | **(30)** | **-** |
| **Other comprehensive income for the year, net of tax** | **1,754** | **72,037** | **53,045** |
| **TOTAL COMPREHENSIVE INCOME** | **35,27** | **152,996** | **62,610** |
| **of which attributable to:** | | | |
| - the owners of the parent | 35,100 | 151,924 | 61,539 |
| - non-controlling interest | 127 | 1,072 | 1,071 |

# 3.4 Consolidated statement of changes in shareholders' equity

| *(in thousands of euros)* | Number of shares | Capital | Premium | Resources | Change in fair value & other | Exchange rate differences | Net profit | Total Group share | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **DECEMBER 31, 2017** | **172,594,424** | **87,900** | **351,331** | **399,284** | **-** | **(48,678)** | **130,768** | **920,607** | **(30,100)** | **890,507** |
| Comprehensive income for the period | - | - | - | (9,047) | (1,871) | 62,964 | 9,493 | 61,539 | 1,071 | 62,610 |
| Capital increase | 81,220,840 | 40,611 | 688,348 | - | - | - | - | 728,959 | - | 728,959 |
| Share-based payments | - | - | 689 | - | - | - | - | 689 | - | 689 |
| Change in treasury shares | (6,508) | - | (17) | - | - | - | - | (17) | - | (17) |
| Net income appropriation | - | - | - | 130,768 | - | - | (130,768) | - | - | - |
| Dividends | - | - | - | (60,914) | - | - | - | (60,914) | - | (60,914) |
| Other changes | - | - | - | 70 | - | (518) | - | (448) | (22,159) | (22,607) |
| **JUNE 30, 2018** | **253,808,756** | **128,511** | **1,040,351** | **460,161** | **(1,871)** | **13,768** | **9,493** | **1,650,415** | **(51,188)** | **1,599,227** |
| Comprehensive income for the period | - | - | - | (7,796) | (1,871) | 28,955 | 71,097 | 90,385 | 1 | 90,386 |
| Capital increase | - | - | 275 | - | - | - | - | 275 | - | 275 |
| Share-based payments | - | - | 344 | - | - | - | - | 344 | - | 344 |
| Change in treasury shares | (91,224) | - | (544) | - | - | - | - | (544) | - | (544) |
| Net income appropriation | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | - | (229) | - | 518 | - | 289 | 2,480 | 2,769 |
| **DECEMBER 31, 2018** | **253,717,532** | **128,511** | **1,040,426** | **452,136** | **(3,742)** | **43,241** | **80,590** | **1,741,164** | **(48,707)** | **1,692,457** |
| Comprehensive income for the period | - | - | - | (11,119) | (66) | 13,099 | 33,186 | 35,100 | 127 | 35,227 |
| Capital increase | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | 6,514 | - | - | - | - | 6,514 | - | 6,514 |
| Change in treasury shares | 841,773 | - | 1,521 | - | - | - | - | 1,521 | - | 1,521 |
| Net income appropriation | - | - | - | 80,590 | - | - | (80,590) | - | - | - |
| Dividends | - | - | - | (61,094) | - | - | - | (61,094) | - | (61,094) |
| Other changes | - | - | 21,346 | (74,288) | - | 2,044 | - | (50,900) | 51,924 | 1,024 |
| **JUNE 30, 2019** | **254,559,305** | **128,511** | **1,069,807** | **386,225** | **(3,808)** | **58,384** | **33,186** | **1,672,305** | **3,344** | **1,675,649** |

Implementation of IFRS 16 did not have any impact on the consolidated shareholders' equity at January 1, 2019.

# 3.5 Consolidated Statement of cash flows

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** | **June 2018** |
|---|---|---|---|
| **OPERATING INCOME FROM CONTINUING ACTIVITIES** | **93,850** | **216,985** | **68,619** |
| Goodwill impairment and amortization of customer-relationship intangible assets | 31,460 | 48,673 | 26,421 |
| Depreciation, amortization and net operating provisions | 30,246 | 40,156 | 11,944 |
| Rights of use amortization | 31,043 | - | - |
| Income and expenses relating to share-based payments | 6,514 | 1,033 | 689 |
| Gains or losses on disposals | 3,457 | 1,446 | 42 |
| Other gains and charges | 5,941 | 38,875 | 31,272 |
| **CASH FLOWS BEFORE NET INTEREST EXPENSES AND TAXES** | **202,511** | **347,168** | **138,987** |
| Change in inventory and work in progress | (1,063) | (379) | (448) |
| Change in trade accounts and other receivables | (89,265) | 38,005 | (148,068) |
| Change in trade accounts and other payables | 18,897 | 26,370 | (29,121) |
| **Change in working capital requirement** | **(71,431)** | **63,996** | **(177,637)** |
| **NET OPERATING CASH FLOWS** | **131,080** | **411,164** | **(38,650)** |
| Net interest paid | (29,190) | (114,713) | (25,035) |
| Lease interests | (5,685) | - | - |
| Tax paid | (32,238) | (43,290) | (20,104) |
| Cash impact of other financial income and expenses | (5,138) | (28,060) | (83,242) |
| Net cash flows from discontinued operations | - | (100) | (248) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **58,830** | **225,001** | **(167,279)** |
| Cash outflows for acquisitions of property, plant & equipment and intangible assets | (61,922) | (144,231) | (69,431) |
| Proceeds from disposals of property, plant & equipment and intangible assets | 2,411 | 1,134 | 44 |
| Cash outflows for acquisitions of financial assets (unconsolidated investments) | (3) | (1,429) | (1,242) |
| Proceeds from disposals of financial assets (unconsolidated investments) | (4) | - | - |
| Earn-out disbursements | (3,375) | 100 | 100 |
| Impact of scope-of-consolidation changes | (51,956) | (1,785,128) | (1,765,505) |
| Change in loans and advances granted | (2,889) | 503 | (2,888) |
| Other flows from investing activities | (1,712) | 1,102 | 140 |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **(119,449)** | **(1,927,949)** | **(1,838,782)** |
| Capital increase | - | 718,528 | 718,785 |
| Purchase and sales of treasury stocks | 981 | 422 | 109 |
| Liquidity contract | 729 | (1,325) | (170) |
| Dividends paid to owners of the parent | - | (60,914) | (60,914) |
| Proceeds from new loans | 4,068 | 2,390,837 | 2,136,280 |
| Reimbursement of loans | (1,542) | (1,006,297) | (751,522) |
| Lease liabilities reimbursment | (30,173) | - | - |
| Other flows from financing activities | (49,644) | (233,423) | (181,407) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | **(75,582)** | **1,807,828** | **1,861,161** |
| Impact of variations in exchange rates | 787 | (5,100) | (20,900) |
| Impact of changes in accounting principles | 81 | - | 1,028 |
| **CHANGES IN NET CASH** | **(135,334)** | **99,780** | **(164,772)** |
| Opening cash balance | 472,706 | 372,926 | 372,926 |
| Closing cash balance | 337,372 | 472,706 | 208,154 |
| **CHANGES IN NET CASH** | **(135,334)** | **99,780** | **(164,772)** |

# 3.6__ Notes to the consolidated financial statements

# Note.1 Accounting policies

Altran Technologies is a public limited company (*société anonyme*) incorporated in France and subject to French laws and regulations governing commercial companies, including the provisions of the French Commercial Code.

## Basis of preparation of the financial statements

The half-year consolidated financial statements as at June 30, 2019 are drawn up in accordance with the standard IAS 34 "Interim Financial Information" which allows the presentation of a selection of notes attached thereto. These half-year consolidated financial statements should therefore be read in conjunction with the notes to the Group's consolidated financial statements as at December 31, 2018 included in the 2018 Registration Document filed with the French Monetary and Financial Authority (*Autorité des marchés financiers*, the "AMF") on April 23, 2019 under number D.19-0368.

The international accounting standards applied in the half-year condensed financial statements at June 30, 2019 are those that are mandatory in the European Union on this date. The Group did not apply, in advance, the standards, amendments to the standards or interpretations whose application is not mandatory at June 30, 2019.

Except for the impact of the new standards applicable from January 1, 2019, including IFRS 16 and IFRIC 23, the accounting principles considered are identical to those used for preparing the consolidated annual financial statements at December 31, 2018.

## Standards, amendments and interpretations whose application is mandatory in 2019

The Group has applied the standards presented below, whose application is mandatory for the financial years open from January 1, 2019.

### IFRS 16 "Leases"

The standard IFRS 16 "Leases", which replaces the standard IAS 17 and the related interpretations, came into force on January 1, 2019. It provides a single principle for the recognition of lease contracts for lessees, with the recognition of an asset (representing the right to use the leased asset during the period of the contract) and a debt (the obligation to pay rent).

Altran has identified some 2,430 lease contracts which came within the scope of IFRS 16 composed of vehicle lease contracts (2,174 contracts), property leases (218 contracts) and IT and other equipment (41 contracts).

Concerning the first application of this standard on January 1, 2019, the Group applied the simplified retrospective transition method, recognizing the cumulative effect of the initial application of the standard at the date of first application, without restatement of the comparative periods.

In this context, the Group:

- used a discount rate corresponding to the marginal loan rate for the contract. This corresponds to the interest rate that Altran would have had to pay to borrow, for a similar guarantee and duration, the necessary funds to obtain an asset of similar value to the usage right in a similar economic environment to which is added a component to take into account economic environments specific to each country. It is determined on the basis of the residual period of the contracts on the transition date;
- applied the following practical simplifications, excluding from the balance sheet:
  - new lease contracts for which the period is less than 12 months,
  - contracts related to assets of low value (less than $5,000).

Furthermore, the Group plans to use the following simplification measures on January 1, 2019 specified by the standard in the transition arrangements:

- application of paragraph C8 B2 of IFRS 16 leading to recognition of an amount of assets equal to that of the debt, increased by the amount of rents paid in advance, incentives received from the lessors, and reduced, where appropriate, by provisions set up for these lease contracts (vacant premises, etc.);
- the recognition as short-term lease contracts for which the residual period is less than 12 months.

With regard to the enforceable period of the lease contract selected, the Group decided as follows:

- all significant leases were analyzed on a case by case basis to estimate the term taking into account reasonable assumptions on the exercise of renewal options when the contract was due to expire within 12 months as from closure. Otherwise, only the initial term was retained. No renewal assumption was made for contracts without a renewal option;
- the depreciation period for fittings was aligned with the terms of the leases;
- no renewal was taken into account for vehicle contracts.

At January 1, 2019, recognition of the lease contracts in the balance sheet led to rights of use being recognized in the fixed assets at €223.3m and a lease liability of €234m in the liabilities.

At the same time, the presentation of the consolidated statement of cash flows was modified due to the positioning of the reimbursement of the lease liability at the level of financing activities.

The amount of the rental debt is consistent with the off-balance sheet commitments communicated according to IAS 17, excluding:

- the main effects related to conversion to current value;
- effects on duration because the off-balance sheet commitments use the minimum contract period, while the lease liability may take into account the renewal options that the Group considers reasonably certain that it will use;
- simplification assumptions explained above.

## Transfer of the rental debt at January 1, 2019 to off-balance sheet commitments at December 31, 2018

| *(in thousands of euros)* | Property | Vehicles | Other (including IT) | Total |
|---|---|---|---|---|
| **TOTAL RENTAL DEBTS AT JANUARY 1, 2019** | **207,561** | **23,692** | **2,857** | **234,109** |
| Discount rate(s) | 36,873 | 1,275 | 138 | 38,287 |
| Variances due to expenses related to services | 1,111 | - | 13 | 1,124 |
| Variances due to differences in assessing expiry dates | (26,424) | 2,136 | - | (24,288) |
| Exceptions for low value goods and/or term of less than 1 year | 3,784 | 3,345 | 27,137 | 34,266 |
| Other differences | (1) | 942 | 11 | 952 |
| **TOTAL OFF-BALANCE SHEET COMMITMENTS AT DECEMBER 31, 2018** | **222,904** | **31,390** | **30,157** | **284,451** |

### IFRIC 23 "Uncertainty with regard to tax adjustments"

This new interpretation, adopted by the EU on October 24, 2018 enters into force on January 1, 2019.

IFRIC 23 clarifies the application of the provisions of IAS 12 "Income Tax" with regard to recognition and assessment, when there is uncertainty concerning the treatment of the income tax.

This adoption had no significant impact on the assessment of current and deferred taxes.

## Principles and methods of consolidation

### Leases

The Group enters into lease contracts as lessee which gives it the right to control the use of a particular asset for a given period.

The lease contracts are recognized in the balance sheet when the underlying asset has been made available for the discounted value of future payments. These contracts are registered as lease liabilities in the liabilities with entry in the assets as "Rights of use". They are amortized on a straight-line basis over the term of the contract which, in general, corresponds to the fixed term of the contract unless we are informed of an intention to exercise an option to renew or to terminate the contract. No renewal assumption has been made for contracts without a renewal option being provided.

In the income statement, the current operating expense of €35.3m is replaced by a depreciation expense of €31m and an interest expense of €5.5m. Depreciation expenses are recognized in the current operating profit/loss and the interest expenses in the financial income. The impact on the income is not significant.

In the consolidated cash flow statement, reimbursement of the €30.2m lease liabilities is presented at the level of the "Net cash flows from financing activities".

The impact on the financial leverage ratio was marginal.

For the sake of simplicity, contracts relating to assets with a low unit value or whose term is less than 12 months, are recognized as external expenses.

The tax impact of the adjustment of lease contracts is not significant.

### Use of estimates

The preparation of the Company's financial statements requires the use of estimates and assumptions that may have an impact on the carrying amount of certain balance sheet and income statement items, as well as on the disclosures in certain notes to the financial statements. Altran regularly reviews these estimates and assessments to take into account past experience and other factors considered relevant with regard to the economic environment.

Estimates, assumptions and assessments are made based on available information or the actual situation when the financial statements are prepared.

These estimates mainly concern the provisions, the assessment of the fair value of the intangible assets identified as part of the business combinations, the assessment of the fair value of financial assets, the assumptions taken to establish business plans used to carry out impairment tests on the intangible assets, the recognition of deferred tax credits and liabilities, long-term employee benefits and also the recognition of revenue as part of projected contracts.

### Approval of the half-year financial statements

The consolidated financial statements for the half-year ended on June 30, 2019, as well as the notes thereto were approved by the Board of Directors of Altran Technologies on September 4, 2019.

# Note.2 Year-on-year comparability

## IFRS 16

In accordance with the changes in the provisions of IAS 8.28, the information required for the initial application of IFRS 16 were given in note 1. As the Group had decided to apply the simplified retroactive method, no adjustments were made to the comparative information presented.

## IFRIC 23

No adjustment was adopted to date due to the insignificance of the impact of applying IFRIC 23.

# Note.3 Notes relating to certain balance sheets items

## 3.1 Goodwill

Changes in the carrying amount of goodwill can be analyzed as follows (in thousands of euros):

| At December 31, 2018 | |
|---|---|
| Gross value at opening | 2,552,929 |
| Depreciation and provisions at opening | (189,751) |
| **NET VALUE AT OPENING** | **2,363,178** |
| Change in scope | 10,823 |
| Loss in value | - |
| Exchange rate differences | 11,003 |
| Other changes | - |
| **TOTAL CHANGES (NET VALUE)** | **21,826** |
| **At June 30, 2019** | |
| Gross value at closing | 2,575,411 |
| Depreciation and provisions at closing | (190,407) |
| **NET VALUE AT CLOSING** | **2,385,004** |

Details of the CGUs tested at the end of June 2019 are given below:

| **Main contributors** *(in thousands of euros)* | |
|---|---|
| Aricent | 1,482,545 |
| Germany/Austria/Czech Republic | 172,866 |
| United States/Canada | 143,480 |
| India | 7,337 |
| China | 2,707 |
| **TOTAL** | **1,808,934** |

For performing the impairment tests on goodwill on June 30, 2019, a perpetual revenues growth rate of 2% was adopted and a discount rate after tax per CGU (WACC) is presented below:

| | Discount Rate | |
|---|---|---|
| | June 2019 | Dec. 2018 |
| Aricent | 7.10% | 7.60% |
| Germany/Austria/Czech Republic | 5.80% | 6.90% |
| USA/Canada | 7.10% | 7.60% |
| India | 10.70% | 11.20% |
| China | 8.70% | 8.70% |

On these bases, no depreciation of goodwill is to be noted on closure of the half-year on June 30, 2019.

Sensitivity tests on changes in rates of WACC and perpetual revenues growth rates performed for sensitive CGIs.

The following theoretical depreciation (in thousands of euros) were revealed:

With a perpetual revenues growth rate of 2%

- an increase of 0.5 point in the WACC rate would lead to a depreciation of €54,633k for the Aricent CGU;
- an increase of 1 point in the WACC rate would lead to a depreciation of €215,850k for the Aricent CGU.

With a perpetual revenues growth rate of 1.5%

- without any change in the WACC adopted, depreciation of €22,298k of the Aricent CGU should be recorded;
- an increase of 0.5 point in the WACC rate would lead to a depreciation of €186,466k for the Aricent CGU;
- an increase of 1 point in the WACC rate would lead to a depreciation of €325,791k for the Aricent CGU;

With a perpetual revenues growth rate of 1%

- without any change in the WACC adopted, depreciation of €156,420k of the Aricent CGU should be recorded;
- an increase of 0.5 point in the WACC rate would lead to a depreciation of €298,325k for the Aricent CGU;
- an increase of 1 point in the WACC rate would lead to a depreciation of €420,247k for the Aricent CGU and €680k for the India CGU.

| WACC Rate | | | -1.00% | -0.50% | WACC | +0.50% | +1.00% |
|---|---|---|---|---|---|---|---|
| Perpetual growth rate | 2.00% | UGT ARICENT | - | - | - | 54,633 | 215,850 |
| | 1.50% | UGT ARICENT | - | - | 22,298 | 186,466 | 325,791 |
| | 1.00% | UGT INDIA | - | - | - | - | 680 |
| | | UGT ARICENT | - | - | 156,420 | 298,325 | 420,247 |

Also, a sensitivity analysis to a variation in the EBIT adopted in the business plans showed, for the China CGU and the Aricent CGU, that a reduction:

- of 1 point in this rate would not lead to any depreciation;
- of 2 points in this rate would lead to a depreciation of €43,500k in goodwill for the Aricent CGU, as well as €400k for the China CGU and €800k for the India CGU;
- of 3 points in this rate would lead to a depreciation of €134,400k in goodwill for the Aricent CGU, as well as €4,400k for the China CGU and €3,700k for the India CGU.

## 3.2 Intangible assets

For the first half of 2019, net amortization and provisions related to intangible assets stood at €55.5m and are presented in the income statement on the following lines:

- €24.0m in "Depreciation, amortization and net provisions"; and
- €31.6m in "Amortization of intangibles arising from business combinations".

| *(in thousands of euros)* | Intangible rights and patents | Capitalized development costs | Software | Other | Total |
|---|---|---|---|---|---|
| **At December 31, 2018** | | | | | |
| Gross value at opening | 393,705 | 67,525 | 413,870 | 18,530 | 893,630 |
| Amortization and provisions at opening | (61,506) | (15,240) | (135,530) | (1,839) | (214,115) |
| **Net value at opening** | **332,199** | **52,285** | **278,340** | **16,691** | **679,515** |
| **Changes during the period:** | | | | | |
| Acquisitions | 20 | 4,528 | 2,655 | 4,294 | 11,496 |
| Disposals | - | - | (304) | - | (304) |
| Net amortization and provisions | (26,286) | (7,417) | (20,599) | (1,204) | (55,507) |
| Change in consolidation scope | - | - | - | - | - |
| Exchange rate differences | 2,154 | 99 | 1,698 | (24) | 3,926 |
| Other changes | - | - | 273 | (280) | (7) |
| **TOTAL CHANGES (NET VALUE)** | **(24,113)** | **(2,791)** | **(16,278)** | **2,786** | **(40,395)** |
| **At June 30, 2019** | | | | | |
| Gross value at closing | 396,003 | 72,150 | 412,180 | 22,504 | 902,838 |
| Amortization and provisions at closing | (87,917) | (22,655) | (150,119) | (3,025) | (263,717) |
| **Net value at closing** | **308,086** | **49,495** | **262,062** | **19,478** | **639,121** |

## 3.3 Property Plant and Equipment

| *(in thousands of euros)* | Land | Constructions | General facilities, fixtures and furnishings | Office & computer equipment & furniture | Other | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2018** | | | | | | |
| Gross value at opening | 5,868 | 65,547 | 85,412 | 160,902 | 15,696 | 333,425 |
| Depreciation and provisions at opening | - | (8,966) | (48,866) | (125,352) | (6,167) | (189,351) |
| **Net value at opening** | **5,868** | **56,581** | **36,546** | **35,550** | **9,529** | **144,074** |
| **Changes during the period:** | | | | | | |
| Acquisitions | - | 1,634 | 1,662 | 7,616 | 3,795 | 14,706 |
| Disposals | (4,897) | (5) | (19) | (1,590) | - | (6,511) |
| Net depreciation and provisions | - | (660) | (4,437) | (8,079) | (140) | (13,317) |
| Change in consolidation scope | - | - | (32) | 32 | - | - |
| Exchange rate differences | 40 | (68) | 234 | 252 | 27 | 485 |
| Other changes | 1,340 | (1,075) | 2,920 | 515 | (7,629) | (3,929) |
| **TOTAL CHANGES (NET VALUE)** | **(3,517)** | **(175)** | **328** | **(1,253)** | **(3,948)** | **(8,565)** |
| **At June 30, 2019** | | | | | | |
| Gross value at closing | 2,352 | 65,043 | 90,029 | 159,172 | 8,439 | 325,035 |
| Amortization and provisions at closing | - | (8,637) | (53,155) | (124,876) | (2,859) | (189,527) |
| **Net value at closing** | **2,352** | **56,406** | **36,874** | **34,296** | **5,580** | **135,508** |

The Group owns buildings and lands, mainly in the United Kingdom and in the Czech Republic for net amounts of respectively €50.6m and €5.6m. India disposed of buildings for €4.8m during the first half of 2019.

For the 2019 financial year, net depreciation and provisions related to tangible assets stood at €13.3m fully included in the line on the income statement "Depreciation, amortization and net provisions on ordinary activities".



## 3.4 Non-current financial assets

The components of non-current financial assets are as follows:

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Equity investments | 11,211 | 9,669 |
| **Fair value through other components of comprehensive income** | **11,211** | **9,669** |
| Equity investments | 2,153 | 2,158 |
| Construction-effort loans | 20,887 | 18,268 |
| **Fair value through profit and loss** | **23,040** | **20,426** |
| Deposits and guarantees | 19,419 | 20,119 |
| Other receivables | 598 | 3 |
| **Amortized cost assets** | **20,017** | **20,122** |
| **TOTAL** | **54,268** | **50,217** |

The equity investments recognized at fair value through other elements of comprehensive income not recyclable to profit/loss are mainly composed of:

- purchase of non-controlling interests in H2SCAN in the United States for €2.4m;
- purchase of non-controlling interests in Divergent Technologies in the United States for €4.8m;
- several minority equity investments in Frog design for €1.1m;
- a new minority equity investment acquired during the first half of 2019 in Spain in the company Zeleros for €0.8m.

Following the disposal of equity investments in Titan Engineering in Tunisia, the Altran group no longer held any indirect investment in Telnet Holding, which was included in the non-consolidated securities at December 31, 2018 for €1.0m.

The equity investments recognized at fair value through profit/loss are mainly composed of Evonetix securities.

The variation in "construction effort" loans of +€2.6m is mainly explained by the payments made pursuant to the first half of 2019.

## 3.5 Other non-current assets

Other non-current assets stood at €90.3m (against €96.9m in 2018) and are essentially composed of:

- tax receivables for which the due date is greater than one year for an amount of €68.1m (against €75.2m in 2018) and;
- prepaid expenses with maturity greater one year for insurance policies purchased for €10.6m.

The decrease in non-current tax receivables compared with 2018 is notably explained by:

- the fact that the Group has monetized its research tax credit receivables for the financial year 2018 for an overall amount of €34.3m. After deducting the cost of financing, the Group received a net amount of €33.9m i.e. a total monetization of research tax credit receivable as at June 30, 2019 amounting to €135.1m (related to 2015, 2016, 2017, 2018 periods).
- the Group recognized a new research tax credit for the first half of 2019 of €19.8m.

## 3.6 Inventories

Inventories and work in progress can be broken down as follows:

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Raw materials | 2,155 | 1,921 |
| Finished and semi-finished goods | 146 | 157 |
| Provisions for inventories | (34) | (34) |
| **TOTAL** | **2,267** | **2,044** |

## 3.7 Trade accounts and other receivables

Trade accounts and other receivables break down as follows:

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Advance to suppliers | 2,180 | 595 |
| Trade receivables and related accounts | 426,821 | 397,080 |
| Other receivables | 176,131 | 144,486 |
| **Total Gross value** | **605,132** | **542,161** |
| Provision for trade receivables and related accounts | (12,800) | (11,527) |
| Provision for other receivables | (1,558) | (3,064) |
| **Total provisions** | **(14,358)** | **(14,591)** |
| **TOTAL** | **590,774** | **527,570** |

## Trade receivables and related accounts

Trade receivables, net of depreciation; are due within one year.

| | June 2019 | | | Dec. 2018 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Total | Matured | Not matured | Total | Matured | Not matured |
| Net trade receivables and related accounts | 414,022 | 90,035 | 323,987 | 385,553 | 91,356 | 294,197 |

**Changes in provisions for trade receivables and related accounts:**

| *(in thousands of euros)* | Dec. 2018 | Additions | Reversals | Exchange rate differences | Change in scope | Other changes | June 2019 |
|---|---|---|---|---|---|---|---|
| Provision for trade receivables and related accounts | (11,527) | (2,644) | 1,373 | (64) | - | 61 | (12,800) |

Overdue trade receivables, net of impairment, can be analyzed as follows:

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Less than one month overdue | 30,278 | 43,276 |
| Between one and three months overdue | 38,360 | 32,058 |
| More than three months overdue | 21,397 | 16,022 |
| **TOTAL TRADE RECEIVABLES** | **90,035** | **91,356** |

The Group has entered into several receivables factoring arrangements, mainly in Europe. The main characteristics of these contracts are listed below:

- guarantee ceiling for each trade receivable transferred to the factoring company, requiring prior consent from the bank;
- guarantee against insolvency, should the debtor go into receivership or be liquidated by court order;
- waiver of all recourse to claims against the factoring company within the limit of the authorized guarantee ceilings (factoring without recourse);
- opening of a cash collateral account which is refundable on termination of the contract and where the amount is adjusted to match the level of guaranteed trade receivables assigned to the factor without recourse;
- the contract is open-ended and may be terminated at any time:

  1) by the Group, with one months' notice for the receivables factoring contract signed with BNP Paribas Factor, covering France, Portugal, the Netherlands, Switzerland, Sweden, the United Kingdom, Italy, Spain, Belgium and Germany,

  2) by the factor, if the Group fails to honor its obligations (regularity of receivables factored, significant deterioration in the Group's financial position, decrease in the Group's share capital, or if its business assets are placed under lease management).

The Group had factoring facilities amounting to €467.9m at June 30, 2019. The amount of receivables transferred under the factoring arrangements amounted to €249.0m.

The derecognition of the share of receivables financed, without recourse and which come within the limits for approvals and guarantee ceilings delivered, affected the financial statements as follows (in thousands of euros):

| Assets | June 2019 | Dec. 2018 |
|---|---|---|
| Trade receivables and related accounts | (188,436) | (218,781) |
| Security deposit | 15,076 | 16,987 |
| **TOTAL** | **(173,360)** | **(201,794)** |

| Liabilities | June 2019 | Dec. 2018 |
|---|---|---|
| Current financial liabilities | (173,360) | (201,794) |
| **TOTAL** | **(173,360)** | **(201,794)** |

The receivables for which the Group retains the attached risks and benefits or that do not come within the factoring guarantees are kept on the asset side with compensation in "Current financial liabilities" (see 3.11).

The recognition of these items had the following effect on the financial statements (in thousands of euros):

| Assets | June 2019 | Dec. 2018 |
|---|---|---|
| Trade receivables and related accounts | 60,613 | 77,053 |
| o/w unfunded portion of trade receivables and cancellation of deposits | (31,482) | (29,315) |
| **TOTAL** | **29,131** | **47,738** |

| Liabilities | June 2019 | Dec. 2018 |
|---|---|---|
| Current financial liabilities | 29,131 | 47,738 |
| **TOTAL** | **29,131** | **47,738** |

## Other receivables

Other receivables stand at €174.6m and include tax receivables, prepaid expenses, personnel and social security receivables and other operating receivables.

## 3.8 Assets and liabilities related to customer contracts

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| Inventory and work in progress | 6,324 | 5,463 |
| Clients – Invoices to be issued | 269,576 | 196,637 |
| **ASSETS LINKED TO CUSTOMER CONTRACTS** | **275,900** | **202,100** |

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| Advances to suppliers | 12,118 | 14,710 |
| Clients – Credit memos to be issued | 11,805 | 10,598 |
| Deferred income | 63,321 | 74,273 |
| **LIABILITIES LINKED TO CUSTOMER CONTRACTS** | **87,244** | **99,581** |

## 3.9 Current financial assets

| *(in thousands of euros)* | **June 2019** |
|---|---|
| Deposits and guarantees | 18,514 |
| Financial instruments | 2,637 |
| Other financial assets | 1,944 |
| **TOTAL** | **23,095** |

This line item includes deposits and guarantees with maturities shorter than one year (such as the security deposit for the non-recourse factoring contracts amounting to €15.1m) and the fair value of foreign exchange derivative instruments.

## 3.10 Shareholders' equity and earnings per share

At June 30, 2019, the Altran share capital amounted to €128,510,552.50 divided into 257,021,105 ordinary shares. During the financial year, the weighted average number of ordinary shares outstanding amounted to 254,225,050 and the weighted average number of ordinary and dilutive shares amounted to 255,490,603.

| **Breakdown of share capital** | **Number** | **Nominal value** |
|---|---|---|
| Number of shares at January 1 | 257,021,105 | €0.50 |
| Cancellation of treasury shares | (2,461,800) | €0.50 |
| **Number of shares at June 30 (excluding treasury shares)** | **254,559,305** | **€0.50** |

**At June 30, 2019:**

- 109,066 shares were held by Altran Technologies under the Exane-BNP Paribas liquidity contract for €1.2m booked to equity. Net capital gains made on treasury shares for +€1.7m in 2019 were booked to consolidated reserves;
- Altran Technologies also held 2,352,734 treasury shares amounting to €18.3m recognized in shareholders' equity.

The base earnings per share and diluted earnings per share were as follows:

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| **Net income (Altran Technologies)** | **33,186** | **80,590** |
| Effect of dilutive share-based payments | 6,514 | 2,295 |
| Ordinary shares (weighted average number) | 254,225,050 | 230,156,303 |
| Dilutive options granted | 1,265,553 | 1,057,684 |
| **Earnings per share** *(in euros)* | **0.13** | **0.35** |
| **Diluted earnings per share** *(in euros)* | **0.16** | **0.36** |

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| **Net income on continuing activities (Altran Technologies)** | **33,186** | **80,691** |
| Effect of dilutive share-based payments | 6,514 | 2,295 |
| Ordinary shares (weighted average number) | 254,225,050 | 230,156,303 |
| Dilutive options granted | 1,265,553 | 1,057,684 |
| **Earnings per share** *(in euros)* | **0.13** | **0.35** |
| **Diluted earnings per share** *(in euros)* | **0.16** | **0.36** |

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| **Net income on discontinued operations (Altran Technologies)** | **-** | **(101)** |
| Effect of dilutive share-based payments | - | - |
| Ordinary shares (weighted average number) | 254,225,050 | 230,156,303 |
| Dilutive options granted | 1,265,553 | 1,057,684 |
| **Earnings per share** *(in euros)* | **-** | **-0.00** |
| **Diluted earnings per share** *(in euros)* | **-** | **-0.00** |

The free shares assigned with dilutive effect concern the plans put in place:

- on April 28, 2017 covering a maximum of 319,025 securities;
- on April 27, 2018 covering a maximum of 727,104 securities;
- on May 15, 2019 covering a maximum of 863,386 securities.

The characteristics of the Group's free share plans are provided in paragraph 4.4.

## 3.11 Net debt

Net debt is the difference between total financial liabilities and cash and cash equivalents.

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| Cash | 328,638 | 464,809 |
| Cash equivalents | 8,734 | 7,897 |
| **CASH AND CASH EQUIVALENTS** | **337,372** | **472,706** |
| Long-term borrowings and credit line | 1,603,158 | 1,601,936 |
| Other non-current financial liabilities | 3,951 | 1,393 |
| **Non-current financial liabilities** | **1,607,109** | **1,603,329** |
| Short-term loans and bank overdrafts | 159,694 | 180,279 |
| Other current financial liaibilities | (59) | 924 |
| **Current financial liabilities** | **159,635** | **181,203** |
| **GROSS FINANCIAL DEBT** | **1,766,744** | **1,784,532** |
| **NET DEBT** | **(1,429,372)** | **(1,311,826)** |

Compared to December 31, 2018, the Group's net debt increased by €117.6m to stand at €1,429.4m on June 30, 2019.

The change in net debt is presented as follows:

| *(in thousands of euros)* | | **Net debt** |
|---|---|---|
| **AT DECEMBER 31, 2018** | | **(1,311,826)** |
| Cash flow | Changes in net cash | (135,333) |
| | Proceeds from new loans | (4,068) |
| | Reimbursement of loans | 1,542 |
| | Other flows from financing activities | 49,644 |
| Non-cash flow | Change in factoring | (28,343) |
| | Scope of consolidation changes | 2 |
| | Exchange rate differences | (1,337) |
| | Others | 347 |
| **AT JUNE 30, 2019** | | **(1,429,372)** |

### Bank overdrafts

The table below shows a breakdown of bank borrowings:

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| Banking facilities | 20,532 | 5,941 |
| Factored debts | 29,131 | 47,738 |
| Commercial paper | 110,031 | 126,600 |
| **TOTAL** | **159,694** | **180,279** |

Factored debts relate to unsecured receivables assigned to the factor, which amounted to €388.7m at June 30, 2019, compared with €424.6m at December 31, 2018.

### Cash equivalents

At June 30, 2019, the market value of cash equivalents amounted to €8.7m, and can be broken down as follows:

| *(in thousands of euros)* | **June 2019** | **Dec. 2018** |
|---|---|---|
| Certificates of deposit and others | - | - |
| Marketable securities | 8,734 | 7,897 |
| **TOTAL** | **8,734** | **7,897** |

### Net debt maturity schedule

The table below shows the breakdown of the Group's net debt of €1,766.7m per category and annual maturity, including accrued interest, and taking into account the effect of hedging instruments:

| *(in thousands of euros)* | Total | <1 year | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4-5 yrs | >5 yrs |
|---|---|---|---|---|---|---|---|
| Bank loans and borrowings (>1 year) | 1,603,158 | - | (5,067) | (5,067) | (4,714) | (4,196) | 1,622,202 |
| Other non-current financial liabilities | 3,951 | - | 239 | 963 | (231) | 295 | 2,685 |
| **Non-current financial liabilities** | **1,607,109** | **-** | **(4,828)** | **(4,104)** | **(4,945)** | **(3,901)** | **1,624,887** |
| Short-term loans and bank overdrafts | 159,694 | 159,694 | - | - | - | - | - |
| Other current financial liabilities | (59) | (59) | - | - | - | - | - |
| **Current financial liabilities** | **159,635** | **159,635** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **1,766,744** | **159,635** | **(4,828)** | **(4,104)** | **(4,945)** | **(3,901)** | **1,624,887** |

Gross financial debt is 90% in the long term.

### Principal changes in credit lines

No particular change during the first half of 2019.

### Ratio of financial leverage:

The Group also determined and publishes a financial leverage ratio, as follows:

| | June 2019 | Dec. 2018 |
|---|---|---|
| Net financial debt/EBITDA *pro forma* (financial leverage) – Excluding IFRS 16 | 3.16 | 3.03 |
| Net financial debt/EBITDA *pro forma* (financial leverage) – Including IFRS 16 | 3.17 | |

### Derivative instruments

#### Interest rate derivatives

The interest rate derivatives on Term Loan B changed by €2.4m through other elements in the overall profit/loss to reach a fair value of -€0.2m recognized as "non-current financial liabilities".

#### Foreign exchange derivatives

- Foreign exchange derivatives set up to cover the exchange rate risk at the level of the cash pooling company (GMTS) changed by -€2.0m through profit/loss to reach a fair value of -€1.1m recognized in "current financial liabilities".
- Foreign exchange derivatives set up to hedge against the foreign exchange rate risk in Aricent's commercial operations in India changed by €1.6m through other elements in the overall profit/loss to reach a fair value of -€2.4m, recognized in "non-current financial liabilities" at +€0.2m and in "current financial assets" at +€2.6m. The hedge accounting was applied from January 1, 2019.

## 3.12 Leases

Changes in Rights o use per underlying category over the period can be broken down as follows:

| *(in thousands of euros)* | Real Estate | Cars | Others (including IT) | Total |
|---|---|---|---|---|
| **At December 31, 2018** | - | - | - | - |
| **Changes during the period** | | | | |
| IFRS 16 first time application | 198,473 | 21,931 | 2,861 | 223,265 |
| Acquisitions/Disposals | 12,859 | 7,295 | 1,185 | 21,339 |
| Net depreciation and provisions | (24,528) | (6,021) | (1,045) | (31,594) |
| Reclassification of Financial Leases at December 31, 2018 | - | 20 | 4,695 | 4,715 |
| Exchange rate differences | 657 | 72 | 41 | 771 |
| Other changes | (2,176) | - | (721) | (2,896) |
| **TOTAL CHANGES (NET VALUE)** | **185,286** | **23,296** | **7,017** | **215,599** |
| **At June 30, 2019** | | | | |
| Gross value at closing | 206,503 | 27,415 | 9,071 | 242,990 |
| Amortization and provisions at closing | (21,217) | (4,120) | (2,055) | (27,391) |
| NET VALUE AT CLOSING | 185,286 | 23,296 | 7,017 | 215,599 |

Rental debts stood at €229.8m in the liabilities.

| *(in thousands of euros)* | Non-current lease liabilities | Current lease liabilities | Total |
|---|---|---|---|
| **At December 31, 2018** | - | - | - |
| **Changes during the period:** | | | |
| IFRS 16 first time application | 176,716 | 57,463 | 234,180 |
| New Lease contract/Lease Exit – Disposal | 26,213 | (34,618) | (8,405) |
| Reclassification of Financial Leases as of December 2018 | 2,846 | 1,198 | 4,044 |
| Exchange rate differences | 652 | 178 | 830 |
| Other changes | (38,450) | 37,619 | (831) |
| **TOTAL CHANGES (NET VALUE)** | **167,977** | **61,840** | **229,817** |
| At June 30, 2019 | | | |
| Lease Liabilities at closing | 167,977 | 61,840 | 229,817 |

The interest expense relating to the rental debts is €5.7m over the first half of 2019.

## 3.13 Provisions

Changes in short and long-term provisions over the period can be broken down as follows:

| *(in thousands of euros)* | Dec. 2018 | Additions | Reversals (used) | Reversals (not used) | Exchange rate differences | Scope of consolidation changes | Other changes | June 2019 |
|---|---|---|---|---|---|---|---|---|
| Provisions for disputes | 1,359 | - | (173) | - | - | - | - | 1,186 |
| Provisions for other contingencies | 20,535 | 6,882 | (494) | (6,284) | 597 | 14,379 | 17,287 | 52,902 |
| Provisions for restructuring | 4,185 | 161 | (706) | (63) | (2) | - | - | 3,575 |
| Provisions for other liabilities | 35,086 | 423 | (3,473) | - | 178 | - | (20,012) | 12,203 |
| **TOTAL NON-CURRENT PROVISIONS** | **61,165** | **7,466** | **(4,846)** | **(6,347)** | **773** | **14,379** | **(2,725)** | **69,866** |
| Provisions for disputes | 9,102 | 1,339 | (3,097) | (1,575) | - | - | - | 5,769 |
| Provisions for warranties | 1,134 | 118 | (24) | - | 10 | - | - | 1,237 |
| Provisions for other contingencies | 3,925 | 864 | (2,478) | (126) | 22 | - | 2,805 | 5,012 |
| Provisions for restructuring | 5,711 | 2,501 | (3,396) | (534) | (3) | (45) | (718) | 3,517 |
| Provisions for other liabilities | 2,796 | 3,595 | (318) | - | 6 | - | 234 | 6,313 |
| **TOTAL CURRENT PROVISIONS** | **22,668** | **8,417** | **(9,313)** | **(2,235)** | **35** | **(45)** | **2,321** | **21,849** |

For the first half of 2019, net reversals of provisions stood at €6.9m, of which €4.3m in current operating profit/loss and €2.6m in non-recurring profit/loss.

### Restructuring provisions

Changes in the Group's restructuring provisions can be broken down as follows:

| *(in thousands of euros)* | Dec. 2018 | Additions | Reversals | Exhange rate differences | Scope of consolidation changes | Reallocation | June 2019 |
|---|---|---|---|---|---|---|---|
| Payroll expenses | 9,454 | 1,843 | (4,399) | (4) | (45) | (1) | 6,849 |
| Property lease rationalization | 342 | 769 | (201) | - | - | (717) | 193 |
| Other | 100 | 50 | (99) | - | - | - | 51 |
| **TOTAL RESTRUCTURING PLANS** | **9,896** | **2,662** | **(4,699)** | **(4)** | **(45)** | **(718)** | **7,093** |

## 3.14 Non-current employee benefits

The Group's total obligations regarding retirement plans and post-employment benefits, recognized under "Non-current employee benefits" amounting to €77.3m, increased by €13.4m over the first half of 2019.

This change may be explained primarily by the reduction of -0.90% in the discount rates in the EUR zone, of -0.80% in the INR zone, of -0.60% in the CHF zone, with a total effect before tax in "Other comprehensive income" of €11.2m.

## 3.15 Other long-term liabilities

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Non-current liabilities for fixed assets | 32,315 | 47,684 |
| Other long-term liabilities | 8,922 | 18,387 |
| **TOTAL** | **41,237** | **66,071** |

The change in long-term debts on fixed assets mainly concerns the repayment of the debt related to the acquisition of IBM licenses.

The decrease of -€9.1m in other long-term liabilities is mainly due to the cancellation of the provision for rent smoothing in return for the Rights of use in the implementation of IFRS 16.

## 3.16 Trade accounts and other payables

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Trade payables and related accounts | 165,266 | 158,474 |
| Taxes payable | 144,997 | 136,689 |
| Current employee benefits | 279,126 | 271,711 |
| Current liabilities for fixed assets | 46,485 | 62,423 |
| Other current liabilities | 78,549 | 18,974 |
| **TOTAL** | **714,423** | **648,271** |

### Trade and related payables

| | June 2019 | | | Dec. 2018 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Total | Matured | Not matured | Total | Matured | Not matured |
| Trade payables and related accounts | 165,266 | 55,606 | 109,660 | 158,474 | 50,377 | 108,097 |

Overdue trade payables and related accounts can be analyzed as follows:

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Less than one month overdue | 22,353 | 30,160 |
| Between one and three months overdue | 23,213 | 13,549 |
| More than three months overdue | 10,040 | 6,668 |
| **TOTAL MATURED** | **55,606** | **50,377** |

## 3.17 Current liabilities for securities

| *(in thousands of euros)* | June 2019 | Dec. 2018 |
|---|---|---|
| Liabilities for securities | - | 53,608 |
| **CURRENT LIABILITIES FOR SECURITIES** | **-** | **53,608** |

Current liabilities for securities comprise outstanding earn-out and other payments due on securities.

These liabilities were totally paid during the first half of 2019, particularly €52m for the acquisition of 5% of the Global Edge minority equity.

## 3.18 Fair value

The table below presents the carrying amount of the financial assets and liabilities as well as the fair value of the financial instruments according to the three levels defined below:

- level 1: Quoted prices (not adjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly;
- level 3: Inputs that are unobservable for the asset or liability.

| | | June 2019 | | |
|---|---|---|---|---|
| *(in thousands of euros)* | Fair value | Amortized cost | Fair value in income statement | Fair value in shareholders' equity |
| **Assets** | | | | |
| Non consolidated shares | Levels 1 & 3 | - | 2,153 | 11,211 |
| Loans and receivables | Level 1 | 19,419 | 20,887 | - |
| Other long-term receivables | - | 598 | - | - |
| Other non-current assets | - | 90,318 | - | - |
| Derivative instruments | Level 2 | - | - | 2,637 |
| Assets linked to customer contracts | - | 866,674 | - | - |
| Other current financial assets | - | 20,458 | - | - |
| Cash equivalents | Level 1 | - | 8,734 | - |
| **TOTAL ASSETS** | | **997,467** | **31,774** | **13,848** |
| **Liabilities** | | | | |
| Term Loan B | - | 1,640,325 | - | - |
| Bank and other financial liabilities | - | 8,282 | - | - |
| Other non-current liabilities | Level 1 | 8,922 | 32,315 | - |
| Derivative instruments | Level 2 | - | (1,074) | 47 |
| Operating payables | - | 801,667 | - | - |
| Bank overdrafts | Level 1 | 29,072 | 110,828 | - |
| **TOTAL LIABILITIES** | | **2,488,268** | **142,069** | **47** |

# Note.4 Notes to the income statement

## 4.1 Segment information at June 30, 2019

In accordance with IFRS 8 "Operating Segments", the Group is required to disclose segment financial information based on the Internal Management Reports, which the Chief Operating Decision Maker (CODM) uses to assess the performance of each operating segment and allocate resources.

Altran has identified three geographical areas within the primary segment division.

In 2019, the CODM reorganized the operational segments as presented below:

- Europe : France, Luxembourg, Germany, Austria, Belgium, Spain, Italy, Netherlands, Portugal, Czech Republic, Romania, United Kingdom, Scandinavia, Slovakia, Switzerland, Morocco and Tunisia;
- Americas: North America (including Aricent) and South America, India and Ukraine;
- Asia: China, Malaysia, Japan and the United Arab Emirates.

The information related to operating segments for the period is the following:

| **At June 30, 2019** *(in millions of euros)* | Europe | Americas | Asia | Inter-segment eliminations | Total |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| External | 1,188 | 388 | 18 | - | 1,594 |
| Inter-segment eliminations | 12 | 12 | 0 | (24) | (0) |
| **TOTAL REVENUES** | **1,199** | **400** | **19** | **(24)** | **1,594** |
| Total operating income | 1,239 | 406 | 19 | (24) | 1,639 |
| Total operating expenses | (1,129) | (378) | (19) | 24 | (1,502) |
| Operating income on ordinary activities | 110 | 28 | - | - | 138 |
| **OPERATING INCOME ON ORDINARY ACTIVITIES** *(%)* | **9.2%** | **7.0%** | **0.0%** | **-** | **8.6%** |
| Assets by areas | 4,237 | 2,574 | 124 | (2,081) | 4,854 |
| **TOTAL ASSETS** | **4,237** | **2,574** | **124** | **(2,081)** | **4,854** |

Comparative information according to the 2019 organization is the following:

| **June 30, 2018** *(in millions of euros)* | Europe | Americas | Asia | Inter-segment eliminations | Total |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| External | 1,104 | 252 | 17 | - | 1,373 |
| Inter-segment eliminations | 6 | 6 | - | (12) | - |
| **TOTAL REVENUES** | **1,110** | **258** | **17** | **(12)** | **1,373** |
| Total operating income | 1,147 | 258 | 17 | (12) | 1,410 |
| Total operating expenses | (1,047) | (247) | (17) | 12 | (1,299) |
| Operating income on ordinary activities | 100 | 11 | - | - | 111 |
| **OPERATING INCOME ON ORDINARY ACTIVITIES** *(%)* | **9.0%** | **4.3%** | **0.0%** | **0.0%** | **8.1%** |
| Assets by areas | 3,959 | 2,613 | 67 | (1,856) | 4,783 |
| **TOTAL ASSETS** | **3,959** | **2,613** | **67** | **(1,856)** | **4,783** |

Europe includes the operating subsidiaries and the Group's headquarters (with the management bodies and Group-wide services).

During the first half of 2019, Altran continued its growth with an increase of 16.1% in its revenues, which stood at €1,594m compared with €1,372.7m in 2018.

The Group's operating income on ordinary activities stood at €137.6m and 8.6% of revenues.

## 4.2 Sales

The following is a breakdown of revenue:

| *(in thousands of euros)* | June 2019 | June 2018 |
|---|---|---|
| Sales of goods | 19,538 | 13,792 |
| Sales of services | 1,527,784 | 1,357,969 |
| Royalties | 46,724 | 930 |
| **TOTAL** | **1,594,046** | **1,372,691** |

The majority of the Group's contracts are performed on a T&M and fixed-price basis, based on a service catalog.

Fixed-price contracts account for a small portion of services delivered by the Group.

Royalties mainly come from IBM licenses.

## 4.3 External expenses

The following is a breakdown of external expenses at June 30, 2019:

| *(in thousands of euros)* | June 2019 | June 2018 | Variation |
|---|---|---|---|
| Outsourcing | 115,294 | 102,799 | +12.2% |
| Operating leases and related expenses | 20,058 | 47,369 | -57.7% |
| Training | 8,063 | 7,126 | +13.1% |
| Professional fees and external services | 20,672 | 15,949 | +29.6% |
| Transport and travel expenses | 59,727 | 50,810 | +17.5% |
| Other purchases and external services | 49,202 | 48,688 | +1.1% |
| **TOTAL** | **273,016** | **272,741** | **+0.1%** |

External expenses developed in accordance with the growth of the Group's reported revenues. 2019 was particularly affected by the consolidation of the Aricent group over a full year while integration was only completed on March 20, 2018 for the year 2018.

In implementation of IFRS 16, the "operating leases and related expenses" amounting to €35.3m are cancelled.

Service charges on contracts relating to assets of low unit value or whose term is less than 12 months are maintained in this line item.

## 4.4 Personnel costs

The following is a breakdown of personnel costs at June 30, 2019:

| *(in thousands of euros)* | June 2019 | June 2018 | % Change |
|---|---|---|---|
| Salaries & payroll | 1,084,766 | 945,208 | +14.8% |
| Expenses related to share-based payments | 6,514 | 689 | +845.4% |
| Expenses related to bonuses | 1,750 | 1,262 | +38.7% |
| Non-current employee benefits | 3,430 | 1,719 | +99.5% |
| Employee benefit provisions | 539 | 1,114 | -51.6% |
| **TOTAL** | **1,096,999** | **949,992** | **+15.5%** |

The average headcount of the Group was the following:

| | June 2019 | June 2018 |
|---|---|---|
| Average headcount | 47,655 | 41,491 |

### Share-based payments

The total cost of share-based compensation is €6.5m for the free share plans at June 30, 2019.

At June 30, 2019, the main features of the free share plans, matured or ongoing are the following:

| | **Free shares 2015** | **Free shares 2016** | **Free shares 2017** | **Free shares 2018** | **Free shares 2019** |
|---|---|---|---|---|---|
| Date of General Meeting | 06/01/2012 | 04/29/2016 | 04/29/2016 | 04/27/2018 | 04/27/2018 |
| Date of Board of Directors Meeting | 03/11/2015 | 06/01/2016 | 04/28/2017 | 09/05/2018 | 05/15/2019 |
| Total number of shares available for allocation on the date of attribution | 291,959 | 519,395 | 437,366 | 933,740 | 1,093,485 |
| *o/w available to corporate officers* | - | - | - | - | - |
| *o/w available to 10 highest paid employees* | *116,750* | *231,583* | *157,681* | *330,881* | *389,755* |
| Issue date of free shares | the 03/11/2019 | the 06/01/2019 | At latest 10/01/2020 | the 09/05/2021 | the 05/15/2022 |
| End of lock-in period for free shares | the 03/11/2019 | the 06/01/2019 | At latest 10/01/2020 | the 09/05/2021 | the 05/15/2022 |
| Reference share price *(in euros)* | €8.53 | €13.35 | €15.88 | €9.29 | €10.61 |
| Valuation method used | Binomial | Binomial | Binomial | Binomial | Binomial |
| Number of shares available for allocation at 12/31/2018 with a 100% performance | 291,770 | 361,141 | 349,491 | 778,137 | - |
| Number of shares available for allocation at 12/31/2018 | 291,770 | 143,265 | 125,083 | 732,305 | - |
| Rights created in 2019 | - | - | - | - | 911,264 |
| Rights forfeited in 2019 | - | (4,524) | (24,668) | (24,397) | - |
| Rights granted in 2019 | (291,770) | (356,617) | - | - | - |
| Performance stock valuation | - | 217,876 | 218,610 | 19,196 | (47,878) |
| **Number of shares available for allocation at 06/30/2019** | **-** | **-** | **319,025** | **727,104** | **863,386** |
| *o/w available to corporate officers* | - | - | - | - | - |
| o/w available to 10 highest paid employees | - | - | 115,115 | 265,999 | 307,742 |

(a) The adjustments were calculated in accordance with the method specified in Article R. 228-91.1 b) of the French Commercial Code, taking into account the number of shares issued which give an entitlement to an old share, the issue price of these securities and the value of the securities before detachment of subscription rights, it being understood that this value is equal to the weighted average of the prices of the last three trading sessions preceding the start date of the issue.

## 4.5 Depreciation, amortization and net provisions

| *(in thousands of euros)* | **June 2019** | **June 2018** |
|---|---|---|
| Depreciation and amortization of property, plant & equipment and intangible assets | (37,364) | (25,660) |
| Depreciation of right-of-use | (31,594) | - |
| Provisions for current assets | (1,206) | 1,526 |
| Provisions for contingencies and liabilities | 5,253 | 1,670 |
| Provisions for contingencies and liabilities – Share based compensation | (948) | 1,120 |
| **TOTAL** | **(65,859)** | **(21,344)** |

## 4.6 Non-recurring operating income and expenses

| *(in thousands of euros)* | **June 2019** | **June 2018** |
|---|---|---|
| Costs and litigations related to acquisitions and legal reorganizations | (5,171) | (27,525) |
| Restructuring costs | (11,983) | (14,810) |
| Litigations | (1,868) | (327) |
| Others | (24,696) | (2) |
| **TOTAL** | **(43,718)** | **(42,664)** |

The other non-recurring income and expenses for -€24.7m mainly corresponds to costs related to costs relating to the cyber-attack for -€16.3m, "retention bonuses" for -€4.3m and the loss -€3.1m on disposal of the subsidiary AAC in Germany.

The restructuring charges by category are the following:

| *(in thousands of euros)* | **June 2019** | **June 2018** |
|---|---|---|
| Salaries | (9,843) | (13,267) |
| Property lease rationalization + furnishing writte – offs | (1,129) | (1,590) |
| Others | (1,011) | 47 |
| **TOTAL NET EXPENSES OF RESTRUCTURATION COSTS** | **(11,983)** | **(14,810)** |

## 4.7 Cost of net debt

The cost of net debt of -€33.6m on June 30, 2019 includes the interest on loans at -€32.4m, and the interest paid on other financing transactions for -€1.7m.

| *(in thousands of euros)* | **June 2019** | **June 2018** |
|---|---|---|
| Interest income from cash and cash equivalents | 565 | 1,418 |
| **INCOME FROM CASH AND CASH EQUIVALENTS** | **565** | **1,418** |
| Interest expense relating to bonds | - | (2,399) |
| Interest expense relating to loans | (32,389) | (22,842) |
| Interest expense relating to other financing operations | (1,743) | (1,075) |
| **COST OF GROSS FINANCIAL DEBT** | **(34,132)** | **(26,316)** |
| **COST OF NET FINANCIAL DEBT** | **(33,567)** | **(24,898)** |

The interest expenses on other financing transactions mainly concern the interest paid pursuant to factoring contracts and disposals of receivables and pursuant to commercial paper and expenses and commissions for financing the "CIR".

## 4.8 Other financial expenses and income

| *(in thousands of euros)* | **June 2019** | **June 2018** |
|---|---|---|
| Financial gains from conversion to present value | 665 | 251 |
| Forex gains | 4,312 | 5,441 |
| Write-backs of provisions for unconsolidated investments and other non-current financial assets | 127 | - |
| Other financial income | 188 | 111 |
| **FINANCIAL INCOME** | **5,292** | **5,803** |
| Loss on disposal of unconsolidated investments and other financial asset | (127) | (2) |
| Interest relating to the discounting of mandatory debts | (5,685) | - |
| Discounting financial expenses | (3,001) | (2,789) |
| Forex losses | (6,168) | (7,040) |
| Employee benefit provisions | (1,278) | (897) |
| Other financial expenses | (90) | (24,042) |
| **FINANCIAL EXPENSES** | **(16,349)** | **(34,770)** |
| **OTHER FINANCIAL EXPENSES AND INCOME** | **(11,057)** | **(28,967)** |

Other financial income and expenses basically include:

- the foreign exchange income impacted by GMTS hedging transactions;
- interest relating to the rental debts;
- discounting costs relating to the "construction-effort" loans and to the IBM debt.

## 4.9 Tax expenses

Tax expense on pre-tax income of €49.2m for the first half of 2019 stood at €15.8m after application of an estimated effective tax rate (ETR) for the full financial year of 32% (including "secondary" taxes such as the French CVAE and the Italian IRAP).

# Note.5 Off balance sheet commitments

| *(in thousands of euros)* | **June 30, 2019** | **< 1 year** | **1-5 years** | **>5 years** | **December 31, 2018** |
|---|---|---|---|---|---|
| **Commitments granted:** | | | | | |
| **Pledges, security deposits and guarantees** | | | | | |
| - *for recurring operations* | *114,367* | *3,574* | *11,850* | *98,944* | *59,991* |
| - *for financing operations* | *2,306,625* | *8,314* | *436* | *2,297,875* | *2,496,849* |
| **Operating lease (property, furniture)** | | | | | |
| - *Minimum future payments* | - | - | - | - | *284,451* |
| **Non-compete clause concerning former employees** | **3,474** | **3,474** | **-** | **-** | **1,732** |
| - *gross amount* | *2,714* | *2,714* | - | - | *1,353* |
| - *social security contributions* | *760* | *760* | - | - | *379* |
| **Commitments received:** | | | | | |
| **Pledges, security deposits and guarantees** | | | | | |
| - *for recurring operations* | *2,349* | *1,523* | - | *827* | *3,507* |
| - *for financing operations* | - | - | - | - | - |

## Undertaking to buy back non-controlling equity interests

There are no undertakings to buy back non-controlling equity interests or non-consolidated ad hoc entities.

## Note.6 Related party transactions

Nil.

## Note.7 Exposure to risk and risk management procedures

The risks and risk management procedures have not changed significantly since the closing of the financial statements for the year ended December 31, 2018.

## Note.8 Follow-up of significant litigation and contingent liabilities

Significant litigation and contingent liabilities, as reported to shareholders during the approval of the financial statements for the year ended December 31, 2018, did not change notably on the date of approval of the financial statements for the 1st half of 2019.

## Note.9 Seasonality

The Group's activity is not subject to seasonality and can be carried out in a relatively even manner between each half-year. The principal factors that can have an impact are the number of working days (more in the second half-year compared to the first half-year) and leave taken.

## Note.10 Significant events after June 30, 2019

There have been no significant events between June 30, 2019 and the approval of the financial statements by the Board of Directors on September 4, 2019.

# Note.11 Scope of consolidation

The consolidated financial statements include the financial statements of Altran Technologies and its subsidiaries. The Group fully consolidates its subsidiaries.

| | | | Closing | | | Opening | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Method | Control rate | Interest Rate | Method | Control rate | Interest Rate | Variation |
| Europe | France | ALTRAN TECHNOLOGIES | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN EDUCATION SERVICES | IG | 100 | 100 | IG | 100 | 100 | |
| | | GMTS | IG | 100 | 100 | IG | 100 | 100 | |
| | | LOGIQUAL | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN PROTOTYPES AUTOMOBILES | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN PARTICIPATIONS | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN ALLEMAGNE | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN ACT | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN PARTICIPATIONS 2 | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN CONNECTED SOLUTIONS | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN LAB | IG | 100 | 100 | IG | 100 | 100 | |
| | Luxembourg | ALTRAN LUXEMBOURG | IG | 100 | 100 | IG | 100 | 100 | |
| | Morocco | ALTRAN MAROC | IG | 100 | 100 | IG | 100 | 100 | |
| | | MG2 ENGINEERING | IG | 50.00 | 50.00 | IG | 50.00 | 50.00 | |
| | Tunisia | TITAN ENGINEERING | NI | | | IG | 100 | 100 | Disposal |
| | | ALTRAN TELNET CORPORATION | IG | 70.00 | 70.00 | IG | 70.00 | 70.00 | |
| | Germany | ALTRAN DEUTSCHLAND | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN SERVICE | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN AVIATION CONSULTING | NI | | | IG | 100 | 100 | Disposal |
| | | ALTRAN ROMANIA | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN MANAGEMENT | IG | 100 | 100 | IG | 100 | 100 | |
| | Austria | ALTRAN AUSTRIA GMBH | IG | 100 | 100 | IG | 100 | 100 | |
| | | MICROSYS TECHNOLOGIES | IG | 100 | 100 | IG | 100 | 100 | |
| | Belgium | ALTRAN BELGIUM | IG | 100 | 100 | IG | 100 | 100 | |
| | Spain | ALTRAN INNOVACION | IG | 100 | 100 | IG | 100 | 100 | |
| | | AGENCIA DE CERTIFICACION INNOVACION ESPANOLA | IG | 100 | 100 | IG | 100 | 100 | |

| | | | Closing | | | Opening | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Method | Control rate | Interest Rate | Method | Control rate | Interest Rate | Variation |
| Europe | Italy | ALTRAN ITALIA | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN INNOVATION | NI | | | IG | 100 | 100 | Liquidated |
| | Norway | ALTRAN NORGE | IG | 100 | 100 | IG | 100 | 100 | |
| | The Netherlands | ALTRAN INTERNATIONAL | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN ENGINEERING | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN NETHERLANDS | IG | 100 | 100 | IG | 100 | 100 | |
| | Portugal | ALTRAN PORTUGAL | IG | 100 | 100 | IG | 100 | 100 | |
| | | VORTEX | EM | 49 | 49 | NI | | | New entity |
| | Czech Republic | ALTRAN CZ | IG | 100 | 100 | IG | 100 | 100 | |
| | Romania | ALTRAN SOLUTIONS | NI | | | IG | 100 | 100 | Merged |
| | United Kingdom | ALTRAN UK HOLDING | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN UK | IG | 100 | 100 | IG | 100 | 100 | |
| | | CAMBRIDGE CONSULTANTS | IG | 100 | 100 | IG | 100 | 100 | |
| | | CAMBRIDGE CONSULTANTS USA | IG | 100 | 100 | IG | 100 | 100 | |
| | | CAMBRIDGE CONSULTANTS (SINGAPORE) | IG | 100 | 100 | IG | 100 | 100 | |
| | | CAMBRIDGE CONSULTANTS (INDIA) PRODUCT DEVELOPMENT | IG | 100 | 100 | IG | 100 | 100 | |
| | | CAMBRIDGE CONSULTANTS JAPAN | IG | 100 | 100 | IG | 100 | 100 | |
| | | SYNAPSE PRODUCT DEVELOPMENT HK | IG | 100 | 100 | IG | 100 | 100 | |
| | | SYNAPSE PRODUCT DEVELOPMENT | IG | 100 | 100 | IG | 100 | 100 | |
| | | TESSELLA HOLDING | IG | 100 | 100 | IG | 100 | 100 | |
| | | TESSELLA (UK) | IG | 100 | 100 | IG | 100 | 100 | |
| | | TESSELLA (USA) | IG | 100 | 100 | IG | 100 | 100 | |
| | | INFORMATION RISK MANAGEMENT | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN ENGINEERING SOLUTIONS (EUROPE) | IG | 100 | 100 | IG | 100 | 100 | |
| | Slovakia | ALTRAN SLOVAKIA | IG | 100 | 100 | IG | 100 | 100 | |
| | Sweden | ALTRAN SVERIGE | IG | 100 | 100 | IG | 100 | 100 | |
| | Switzerland | ALTRAN SWITZERLAND | IG | 100 | 100 | IG | 100 | 100 | |
| | Turkey | ALTRAN INOVASYON VE TEKNOLOJI | IG | 100 | 100 | IG | 100 | 100 | |

| | | | Closing | | | Opening | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Method | Control rate | Interest Rate | Method | Control rate | Interest Rate | Variation |
| Americas | Canada | ALTRAN SOLUTIONS | IG | 100 | 100 | IG | 100 | 100 | |
| | United States | ALTRAN US | IG | 100 | 100 | IG | 100 | 100 | |
| | | GLOBAL EDGE SOFTWARE | IG | 100 | 100 | IG | 100 | 100 | |
| | | LOHIKA SYSTEMS | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN ENGINEERING SOLUTIONS | IG | 100 | 100 | IG | 100 | 100 | |
| | | FOLIAGE | IG | 100 | 100 | IG | 100 | 100 | |
| | | OCTAVIA HOLDCO | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES (Cayman) | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT HOLDINGS MAURITIUS INDIA | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT HOLDINGS MAURITIUS | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT HOLDINGS CYPRUS | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT HOLDINGS (GIBRALTAR) | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES HOLDINGS | IG | 98.25 | 98.25 | IG | 98.25 | 98.25 | |
| | | ARICENT MAURITIUS ENGINEERING SERVICES | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES IRELAND | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES UK | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES MAURITIUS | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES DENMARK | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES SWEDEN | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGY (SHENZEN) | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES AUSTRALIA | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES GERMANY | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT TECHNOLOGIES | IG | 98.25 | 98.25 | IG | 98.25 | 98.25 | |

| | | | Closing | | | Opening | | |
|---|---|---|---|---|---|---|---|---|
| | | | Method | Control rate | Interest Rate | Method | Control rate | Interest Rate | Variation |
| Americas | United States | ARICENT TECHNOLOGIES SERVICES | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT JAPAN | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT SOFTWARE US | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT HOLDINGS LUXEMBOURG | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT BELGIUM | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT ISRAEL | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT POLAND | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT US | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT IRELAND | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT N.A. | IG | 99.11 | 99.11 | IG | 99.11 | 99.11 | |
| | | ARICENT SPAIN | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG DESIGN MAURITIUS | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG DESIGN | IG | 99.98 | 99.98 | IG | 99.98 | 99.98 | |
| | | FROG DESIGN EUROPE | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG DESIGN | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG STRATEGY AND DESIGN | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG BUSINESS CONSULTANCY | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG DESIGN | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG DESIGN GROUP UK | IG | 100 | 100 | IG | 100 | 100 | |
| | | FROG DESIGN PTY | IG | 100 | 100 | IG | 100 | 100 | |
| | | SMART PLAY TECHNOLOGIES (SINGAPORE) | IG | 99.11 | 99.11 | IG | 99.11 | 99.11 | |
| | | ARICENT TECHNOLOGIES MALAYSIA | IG | 100 | 100 | IG | 100 | 100 | |
| | | ARICENT VIETNAM | NI | | | IG | 100 | 100 | Liquidated |
| | | ARICENT COMMUNICATION | IG | 100 | 100 | IG | 100 | 100 | |
| | Mexico | ALTRAN SOLUTIONS DE MEXICO | IG | 100 | 100 | IG | 100 | 100 | |
| | India | ALTRAN TECHNOLOGIES INDIA | IG | 100 | 100 | IG | 100 | 100 | |
| | | GLOBAL EDGE SOFTWARE | IG | 100 | 100 | IG | 100 | 100 | |
| | Ukraine | LLC LOHIKA (UKRAINE) | IG | 100 | 100 | IG | 100 | 100 | |

| | | | Closing | | | Opening | | |
|---|---|---|---|---|---|---|---|---|
| | | | Control | Interest | | Control | Interest | |
| | | Method | rate | Rate | Method | rate | Rate | Variation |
| Asia | **United Arab Emirates** | ALTRAN MIDLE EAST | IG | 85.51 | 85.51 | IG | 85.51 | 85.51 | |
| | **Saudi Arabia** | ALTRAN MIDDLE EAST SAUDI ARABIA | IG | 85.51 | 85.51 | IG | 85.51 | 85.51 | |
| | **Hong Kong** | ALTRAN CHINA | IG | 100 | 100 | IG | 100 | 100 | |
| | **Korea** | ALTRAN TECHNOLOGIES KOREA | IG | 100 | 100 | IG | 100 | 100 | |
| | **Singapore** | ALTRAN (SINGAPORE) | IG | 100 | 100 | IG | 100 | 100 | |
| | **China** | ALTRAN SHANGHAI | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN AUTOMOTIVE TECHNOLOGY | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN BEYONDSOFT TECHNOLOGIES (BEIJING) | IG | 100 | 100 | IG | 100 | 100 | |
| | | SICON DESIGN TECHNOLOGIES SHANGHAI | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN BEYONDSOFT INFORMATION TECHNOLOGIES (SHANGAI) | IG | 100 | 100 | IG | 100 | 100 | |
| | | ALTRAN XI AN TECHNOLOGY | IG | 100 | 100 | IG | 100 | 100 | |
| | **Malaysia** | ALTRAN MALAYSIA | IG | 100 | 100 | IG | 100 | 100 | |
| | **Japan** | ALTRAN ENGINEERING SOLUTIONS | IG | 100 | 100 | IG | 100 | 100 | |

# 4__ STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION

For the period from January 1 to June 30, 2019

To the Altran Technologies shareholders,

In compliance with the assignment entrusted to us by your Shareholders’ 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 interim consolidated financial statements of Altran Technologies for the period from January 1 to June 30, 2019; as appended to this report;
- the verification of the information contained in the Interim Management Report.

These Condensed Interim Consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our review.

## I Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A 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. Accordingly, we do not express an audit opinion.

Based on our 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.

Without prejudice to the opinion expressed above, we would draw your attention to note 1 in the appendix to the consolidated financial statements which gives details of the procedures and impact of the first application since January 1 2019 of IFRS 16 “Leases”.

## II Specific verification

We have also verified the information presented in the Interim Management Report on the condensed consolidated interim 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.

Paris-La Défense, September 4, 2019

The Statutory Auditors,

| | |
|---|---|
| **Mazars** | **Deloitte & Associés** |
| Jean-Luc BARLET | Ambroise DEPOUILLY |

# 5___ STATEMENT OF RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the last half-year were prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and profit and loss of the Company and of all the companies included in the scope of consolidation, and that this Half-Year Activity Report is a true and fair view of material events arising in the six months in question, their impact on the financial statements, the main related-party transactions as well as a description of the material risks and main uncertainties for the remaining six months of the financial year.

Neuilly-sur-Seine, September 4, 2019

**Dominique CERUTTI**

Chairman of the Board of Directors and Chief Executive Officer

Designed & published by LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

Translated by LABRADOR LANGUAGE SERVICES +33 (0)1 53 06 80 20

**ALTRAN TECHNOLOGIES**
French public limited company
governed by a Board of Directors
and with a share capital of €128,510,552.50

Head office:
96, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
Registration number: 702 012 956 with Nanterre
Register of Trade
and Companies Business Activity Code: 7112B