Interim financial report

Fiscal 2018-2019

1st Half

Period to September 30, 2018

SII Group

87, Quai Panhard et Levassor

75013 Paris

Siren: 315 000 943

☏: +33 (0)1 428 482 22

http://www.groupe-sii.com

CONTENTS

This document is a full free translation of the original French text. In case of discrepancies, the French version shall prevail.

INTERIM MANAGEMENT REPORT
FISCAL 2018-2019 FIRST HALF
(Period from April 1, 2018 to September 30, 2018)

Observations relating to the period's business and highlights of the period

The SII group reported revenue of €295.65m for the first half ended September 30, 2018, an increase of 14.1 percent over the same period a year ago.

In France, revenue for the first six months increased by 9.1 percent to €157.98m. Almost all sectors contributed to this result, as did the impact of an additional workday. The SII Group maintains its active hiring policy, under which 606 new employees were added during the period. This caused the Group's total headcount to increase by 7.5 percent from the first half of 2017-2018. Staff turnover in France remained at 21.8 percent, unchanged from earlier periods.

Revenue from international operations shot up 20.3 percent to €137.67m for the half year. Business outside France accounted for 47 percent of SII's total sales, up from 44 percent the first half of 2017-2018. The good performance reflected improvements in our subsidiaries, especially in Poland (where sales were up 36 percent). Demand there is strong for both engineering and offshore services, a segment that has experienced further growth. In recent geographic markets within the SII Group, Canada is growing strongly (+97 percent) as Colombia (+48 percent). Business continued to expand in Germany and Spain, with revenue rising by 7 percent as in Chile (6 percent). Business was stable in Romania and the Netherlands, while it declined by 4 percent in the Czech Republic, 6 percent in Belgium and 37 percent in Switzerland.

All sectors reported strong growth during the period. Business was up 13.7 percent in aerospace and defense, which account for 22.3 percent of revenue. The banking and insurance sector was boosted by new developments in the industry and grew more than 28 percent; it now accounts for 20.3 percent of the Group's revenue. Energy and telecommunications posted growth of 12.6 and 8.3 percent, respectively. Revenue also increased significantly (by 10 percent) in the other sectors (services, manufacturing, automobile, transportation, retail and healthcare).

The SII Group generated higher profits, with operating income up 19.7 percent to €20.35m for the period. This was attributable in part to a marked improvement in income from international operations. The operating margin rose by 2.0 points to 8.6 percent, in spite of additional provisions for doubtful receivables being set aside in Spain. In France, the operating margin fell slightly (by 0.9 points) under the impact of an increase in overhead to prepare for and facilitate future growth. The billable hours ratio (net of paid leaves) averaged 91.6 percent in France, an improvement of 0.3 points in the period. For the Group as a whole, the ratio was 92.0 percent.

After allowing for interest and taxes, net income improved by 25.6 percent to €13.65 million.

As of September 30, 2018, the Group had net cash of €8.85m (up from €7.32m on March 31, 2018). The period saw an increase in cash flow from operations (to €23.6m for the half year, versus €17.9m for the first half of the previous year), consistent with the growth in business. The Group's net worth was €152.7m (€142.0m on March 31, 2018).

Group performances

- *Half year financial highlights, consolidated in accordance with IFRS*

In €M *Period to September 30, 2018*	**2017-2018** **H1**	**2018-2019** **H1**	**Change**
Revenue	259.20	295.64	+14.1%
Operating income	17.00	20.35	+19.7%
Net operating margin	6.6%	6.9%	+0.3 pt.
Net income after minority interest	10.89	13.62	+25.1%
Average headcount	6,918	7,662	+744
Headcount on 9/30/2018	7,127	7,802	+675

- *Financial highlights of French operations, consolidated in accordance with IFRS*

(€000) *Period to September 30, 2018*	2017-2018 H1	2018-2019 H1	Change
Revenue	**144.79**	**157.98**	**+9.1%**
Operating income	**9.47**	**8.51**	**-10.2%**
Average headcount	**3,384**	**3,677**	**+293**

- *Financial highlights of international operations, consolidated in accordance with IFRS*

(€000) *Period to September 30, 2018*	2017-2018 H1	2018-2019 H1	Change
Revenue	**114.40**	**137.66**	**+20.3%**
Operating income	**7.53**	**11.85**	**+57.4%**
Average headcount	**3,534**	**3,985**	**+451**

- *Annual SII Group Objectives*

The French technology consulting sector continues his development in 2018 and the market is expected to show an increase of 5.5 percent, according to the data released by Syntec Numérique at its press conference of December 6, 2018. A very close growth level should materialize beyond 2018. Syntec numérique confirmed this trend when it forecast growth of 5.2 percent for 2019 at that same press conference of December 6, 2018.

In view of the first half’s performance, the SII Group confirms its objective for the full fiscal 2018-2019:

– revenue of between 625 and 640 million euros, representing organic growth of between 11.5 and 14.0 percent;
– a higher operating margin.

Fiscal 2018-2019 first half results

The interim financial statements for the six months ended September 30, 2018 have been prepared in accordance with the rules and valuation methods required by applicable regulations.

They were approved by the Management Board at its meeting on December 5, 2018.

The independent auditors have performed a limited examination of the financial statements and issued a certificate on December 21, 2018 (see pages 37 & 38).

The accounting rules and methods are the same as those used to prepare the previous year's interim financial statements.

The SII Group's consolidated financial statements encompass all of its subsidiaries. The comparison of periods has been made on basis of accounts prepared in accordance with IFRS.

- *Company financial statements*

Item (€000)	9/30/2017	**9/30/2018**
Revenue	120,066	**134,190**
Operating revenue	120,634	**134,190**
Operating expenses	-112,204	**-127,554**
Operating income	8,430	**7,788**
Net financial revenue	1,945	**415**
Net extraordinary gains (losses)	20	**-32**
Employee profit sharing	-263	**-228**
Corporate income tax	-1,762	**-1,469**
Net income	8,370	**6,474**
Shareholders' equity	114,465	**128,600**
Total Assets	211,672	**221,999**

- *Consolidated financial statements*

Item (€000)	9/30/2017	**9/30/2018**
Revenue	259,195	**295,644**
Operating revenue	17,002	**20,355**
Net cost of debt	-610	**-510**
Other financial income and expenses	-541	**-155**
Tax expenses	-4,981	**-6,041**
Net income	10,870	**13,649**
Net income attributable to owners of the parent	10,888	**13,617**
Shareholder's equity	130,445	**152,755**
Total Assets	311,290	**353,401**

- *Information relative to own shares held in treasury*

Own shares held in treasury	9/30/2017	**9/30/2018**
Total number of shares	957,403	**885,862**
Total purchase price (€000)	4,707	**4,280**
Average purchase price (€)	4.92	**4.83**
Average September market value (€)	22.85	**26.80**
Market Value (€000)	21,911	**23,741**

Risks

The principal risks to which the Group is exposed are described in the registration document for the year ended March 31, 2018. They did not change materially during the first half of fiscal 2018-2019.

Outlook

At a press conference held on December 6, 2018, the Syntec Numérique industry association announced that the technology consulting sector had been growing by 5.5 percent in 2018, and that growth in the consulting and services sector was 3.3 percent. According to the association, this trend is expected to continue in 2019 in both sectors (5.2 percent for technology consulting and 3.0 percent for consulting and services). “Another high rate of growth in 2019” was essentially the message from that press conference.

The macroeconomic outlook in France has been downgraded and the protest movements of the past several weeks have raised fears of slower GDP growth. On the other hand, the overwhelming majority of capital expenditures in the French economy have a digital component, a unique factor which accounts in part for the continued strength of our sector.

Innovation and operating efficiency matter most to our customers’ operating managers and everyone is speaking of “digital transformation” while the SMACS (Social, Mobile, Analytics, Cloud, Security) phenomenon is constantly gaining ground. Our future work is going to be driven by those key factors underlying our customers’ performance.

The SII Group’s strategy of expanding its know-how, technological expertise, positions within sectors and geographical coverage is expected to enable it to continue to grow profitably over the coming months.

Post closure events

None.

Eric MATTEUCCI

Chairman of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS ON 9/30/2018

Note: All figures in the summary consolidated documents are stated in thousands of euros.

Contents

1. Consolidated financial statements

ASSETS (€000)	Note	9/30/2018	3/31/2018
NON-CURRENT ASSETS			
Goodwill	8-9	43,523	43,523
Intangible assets	8-9	5,855	5,998
Tangible assets	10	11,564	10,955
Other non-current assets	11	3,796	3,814
Non-current financial assets	11	4,767	4,754
Deferred tax assets	12	3,073	2,741
TOTAL NON-CURRENT ASSETS		**72,578**	**71,785**
CURRENT ASSETS			
Operating receivables	13	197,206	195,176
Receivables from tax authorities		11,028	11,656
Other current assets	14	7,393	6,558
Current financial assets	14	75	61
Cash and cash equivalents	15	65,121	71,295
TOTAL CURRENT ASSETS		**280,823**	**284,746**
ASSETS HELD FOR SALE			
TOTAL ASSETS		**353,401**	**356,531**

LIABILITIES AND SHAREHOLDERS' EQUITY (€000)	Note	9/30/2018	3/31/2018
SHAREHOLDERS' EQUITY			
Issued capital	16	40,000	40,000
Other reserves		100,809	77,871
Own shares held in treasury		-1,772	-1,909
Income for the period		13,617	25,809
Equity attributable to the owners of the parent		**152,654**	**141,771**
Non-controlling interests		101	187
TOTAL SHAREHOLDERS' EQUITY		**152,755**	**141,958**
NON-CURRENT LIABILITIES			
Long-term financial liabilities and debt	17	26,835	28,520
Long-term provisions	18	9,326	10,000
Other non-current liabilities			
Deferred tax liabilities	12		
TOTAL NON-CURRENT LIABILITIES		**36,161**	**38,520**
CURRENT LIABILITIES			
Short-term financial liabilities	17	29,433	35,461
Operating liabilities	19	99,233	105,962
Short-term provisions	18	36	36
Taxes payables		2,150	3,445
Other current liabilities	20	33,633	31,149
TOTAL CURRENT LIABILITIES		**164,485**	**176,053**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**353,401**	**356,531**

2. Comprehensive consolidated income statement

INCOME STATEMENT (€000)	Note	9/30/2018	9/30/2017
REVENUE	28	295,644	259,195
Purchases consumed		-60,245	-48,606
Payroll expenses	21	-185,007	-165,297
External expenses		-22,156	-20,292
Taxes and levies		-2,906	-2,865
Depreciation and amortization	22	-3,252	-3,155
Additions to provisions	23	-1,460	-2,035
Other operating revenue		210	397
Other operating expenses		-473	-340
Current operating income		**20,355**	**17,002**
Other non-current operating expenses	24		
Operating income (loss)		**20,355**	**17,002**
Income from invested cash and marketable securities	25	32	51
Gross cost of debt	25	-542	-661
Net cost of debt		**-510**	**-610**
Other financial income	25	1,127	545
Other financial expenses	25	-1,282	-1,086
Tax expenses	26	-6,041	-4,981
Net income before income from discontinued or held-for-sale operations		**13,649**	**10,870**
Net income from discontinued or held-for-sale operations		-	-
Net income		**13,649**	**10,870**
Net income attributable to owners of the parent		13,617	10,888
Non-controlling interests		32	-18
Earnings per share (euros)	**27**	**0.681**	**0.544**
Fully diluted earnings per share (euros)	**27**	**0.708**	**0.568**

OTHER CONSOLIDATED INCOME ITEMS (€000)	Note	9/30/2018	9/30/2017
Consolidated net income		13,649	10,870
Total comprehensive income items liable to be subsequently reclassified as income		-668	-487
Total comprehensive income items that will not be subsequently reclassified as income			
Comprehensive income		**12,981**	**10,383**
Attributable to owners of the parent		12,949	10,401
Non-controlling interests		32	-18

3. Consolidated cash-flow statement

(€000)	Note	9/30/2018	3/31/2018	9/30/2017
Comprehensive consolidated net income		**13,649**	**25,824**	**10,870**
+ Depreciations allowances and additions to provisions		6,623	14,418	2,221
- Net reversals of depreciation and provisions		-4,045	-8,244	
+/- Income and charges from stocks-options	4	590	887	397
- Capital gains on sales of assets	8 & 10	-58	-56	
+ Net book value of assets sold	8 & 10	333	210	8
Cash-flow after net cost of debt and taxes		**17,092**	**33,040**	**13,496**
+/- Net cost of debt	25	510	1,061	-610
+/- Tax expenses (including deferred taxes)	26	6,041	10,259	4,981
Cash-flow before net cost of debt and taxes (A)		**23,643**	**44,360**	**17,867**
+/- Taxes paid		-8,980	-10,891	-8,252
+/- Change in working capital		-5,367	-21,020	-17,362
= NET CASH-FLOW FROM OPERATIONS (D)		**9,296**	**12,449**	**-7,747**
- Disbursements relating to purchases of property, plant & equipment and intangible assets	8 & 10	-3,960	-7,975	-3,283
+ Proceeds from sales of property, plant & equipment and intangible assets	8 & 10	58	56	40
- Disbursements relating to purchases of financial assets		-982	-3,070	-1,211
+ Proceeds from sales of financial assets		767	2,934	1,986
+/- Impact of scope-of-consolidation changes		-14		
- Disbursements of loans and advances	11	-114	-390	-256
+ Collections of loans and advances	11	121	263	133
+/- Other cash-flow from investment transactions				
= NET CASH-FLOW FROM INVESTMENT TRANSACTIONS (E)		**-4,124**	**-8,182**	**-2,591**
-/+ Purchases and sales of own shares held in treasury		35		-65
- Dividends distributed during the period:				
- Dividends paid to parent company shareholders	4	-2,867	-2,984	-2,984
- Dividends paid to non-controlling interests		-11		
+ Proceeds from new debt	17	4,918	11,091	5,334
- Debt repayments (including on capital leases)	17	-8,114	-14,317	-6,160
- Net interest expenses on debt (including on capital leases)	25	-510	-1,061	610
+/- Other cash-flow from financing transactions	17	7,251		
= NET CASH-FLOW FROM FINANCING TRANSACTIONS (F)		**702**	**-7,271**	**-3,265**
+/- Impact of currency fluctuations (G)		-327	-21	-378
= CHANGE IN NET CASH (H) = (D + E + F + G)		**5,547**	**-3,025**	**-13,981**
CASH AT PERIOD START (I)		**54,398**	**57,423**	**57,423**
CASH AT PERIOD END (J)		**59,945**	**54,398**	**43,442**

Cash equivalent	15	35,089	27,171	11,409
Cash	15	30,032	44,125	32,033
Bank overdrafts	17	-5,176	-4,070	
Factoring liabilities	17		-12,828	
TRESORERIE DE CLOTURE		**59,945**	**54,398**	**43,442**

4. Consolidated statement of changes in equity

(€000)	Capital	Own shares	Consolidated reserves	Consolidated Income (loss)	Total before non-controlling interests	Non-controlling interests	Total Shareholders' equity
As 4/1/2017	**40,000**	**-1,930**	**61,948**	**22,396**	**122,414**	**305**	**122,719**
Net income for the period				25,809	25,809	15	25,824
Other comprehensive income (loss)			299		299		299
Comprehensive income (loss)			**299**	**25,809**	**26,108**	**15**	**26,123**
Appropriation of income			22,396	-22,396			
Share-based payments			887		887		887
Own share transactions		21	-12		9		9
Dividends			-2,984		-2,984		-2,984
Change in scope-of-consolidation							
Non-controlling interests put options			-4,784		-4,784		-4,784
Other changes							
As 3/31/2018	**40,000**	**-1,909**	**77,871**	**25,809**	**141,771**	**187**	**141,958**
Net income of the period				13,617	13,617	32	13,649
Other comprehensive income (loss)			-668		-668		-668
Comprehensive income (loss)			**-668**	**13617**	**12,949**	**32**	**12,981**
Appropriation of income			25,809	-25,809			
Share-based payments			590		590		590
Own share transactions		137	-20		117		117
Dividends			-2,867		-2,867		-2,867
Change in scope-of-consolidation [(1)]			94		94	-107	-13
Non-controlling interests put options							
Other changes							
As 9/30/2018	**40,000**	**-1,772**	**100,809**	**13,617**	**152,654**	**101**	**152,755**

(1): The change in consolidated entities is attributable to the purchase of SII Belgium shares in accordance with the buyback commitment made at the time the original agreement was executed.

5. Accounting principles

5.1 IFRS applicable as of September 30, 2018

SII SA’s principal office is at 87 quai Panhard et Levassor, 75013 Paris. Its shares are listed on Euronext, Compartment B, under ISIN code FR0000074122.

The company operates in the technology consulting and IT consulting and services areas and does business in several sectors, including aerospace, telecommunications, banking, insurance, defense, energy, distribution, transportation and services.

The consolidated interim financial statements for the period ending on September 30, 2018 reflect the financial position of the company and its subsidiaries (the “SII Group”).

The consolidated interim financial statements for the period ending on September 30, 2018 included in this document were approved by the Management Board at its meeting on December 5, 2018.

The consolidated interim financial statements for the period ending on September 30, 2018 are prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB), in effect on that date, as adopted by The European Union. This consolidated interim financial statements for the period ending on September 30, 2018 have to be read jointly with the consolidated financial statements for the year ended March 31, 2018.

The accounting principles applied in the preparation of the half-year consolidated financial statement for the period to September 30, 2018 are those published in the Official Journal of the European Union prior to September 30, 2018. They can be found on the internal website of the European Commission.

The main new standards that became mandatory on January 1, 2018 concern IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial Instruments”.

IFRS 15 “Revenue from contracts with customers”: IFRS 15 prescribes a five-step revenue recognition model based on the transfer of performance obligations identified in contracts with customers. It replaces IAS 18 “Revenue” and IAS 11 “Construction contracts”.

The application of IFRS 15 has no material impact on the consolidated financial position or income statement of the SII Group.

IFRS 9 “Financial instruments”: IFRS 9 amends IAS 39 “Financial instruments: recognition and measurement” in three ways: the retrospective application of phase 1 “Classification and measurement of financial instruments” has had no material impact on the Group’s accounting methods insofar as the measurement of financial assets and liabilities held on April 1, 2018 is concerned.

IFRS 9, which replaces the “Incurred losses” model of IAS 39 with one of “Expected credit losses” has no material impact on the SII Group’s financial statements for the period to April 1, 2018 or on the first half of fiscal 2018-2019.

The Group makes use of financial derivatives to hedge foreign-exchange and interest rates. The prospective application of phase three “Hedge accounting” has no impact on the Group’s accounting methods.

The SII Group did not apply the standards interpretations or amendments below in advance of April 1, 2018.

IFRS 16 "Leases" applies to fiscal periods starting on or after January 1, 2019. The SII Group is in the process of collecting and analyzing information, and expects that the impact on the Group's fixed assets and debt will be material.

The preparation of the consolidated financial statements in accordance with IFRS requires that the SII Group make certain estimates and assumptions liable to affect the value of assets and liabilities, the notes on contingent assets and liabilities at the end of the period and revenue and expenses for the period. Changes in facts and circumstances may cause the SII Group to subsequently adjust its estimates.

6. Significant accounting methods

6.1 Presentation of the financial statements

The consolidated financial statements are presented in thousands of euros.

As prescribed by the IFRS, the Group's consolidated financial statements are prepared on a cost basis except for the following assets and liabilities which are measured at fair value: financial derivatives, financial instruments held for trading and financial instruments classified as held for sale.

Current assets include those to be sold or consumed during the Group's normal operating cycle, and those maturing less than twelve months after the end of the period, as well as cash and cash equivalents. All other assets are recognized as non-current.

Liabilities due during the Group's normal operating cycle or within twelve months of the end of the period are considered current liabilities. All other liabilities are considered non-current.

Non-current assets or groups of assets held for sale are measured at the lower of their book value and fair value, net of sales costs.

The accounting methods set forth below have been applied on a permanent basis to all of the periods covered by the consolidated financial statements.

6.2 Consolidation principles

The consolidated financial statements include the financial statements of the parent company and those of the entities controlled by it, at the end of period.

A subsidiary is an entity controlled by the Group. The Group is considered to control a subsidiary if it is exposed or entitled to fluctuating returns as a result of its ties to the entity concerned and has the ability to impact those returns by virtue of the authority it exercises over it.

Control is generally assumed to exist whenever the SII Group holds more than half of the controlled company's voting rights. The financial statements of material subsidiaries are included in the consolidated financial statements from the date on which effective control is transferred until such control ceases to be effective.

All material intra-Group transactions and balances are eliminated in consolidation.

6.3 Segment reporting

As prescribed by IFRS 8 on operating segments, the Group is required to disclose financial information by segment, based on internal company data used by Management for the purpose of assessing the performance of each segment and allocating resources accordingly.

The information reported internally to the chairman of the Management Board is included under a single operating segment.

The Group's internal organization systems and management structure divide the Group along geographical lines between France and the rest of the world.

6.4 Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries outside the euro zone, which use their local currency as their operating currency, are translated using the exchange rate at the end of period for balance-sheet items other than shareholders' equity and the average monthly exchange rate for the period in the case of income-statements items, which represents the exchange rate in effect on the date of the transactions, in the absence of significant fluctuations.

Foreign exchange gains and losses resulting from the impact on balance-sheet items of the difference in the current and previous year-end exchange rates, as well as the impact on income-statements items of fluctuations in average monthly exchange rates, are recognized in consolidated equity under "Exchange rate differences".

6.5 Intangible assets

As prescribed by the IAS 38, separately purchased intangible assets are measured at cost whenever it is probable that future economic benefits will flow to the entity and the benefits can be reliably measured. After they are initially recognized, their purchase cost is reduced by the accumulated depreciation and impairments allowances.

Intangible assets with a finite life are amortized on a straight-line basis over their useful life. Impairment tests are performed if there are indications that their value has declined

Depreciation is calculated on a straight-line basis over the useful life of assets, as follows:

Category	**Depreciation**	
	Mode	**Term**
Research and development	Straight-line	5 years
Software licenses	Straight-line	1 to 5 years

Intangible assets with an indeterminate life are not amortized. Impairments tests are performed annually, or if there are indications that their value declined, to compare their value in use and their book value. Losses of value are recognized in income statement.

- *Goodwill*

As prescribed by the amended IFRS 3 "Business combinations", on the acquisition date, goodwill amounts to the aggregate of the consideration transferred and the non-controlling interests, less the net value (generally the fair value) of the identifiable acquired assets and assumed liabilities.

Goodwill is allocated to cash-generating units (CGU) or to groups of CGUs deemed likely by the Group to benefit from synergies generated by business combinations. A CGU is the smallest identifiable unit that generates cash inflows independently of those generated by other assets or groups of assets. Goodwill impairment tests are performed at a CGU level determined on the basis of regional segmentation, as defined by the SII Group for the purpose of its segment reporting (see Note 9).

Goodwill from acquired subsidiaries is measured at cost, net of aggregate impairments.

As prescribed by IAS 36 “Impairment of non-financial assets”, goodwill on the books is not amortized but is the subject of impairment tests at least once a year, or more frequently if there are indications of a loss of value, when estimating the CGU’s recoverable value (the higher of fair value less costs of disposal and value in use, which corresponds to the discounted value of expected future cash flows from the use of the CGU). Estimates are base on a five-years projection.

An impairment is recognized if the recoverable value of a CGU is lower than its book value. That impairment is first applied to the goodwill of the CGU, then to reduce the book value of all of the CGU’s other assets, proportionately to their respective book values. Impairments of goodwill cannot be reversed.

Whenever a business is sold, the goodwill attributable to the entity concerned is taken into account when the proceeds from the sale are calculated.

6.6 Tangible assets

As prescribed by IAS 16, plant, property and equipment is recognized in the balance-sheet on a cost basis, taking into account accumulated depreciation and impairments. Depreciation is calculated on a straight-line basis over the useful life of assets, as follows:

Category	**Depreciation**	
	Mode	**Term**
Transport equipment	Straight-line	3 to 5 years
Fixtures and improvements	Straight-line	1 to 10 years
Computer hardware	Straight-line	1 to 5 years
Office equipment	Straight-line	1 to 5 years
Office furniture	Straight-line	1 to 15 years

- *Leases*

Assets held under capital or operating leases that transfer substantially all rights and benefits associated with the assets’ ownership to the lessee are included in property, plant and equipment. This pertains primarily to computer hardware and transportation equipment.

As prescribed by IAS 17, the assets are recognized in the balance sheet on the date of signature of the lease at a value corresponding to the fair value of the leased asset or, if it is lower, the discounted value of minimum future lease payments. They are amortized over the asset’s estimated useful life using the same criteria as in the case of assets owned by the Group, or over the term of the lease if it is shorter. The corresponding liability, net on interest charges, is recognized on the liability.

6.7 Non-current financial assets

As prescribed by IFRS 9, financial assets are measured based on the category to which the belong. When initially accounted for, financial assets are measured at fair value plus acquisition costs directly attributable to their purchase. The amortized cost value of financial assets is reduced whenever their book value falls below their estimated recoverable value.

Some financial assets whose present value is significantly affected by their applicable discount rate are measured on the basis of the present value of future cash flows discounted using the going market rate of interest.

The Group makes use of financial instruments to manage and reduce its exposure to risks stemming from fluctuations in interest and foreign-exchange rates. Financial derivatives are initially measured at fair value, on the date the contracts are entered into, and are subsequently revalued. The method used for recognizing fair value gains and losses depends on the use made of the financial derivative as a hedge and, where applicable, on the nature of the hedged item.

6.8 Current assets

Operating receivables are first measured at fair value, the at their amortized cost.

Doubtful receivables result in the recognition of an impairment of trade receivables, determined on a customer by customer basis, or in some cases on the basis of individual receivables, taking into account maturities and the estimated risk of non-collection.

Impairments are recognized whenever an indication exists that the Group may not be able to collect receivables in their entirety, such as in the case of contested debts, failure or default on the due date.

6.9 Other current assets

The other current assets are measured at their face value, net of impairments reflecting effective collection probabilities. They are not discounted as none of them have maturities of more than one year.

6.10 Cash and cash equivalents

Cash and cash equivalents includes cash and bank balances as well as short-term, liquid investment securities readily convertible into a determinate amount of cash and whose value does not significantly fluctuate.

Short-term investment securities are measured at their market value at the end of each period. Changes in fair value are recognized in the income statement.

6.11 Factoring

Two of our subsidiaries have a factoring agreement with the following features:

- trade receivables are assigned to the factor, which handles their collection; the customers pay the factor, which turns over collected funds to our subsidiaries;
- liability for uncollected receivables rests with our subsidiary in one instance and with the factor in the other;
- our subsidiaries receive cash advances based on the value of the assigned receivables;
- the factor requires a security deposit.

Our analysis has led to the following accounting treatment:

- where our subsidiary is liable for uncollected debts, no receivables are cancelled. All transferred receivables are accounted for as trade receivables as if there were no factor;
- where the factor is liable for uncollected debts, the transferred receivables are reduced accordingly.

6.12 Shareholders' equity

- *Own shares held in treasury*

As prescribed by IAS 32, all own shares held in treasury by the Group are recognized at their purchase cost and excluded from shareholders' equity. Proceeds from disposals of own shares held in treasury are directly added to equity, so that any capital gains or losses on such disposals do not affect income for the period.

- *Share-base payments*

IFRS 2 provides that benefits granted under stock option and share award plans must be measured and recognized as liabilities. In the case of equity-settled instruments, the fair value of individual options and shares is determined on their grant date. That value is recognized over the vesting period in the income statement under "Payroll costs" (and gives rise to a corresponding increase in equity).

The fair value of the options and shares on their grant is determined on the basis of the share price, adjusted for the loss of potential dividends. This value remains unchanged over the term of the plan.

6.13 Financial liabilities and debt

The Group's financial liabilities reflect in part bank debt and lease financing agreements.

A distinction is made between current and non-current liabilities based on their maturities.

6.14 Provisions

Provisions are liabilities whose due date or amount cannot be accurately determined. They are measured at their present value, which corresponds to the best estimate of the resources needed to extinguish the obligation concerned.

Provisions are recognized whenever the Group has a current obligation, resulting from a past event, which is liable to necessitate the use of resources that can be reasonably estimated. The amount recognized must be the best estimate of the cost of extinguishing the obligation outstanding at the end of the period. It is adjusted in response to material changes whenever the maturity of the liability concerned exceeds one year.

Current provisions are those for liabilities due in one year or less. Non-current provisions are for liabilities maturing in more than one year.

- *Provision for post-employment benefits*

As prescribed by IAS 19 "Employee Benefits", the Group accounts for its defined-benefit post-employment plan obligations relating to which it is exposed to actuarial and investment risks. A provision is recognized for the excess of liabilities for such benefits over the reserves set aside to cover them.

Obligations in terms of post-employment benefits are measured using the cost-allocation method weighted to reflect length of service. It takes into account the following factors:

- The estimated amount of future post-employment benefits at the time employment ends;
- The probability that these post-employment benefits will have to be paid;
- The discount rate.

6.15 Operating liabilities

Operating liabilities are first measured at fair value, then at their amortized cost. They are not discounted as none of them mature in more than one year.

6.16 Other current and non-current liabilities

Liabilities also include other liabilities and accruals, which in turn consist essentially of services billed but not yet performed, based on their degree of completion.

The breakdown between current and non-current liabilities is based on whether the items they comprise have short or long maturities.

- *Non-controlling interests' put options*

The Group may write put options to the holders of non-controlling interests in some of its subsidiaries. The price at which those options can be exercised is either fixed or based on a predefined formula.

The Group recognized as financial liabilities the put options of holders of non-controlling interests in the entities concerned. In accordance with the so-called "advance acquisition" method, the Group does not recognize non-controlling interests in the case of non-controlling holdings covered by put options: they do not represent minority interests' share of income in the consolidated financial statements.

The liability is initially equivalent to the present value of the option's strike price. Its amount is adjusted at the end of each subsequent period based on the latest available update of the terms underlying the options.

Changes in fair value of put options after they have been initially accounted for are recognized in equity after non-controlling interests.

Financial liabilities are recognized in "Other non-current liabilities" or "Other current liabilities" depending on the maturity date of the put options.

Put options granted to non-controlling interests have been recognized with the respect to the following subsidiaries: SII Sp. Zoo (Poland), SII Deutschland (Germany), SII Concatel (Spain), SII IT&C SRL (Romania), SII s.r.o. (Czech Republic) and SII Colombia (Colombia).

6.17 Revenue recognition

- *Technical assistance, consulting and production services billed by the hour*

The services performed are analyzed at the end of each period:

- Services provided not yet or only partially billed are measured on the basis of the contractual price charged for them and billable hours. They are recognized in revenue and reported in the balance sheet under trade receivables;
- Services billed but not yet performed in full are deducted from billed sales and are recognized in the balance sheet under "Other current liabilities".

- *Services provided under fixed price contracts*

These contracts entail a commitment in terms of price, compliance and completion date. Services provided under such contracts are recognized using the percentage of completion method, as follows:

- Revenue is recognized on the basis of how close work is to completion, as prescribed by IFRS 15.
  The degree of completion is calculated on the basis of the cost of completing the work, taking into account a warranty, where there is one.
  Any invoices still to be issued or deferred revenue is recognized whenever there is a timing difference between billing and the completion of work.

- The percentage of completion of projects is measured in accordance with quality procedures in use by the Group. The degree of completion of a project is determined by the ratio of the number of days remaining to the initially estimated number of days. This makes it possible to account in real time for a loss on the project, where there is one.

6.18 Corporate income tax

Income tax (positive or negative) includes tax payable as well as deferred taxes. Taxes are recognized in income unless they pertain to items that are recognized in equity, in which case they are accounted for directly in equity.

- The tax payables correspond to the estimated tax owed on taxable income for a period, determined using the tax rate in effect or likely to be in effect at the end of the period.

- Deferred taxes are calculated and take into account for each tax entity. They reflect timing differences between the book value of assets and liabilities and their corresponding taxable base. The taxable base depends on tax regulations in effect in each country concerned.

However, deferred taxes are not recognized when they result from:

- Temporary differences in the initial accounting for assets or liabilities, in the case of transactions which are not business combinations and which do not in any way affect the company's final income or loss;

- Temporary differences relating to interests in subsidiaries, provided the Group is able to measure the time period od such temporary difference and repayment will probably not take place in the foreseeable future;

- Temporary taxation differences relating to the initial recognition of goodwill.

Deferred tax assets and liabilities are measured using the tax rate expected to apply to the period in which the tax asset will be used or the liability settled, based on tax rates in effect or likely to be in effect at the end of the period.

Deferred tax assets and liabilities are set off at entities that are under the same single tax authority.

Deferred tax assets are recognized only if it appears probable that the group will have future taxable income from which unused tax losses can be deducted. Deferred tax assets are not generally recognized in the case of entities that reported losses in the last years. They may be recognized, however, if there is a sufficient likelihood of recovery.

6.19 Earnings per share

Earnings per share are calculated on the basis of the average number of shares outstanding during the period.

Fully diluted net earnings per share are calculated on the basis of the average number of shares outstanding during the period and the number of shares that would result from the exercise of stock options and share awards granted, net of the number of own shares held in treasury.

6.20 Current operating income / operating income

The SII Group has opted to report separately on certain revenue and expense items that have a material impact on operating income. Accordingly, current operating income corresponds to operating income before impairment of goodwill and subsidiaries' acquisition expenses.

6.21 Grants and subsidies

Government grants and subsidies are always accounted for in income over the periods required to apply them to the expenses they offset. Income-related grants are deducted from the corresponding expense whenever they are designed to cover identifiable outlays.

In France, the third Supplemental Finance Act of 2013 provided for a Competitiveness and Employment Tax Credit (CICE) which went into effect of January 1, 2013. As prescribed by IAS 20 "Accounting for Government Grants" the SII Group has opted to recognized this tax credit as a reduction of payroll expenses.

7. Consolidated entities

7.1 List of the consolidated entities

The consolidated SII Group comprises 28 reporting entities (fully consolidated).

The table below contains a complete list of those entities:

Company	Principal Office	Company registration n°	Percentage interests held	Percentage of voting rights
SII	87 quai Panhard et Levassor – 75013 PARIS - **(France)**	315 000 943		
SII Sp. zoo	ul. Niepodleglòsci 69 – 02-626 Warsaw - **(Poland)**		70%	70%
SII Holding GmbH (sub-group)	Kark-Kurz Straße 36 – D-74523 Schabisch Hall **(Germany)**		100%	100%
SII Deutschland	Kark-Kurz Straße 36 – D-74523 Schabisch Hall **(Germany)**		79%	79%
SII Technologies	Am Mittleren Moss 53 – D-88167 Augsburg **(Germany)**		90%	90%
SII Precisions Parts	Valentin-Heider Str. 7 – D-88167 Augsburg **(Germany)**		100%	100%
SII Systems	Valentin-Heider Str. 7 – D-88167 Augsburg **(Germany)**		100%	100%
SII Concatel (sub-group)	Citutat de la Justicia de Barcelona – Av. Carrilet, 3 Edificio D – Pl. 10 – 08902 Hospitalet de Llobregat **(Spain)**		80%	80%
Vanture	Citutat de la Justicia de Barcelona – Av. Carrilet, 3 Edificio D – Pl. 10 – 08902 Hospitalet de Llobregat **(Spain)**		80%	80%
CVT Argentina	Av. Colon 531 – 5500 Mendoza **(Argentina)**		78%	78%
SII Belgium	Lenneke Marelaan, 12/1 – B-1932 Sint-Stevens-Woluwe **(Belgium)**		96.54%	96.54%
SII IT&C Services SRL	4A Timisoara Blvd., AFI Park 4, 10th floor, district 6 061328 Bucharest **(Romania)**		80%	80%
SII s.r.o.	Michelska 1552/58 – 141 00 Praha 4 **(Czech Republic)**		90%	90%
SII Netherlands B.V.	Amsterdamse Vaart 268 – 2032 EK Haarlem **(The Netherlands)**		100%	100%
SII Services Maroc	N° 2 angle Bd Anfa et rue clos de province 20200 Casablanca **(Morocco)**		100%	100%
SII SA (sub-group)	38 bis, avenue Eugène Lance – 1212 Grand Lancy Geneva **(Switzerland)**		100%	100%
SII Services SA	38 bis, avenue Eugène Lance – 1212 Grand Lancy Geneva **(Switzerland)**		100%	100%
SII Luxembourg	6 rue des Champs – 8362 Grass **(Luxembourg)**		100%	100%
SII Chile	Av. Andres Bello 2777, Of. 701 75500 Las Condes – Santiago **(Chile)**		100%	100%
SII India IT & Engineering Services Pvt. Ltd	Leela Landmark – 1st floor – 07, 1st Cross, 3rd Main, Ashwini Layout – Ejipura – 560047 Bengaluru **(India)**		100%	100%
SII Colombia	Av. Calle 40A 13-09, Of. 1104 – Bogota **(Colombia)**		79%	79%
SII Inc Canada	2060 rue de la Montagne – unit 30 Montréal (Québec), H3G 1Z7 **(Canada)**		100%	100%
SII Services Limited	BTC – Bessemer Drive – Stevenage SG1 2DX **(United Kingdom)**		100%	100%
Feel Europe Groupe (sub-group)	45/47, bld Paul Vaillant Couturier – 94200 Ivry sur Seine **(France)**		100%	100%
Feel Europe Idf	45/47, bld Paul Vaillant Couturier – 94200 Ivry sur Seine **(France)**		100%	100%
Feel Europe Régions	45/47, bld Paul Vaillant Couturier – 94200 Ivry sur Seine **(France)**		100%	100%
Feel Europe Formation	45/47, bld Paul Vaillant Couturier – 94200 Ivry sur Seine **(France)**		100%	100%
GIE de facturation	45/47, bld Paul Vaillant Couturier – 94200 Ivry sur Seine **(France)**		100%	100%

In accordance with the initial agreement, SII France exercises its right to acquire shares of SII Belgium, causing its controlling interest to increase to 96.54 percent.

7.2 Changes in consolidation

None

8. Intangible assets

(€000)	4/1/2017	Additions	Reductions	Impact of changes in reporting entities	Other changes	Impact of exchange-rate fluctuations	3/31/2018
Goodwill	50,053					-291	49,762
Research expenditures (1)	9,767	958					10,725
Licenses, patents and other rights	7,260	506	250			-14	7,502
Other intangible assets	6,468	557				7	7,032
TOTAL GROSS VALUE	**73,548**	**2,021**	**250**			**-297**	**75,021**
Impairments	-5,626	-905			292		-6,239
Amortization	-16,778	-2,581	-101			-3	-19,261
TOTAL NET VALUE	**51,144**	**-1,465**	**149**		**292**	**-301**	**49,521**

(€000)	4/1/2018	Additions	Reductions	Impact of changes in reporting entities	Other changes	Impact of exchange rate fluctuations	9/30/2018
Goodwill	49,762					118	49,880
Research expenditures (1)	10,725	482					11,207
Licenses, patents and other rights	7,502	494	19			-1	7,976
Other intangible assets	7,032	175				-35	7,172
TOTAL GROSS VALUE	**75,021**	**1,151**	**19**			**82**	**76,235**
Impairments	-6,239					-118	-6,357
Amortization	-19,261	-1,272	-7			26	-20,500
TOTAL NET VALUE	**49,521**	**-121**	**12**			**-10**	**49,378**

(1) In view of their future interest in terms of its business, SII-Concatel (Spain) activates development costs relating to software applications developed in-house, provided that they can be singled out and separated and that they generate future economic benefits mostly independently of the company's service business, and that costs incurred can be reliably attributed to a development stage of the project. For the most part, these developments concern the Service One management software.

Other than the goodwill detailed in the note below, SII has no intangible assets with a unit value that is material under AMF position of January 9, 2008 on investment securities.

9. Goodwill

(€000)	Gross value on 4/1/2018	Acquisitions	Disposals	Impairments	Impact of exchange-rate fluctuations	Impact of changes in reporting entities	Net Value on 9/30/2018	Net value on 3/31/2018
SII Service Suisse (Switzerland)	2,880			-2,998	118		0	0
SII Concatel (Spain)	5,223			-2,455			2,769	2,769
SII Holding GmbH (Germany)	10,157						10,157	10,157
SII Belgium (Belgium)	1,833						1,833	1,833
SII France	2,616						2,616	2,616
SII Netherlands (The Netherlands)	1,469			-905			564	564
SII Colombia (Colombia)	180						180	180
FEEL EUROPE (France)	25,404						25,404	25,404
TOTAL	**49,762**			**-6,358**	**118**		**43,523**	**43,523**

No impairment test is performed at the end of the six-month period to September 30 whenever there is no indication of any loss of value.

10. Tangible assets

(€000)	4/1/2017	Additions	Disposals	Impact of change in reporting entities	Other changes	Impact of exchange-rate fluctuations	3/31/2018
Buildings	34					-11	23
Technical facilities, equipment, tools	1,460	213			30		1,703
Fixtures and improvements	12,912	2,048	1,844		740	-44	13,812
Computer hardware	9,135	2,842	578		-176	-11	11,212
Other tangible assets	352	9				-3	358
Leased tangible assets	2,101	829	195		-594	5	2,146
Tangible assets in progress	1						1
Advances and down payments	8	13					21
TOTAL GROS VALUE	**26,003**	**5,954**	**2,617**			**-64**	**29,276**
Depreciation	-17,199	-3,705	-2,556			26	-18,321
TOTAL NET VALUE	**8,804**	**2,249**	**61**			**-38**	**10,955**

(€000)	4/1/2018	Additions	Disposals	Impact of changes in reporting entities	Other changes	Impact of exchange-rate fluctuations	9/30/2018
Buildings	23					-11	12
Technical facilities, equipment, tools	1,703	58	154				1,607
Fixtures and improvements	13,812	909	319		370	-39	14,733
Computer hardware	11,212	1,489	227		-101	-42	12,331
Other tangible assets	358	15					373
Leased tangible assets	2,146	329	55		-269	-29	2,122
Tangible assets in progress	1						1
Advances and down payments	21	9					30
TOTAL GROSS VALUE	**29,276**	**2,809**	**755**			**-121**	**31,209**
Depreciation	-18,321	-1,980	-574			82	-19,645
TOTAL NET VALUE	**10,955**	**829**	**181**			**-39**	**11,564**

Leases finance agreements in balance sheet hat a gross value of €2,122k and a net value of €1,103k.

11. Other financial assets

The other financial assets consist of the following:

(€000)	4/1/2018	Additions	Disposals	Impact of changes in reporting entities	Other changes	Impact of exchange-rate fluctuations	9/30/2018
Participation shares	448						448
Loans	308	114	121		-49	-1	251
Receivables from subsidiaries and associates	520						520
Security deposits and guarantees	2,514	268	269		595	-2	3,106
Other fixed financial assets	1,025	701	656		-546	-7	517
TOTAL	**4,815**	**1,083**	**1,046**			**-10**	**4,842**

Participation shares are those of Doc 6, Happylens and GIE SII/SIER and the participation shares own by SII Technologies, valued at respectively €149k, €2k; €51k, and €246k.

12. Deferred tax assets and liabilities

The table below shows deferred tax assets and liabilities, by type:

(€000)	Assets		Liabilities		Net	
	9/30/2018	3/31/2018	9/30/2018	3/31/2018	9/30/2018	3/31/2018
Employer “solidarity” social security contribution	106	36			106	36
Employee profit sharing	366	530			366	530
Public house contribution	168	58			168	58
Unrealized foreign-exchange gains or losses		3	5	1	-5	2
Other non-deductible provision	71	77	148	11	-77	66
Provision for post-employment benefits	761	761			761	761
Restatement of long-term contracts	205	156	30	29	175	127
Discounting of security deposits	21	16			21	16
Securities expenses	86	107			86	107
Revenue timing differences	35	34	121	81	-86	-47
Deferred taxes on impaired receivables						
Payroll timing difference	690	722			690	722
Customers depreciation	1,241	975			1,241	975
Change in inventories			527	627	-527	-627
Used carry forward losses	881	827			881	827
Intragroup impairments			934	934	-934	-934
Fixed-asset depreciation	263	243			263	243
Provision for share buyback plan			56	121	-56	-121
Calculated deferred taxes	**4,894**	**4,545**	**1,821**	**1,804**	**3,073**	**2,741**
Offsetting by taxable entity	-1,821	-1,804	-1,821	-1,804		
Deferred taxes after offsetting	**3,073**	**2,741**	**0**	**0**	**3,073**	**2,741**

13. Operating receivables

(€000)	Gross value	Impairment	Net value on 9/30/2018	Net value on 3/31/2018
Trade receivables	195,812	8,255	187,557	190,117
Raw material and other supply inventories	229		229	166
Receivables from social security	2,277		2,277	396
Receivables from the tax authorities (exclusive of current taxes)	7,143		7,143	4,499
TOTAL	**205,461**	**8,255**	**197,206**	**195,178**

The continued high level of trade receivables on September 30, 2018 was attributable in part to the receivables from SII France, SII Poland and SII Concatel (Spain) customers in its current operating cycle, as well as to the existence of pending work-in-progress by the Group's Spanish subsidiaries under contracts with the Autonomous Region of Catalonia.

As of September 30, 2018, "Trade receivables" included unbilled work-in-progress with an aggregate gross value of €54,6m, of which €20,5m related to Spain and had been covert in part by provisions of €7m due to the fact that they were more than one year old and, accordingly, were considered to represent a long-term billing risk.

Trade receivables outstanding broken down by due date:

(€000)	Balance not yet due	Payables due for			Balance on 9/30/2018
		Less than 1 month	Between 1 to 2 months	More than 2 months	
Trade receivables	137,008	30,949	12,948	14,907	**195,812**
Impairments				8,255	**8,255**
TOTAL	**137,008**	**30,949**	**12,948**	**6,652**	**187,557**

14. Other current assets

(€000)	Gross value	Impairment	Net value on 9/30/2018	Net value on 31/03/2018
Advances and down payment on orders	824		824	624
Suppliers – Accrued credit	83		83	93
Negative balances on third-party accounts	2		2	
Other receivables	5,910		5,910	5,248
Expenses from other periods				7
Accrued expenses	4,370		4,370	4,400
TOTAL	**11,189**		**11,189**	**10,372**

15. Cash and cash equivalents

(€000)	Net value on 9/30/2018	Net value on 3/31/2018	Net value on 9/30/2017
Money-market funds	35,089	27,170	11,409
Cash	30,032	44,125	33,033
TOTAL	**65,121**	**71,295**	**43,442**

Investment securities consist of shares in money market funds held with a short-term horizon.

16. Issued capital and reserves

- *Capital stock*

On September 30, 2018, the company's capital stock of €40,000,000 was divided into 20,000,000 common shares with a nominal value of €2 each, fully paid up.

- *Own shares held in treasury*

➢ **Market-marking agreement**

	4/1/2018	Purchases	Sales	9/30/2018
Shares (number)	7,011	24,337	-25,542	5,806
Cash (€000)	300	-629	663	334

➢ **Unallocated shares**

As of September 30, 2018, SII held 113,202 of its own shares for use in connection with various plans.

➢ **Share award plans**

	2016 Plan	2017 Plan	2018 Plan
Date of shareholder meeting	9/19/2013	9/15/2016	9/15/2016
Date of management board meeting	6/1/2016	6/1/2017	6/1/2018
Total number of shares awarded	67,662	59,129	54,073
Grant date	6/1/2016	6/1/2017	6/1/2018
Vesting date	1/6/2018	1/6/2019	1/6/2020
Share price (€)	11.64	19.82	25.72
Dividend rate	1.00%	1.00%	1.00%
Total expense (€)	787,586	1,171,937	1,390,758
Expense for the period (€)	**65,632**	**292,985**	**231,793**

As prescribed by regulations in effect at the time the plans were implemented:

- In the case of 2016 plan, shares awarded are subject to a two-year vesting period and an additional two-year lock-up period.
- In the case of the 2017 and 2018 plans, the Company has elected to continue applying a two-year vesting period. Accordingly, the two-year lock-up period is no longer in effect.

The ownership of awarded shares is contingent on the effective presence of their recipients in the Group when the vesting period expires.

During the first half of fiscal 2018-2019, a total of 67,662 shares were delivered to beneficiaries of the 2016 share award plan.

17. Financial liabilities and debt

(€000)	4/1/2017	↗	↘	Impact of change in reporting entities	Impact of exchange-rate fluctuation	Impact on fair value	Total as of 3/31/2018	Which are current	Which are not current
Bank debt	47,433	10,262	-13,242		-4		44,449	16,869	27,580
Other financial liabilities	1,947		-284		-1		1,661	1,185	476
Lease liabilities	862	829	-791		3		903	439	464
Sub-total: debt	**50,242**	**11,091**	**-14,317**		**-2**		**47,013**	**18,493**	**28,520**
Bank overdrafts	3,347	723					4,070	4,070	
Factoring liabilities		12,829					12,829	12,829	
Derivative liabilities at fair value in income						36	36	36	
Accrued interest not due	37	-3					34	34	
Sub-total: liabilities	**3,384**	**13,549**				**36**	**16,969**	**16,969**	
TOTAL	**53,626**	**10,323**			**-2**	**36**	**63,982**	**35,462**	**28,520**

(€000)	4/1/2018	↗	↘	Impact of change in reporting entities	Impact of exchange-rate fluctuation	Impact on fair value	Total as of 9/30/2018	Which are current	Which are not current
Bank debt	44,449	4,041	-7,059				41,431	16,465	24,966
Other financial liabilities	1,661	6	-676				991	24	967
Lease liabilities	903	871	-379		-12		1,383	481	902
Factoring liabilities		7,251					7,251	7,251	
Sub-total: debt	**47,013**	**12,169**	**-8,114**		**-12**		**51,056**	**24,221**	**26,835**
Bank overdrafts	4,070	1,106					5,176	5,176	
Factoring liabilities	12,829	-12,829							
Derivative liabilities at fair value in income	36					-29	7	7	
Accrued interest not due	34	-5					29	29	
Sub-total: liabilities	**16,969**	**-11,729**				**-29**	**5,212**	**5,212**	
TOTAL	**63,982**	**-7,673**			**-12**	**-29**	**56,268**	**29,433**	**26,835**

Derivatives liabilities consist of interest-rate swaps.

(€000)	9/30/2018			3/31/2018		
	Floating rate	Fixed rate	Total	Floating rate	Fixed rate	Total
From currency in EURO	6,371	36,532	42,903	5,180	40,935	46,115
From currency in PLN (Poland)		806	806		800	800
From currency in RON (Romania)		24	24		31	31
From currency in CLP (Chile)		48	48		43	43
From currency in CAD (Canada)		24	24		24	24
TOTAL	**6,371**	**37,434**	**43,805**	**5,180**	**41,833**	**47,013**

18. Provisions

(€000)	4/1/2018	Additions	Reversals		Actuarial gains and losses	Change	9/30/2018
			Used	Unused			
Long-term							
Labor relations risks	6,601	252	183	777			5,893
Business risks							
Post-employment benefits	2,873						2,873
Other expenses	526	50		16			560
Subtotal	**10,000**	**302**	**183**	**793**			**9,326**
Short-term							
Labor relations risks							
Warranties given to customers	33						33
Other expenses	3						3
Subtotal	**36**						**36**
TOTAL	**10,036**	**302**	**183**	**793**			**9,362**

The labor relations risk corresponds to provisions for litigation before the labor relations board. The litigation provision decreased from €6,601k on March 31, 2018 to €5,892k on September 30, 2018.
During the period, provisions of €960k were reversed, including provisions of €777k for disputes decided in our favor.

- *Provision for post-employment benefits*

The provision for post-employment benefits was not adjusted on September 30, 2018.

19. Operating liabilities

(€000)	Total on 9/30/2018	Total on 3/31/2018
Trade payables	26,493	27,383
Payroll taxes and fringe benefits payables	41,693	48,641
Tax payables (other than current period's taxes)	30,874	29,918
Customers – Accrued credit	173	20
TOTAL	**99,233**	**105,962**

20. Other current liabilities

(€000)	Total on 9/30/2018	Total on 3/31/2018
Accrued revenue	7,813	5,331
Customer advances and down payments	2,246	1,593
Puts on Non-controlling interests	22,074	22,074
Other current liabilities	1,500	2,151
TOTAL	**33,633**	**31,149**

21. Payroll expenses

(€000)	9/30/2018	9/30/2017
Wages and salaries	138,835	124,332
Payroll taxes and fringe benefits	45,264	40,306
Employee profit sharing	318	262
Share-based payments	590	397
TOTAL	**185,007**	**165,297**

Expenses relating to stock-options and share awards are accounted for under the heading “Share-based payments”.

CICE tax credits are deducted from payroll expenses.

22. Depreciation and amortization expenses

(€000)	9/30/2018	9/30/2017
Amortization of intangible assets	1,300	1,342
Depreciation of tangible assets	1,650	1,532
Amortization of capital leases	302	281
TOTAL	**3,252**	**3,155**

23. Additions to provisions

(€000)	9/30/2018	9/30/2017
Provisions on current assets	1,951	2,413
Provisions for litigation	-525	-378
Provisions for warranties given to customers		
Provisions for other expenses	34	
TOTAL	**1,460**	**2,035**

The provisions on current assets essentially reflect the write-down of work performed by our SII Concatel subsidiary, which has not yet been billed due to the local geopolitical situation.

24. Other non-current operating expenses

None.

25. Net financial income

(€000)	9/30/2018	9/30/2017
Income from other receivables and investment securities	32	51
Capital gains on sales investment securities		
Interest income (expense)	-526	-648
Interest payables on capital leases	-16	-13
Net cost of debt	**-510**	**-610**
Foreign-exchange gains	928	495
Effect of discounting	-14	-9
Other income	213	59
Other financial income	**1,127**	**545**
Addition to financial provisions		
Foreign-exchange losses	-945	-1,080
Effect of discounting		
Interest expenses of employee benefit obligations		
Other expenses	-337	-6
Other financial expenses	**-1,282**	**-1,086**
TOTAL	**-665**	**-1,151**

Foreign-exchange gains were essentially generated by SII Sp. Zoo (Poland). Most foreign exchanges losses occurred at SII Sp. Zoo (Poland) and SII Concatel (Spain). Foreign exchange gains and losses are generated in the ordinary course of business by the Group's entities.

Interest expenses consisted of interest on loans and of fees charged under factoring agreements.

26. Tax expenses

- *Accounting treatment of the Business Value-Added Tax (CVAE)*

The CVAE is considered by the SII Group to satisfy the IAS 12 definition of an income tax and is accordingly accounted for as such.

(€000)	9/30/2018	9/30/2017
Tax payables	6,300	5,401
Deferred taxes	-259	-420
TOTAL	**6,041**	**4,981**

Deferred reconciliation of tax expense and income before tax:

(€000)	9/30/2018			9/30/2017		
	Base	Rate	Tax	Base	Rate	Tax
Income before tax	19,690	34.43%	6,779	15,851	34.43%	5,457
Non-deductible expenses	3,208	34.43%	1,105	2,191	34.43%	754
Non-taxable revenue	-2,164	34.43%	-745	-1,822	34.43%	-627
Abatement of social contribution on income (3.3% of corporate income tax not excess €763k)	-382	3.30%	-13	-382	3.30%	-13
Tax credits			-1,007			-1,014
Tax rate differentials with foreign subsidiaries	12,592	from 0.43% to 24.43%	-1,744	5,033	from -15.43% to 0.57%	-1,198
Other – restatements not subject to tax	653	34.43%	225	863	34.43%	297
Unused losses carried forward	734	34.43%	253	657	34.43%	226
Used losses carried forward	-220	34.43%	-76	-250	34.43%	-86
Net impact of the CVAE business value-added tax			1,264			1,185
Effective tax expense			**6,041**			**4,981**

27. Earnings per share

	9/30/2018	9/30/2017
Net income after non-controlling interests (€000)	13,617	10,888
Number of common share outstanding	20,000,000	20,000,000
Dilutive impact of stock-options and share awards	113,202	126,791
Anti-dilutive impact of the own shares' exclusion	-885,862	-957,403
Net earnings per share (€)	**0.681**	**0.544**
Fully diluted earnings per share (€)	**0.708**	**0.568**

28. Segment reporting

(€000)	9/30/2018		9/30/2017	
	France	Outside	France	Outside
Net revenue	157,980	137,664	144,793	114,402
Depreciation and amortizations	-1,069	-2,183	-1,096	-2,059
Operating income	**8,506**	**11,849**	**9,474**	**7,528**
Net cost of debt	-136	-374	-174	-436
Other financial revenue	555	571	269	276
Other financial expenses	-105	-1,177	-60	-1,026
Income Tax	-3,567	-2,473	-3,772	-1,209
Net income	**5,253**	**8,396**	**5,737**	**5,133**
Group's share of net income	5,253	8,364	5,737	5,151
Non-controlling interests		32		-18

29. Off-balance sheet commitments

- *Commitments made*

➢ **Long-term leases**

(€000)	Off-balance sheet value 9/30/2018	Amount payable by period		
		in less than 1 year	in 1 to 5 years	In more than 5 years
Premises	62,001	12,191	41,004	8,806
Vehicles	2,984	1,256	1,728	
Equipment	2,619	1,078	1,502	39
TOTAL	**67,604**	**14,525**	**44,234**	**8,845**

➢ **Sureties, endorsement and guarantees**

Not applicable, to the best of the company's knowledge

➢ **Pledge of company shares held by it in registered accounts**

Name	In favor of	Starting date	Expiration date	Release condition	Number of shares	% of shares outstanding
Bernard Huvé	Tax authorities	June 2012	N/A	N/A	2,500,000	12.50%
Eric Matteucci	Bank	June 2017	June 2022	N/A	20,000	0.10%
Eric Matteucci	Bank	June 2018	June 2023	N/A	16,000	0.08%
Total					2,536,000	12.68%

➢ **Pledge of company**

No security interest has been created on any type of asset (property, plant and equipment, tangible or financial assets).

- *Commitments received*

  In connection with its acquisition of Feel Europe, SII received warranties on assets and liabilities covering several years. SII gave no warranties relating to this acquisition.

30. Information concerning related-party transactions

- *Compensation of principal officers*

The gross compensation and benefits of all kinds paid to the member of management boards by SII and the companies controlled by it totaled €305,959 for the period:

- Short-term benefits: €305,959
- Post-employment benefits: none
- Other long-term benefits: none
- Severance compensation: none
- Share-based payments: 54,073 shares awarded

31. Events subsequent to the end of the period

None.

32. Average headcount

Country	9/30/2018	3/31/2018
France	3,677	3,496
Poland	1,819	1,667
Spain (and Argentina)	723	635
Germany (and China & Ukraine)	691	681
Romania	247	223
Chile	149	144
Colombia	72	58
Canada	62	34
Czech Republic	50	56
Morocco	48	41
Belgium	43	43
The Netherlands	35	32
India	25	25
United-kingdom	18	9
Switzerland	3	4
SII Group	**7,662**	**7,148**

AUDITORS’ REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

KPMG S.A.
Tour Eqho
2, avenue Gambetta
92066 Paris La Défense Cedex

RSA
11-13, avenue Friedland
75008 Paris

Fiscal 2018-2019 1st Half

Period from April 1, 2018 to September 30, 2018

To the Shareholders,

In accordance with the terms of our appointment by your shareholders’ meeting and with article L.451-1-2 III of the Monetary and Financial Code, we have:

- performed a limited examination of SII’s consolidated interim financial statements covering the period from April 1, 2018 to September 30, 2018, as attached to this report;
- verified the information contained in the six-month interim financial report.

The consolidated interim financial statements have been prepared under the authority of the Management Board. Our responsibility is to express an opinion on these financial statements, based on our limited examination.

1. Opinion on the financial statements

We have conducted our limited examination in accord with the professional standards applicable in France. A limited examination essentially consists of interviewing the members of management in charge of finance and accounting and performing analytical tests and procedures. These procedures are less extensive than those which would be required by a full audit performed in accordance with the professional standards applicable in France. Accordingly, a limited examination provides moderate assurance that the financial statements, as a whole, do not contain material misrepresentations, which is less comprehensive than would be the case of a full audit.

Based on our limited examination and in terms of the IFRS adopted in the European Union, we have not found any material misrepresentations liable to affect the consistency and fairness of the consolidated interim financial statements and the true picture which they present of the assets and financial position at the end of the half year, as well as the aggregate income for the period of the persons and entities included in consolidation.

Without qualifying the above opinion, we draw your attention to the subsections on IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments” in the section on “IFRS applicable on September 30, 2018” of the notes to the consolidated financial statements, which examines the new standards and their interpretations by the company.

2. Specific verifications

We have also verified the information contained in the interim financial report concerning the consolidated interim financial statements covered by our limited examination. We are satisfied that this information is true and fair and agrees with the consolidated interim financial statements.

The Auditors

Paris La Défense and Paris, December 21, 2018

KPMG S.A.

Vincent de Becquevort
Partner

RSA

Arnaud DUVOUCOUX
Partner

STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the summary financial statements for the half year ended have been prepared in accordance with the applicable standards and present a true picture of the assets, financial position and income of the company and all entities included in consolidation, and that the interim financial report presents a true view of the material events having occurred during the first six-month of the fiscal year, a description of their impact on the financial statements, the principal related-party transactions, as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

The statutory auditors have prepared a report on the consolidated financial statements contained in this interim financial report, which is included on pages 37 and 38.

Paris, December 21, 2018

Eric MATTEUCCI
Chairman of the Management Board