

Shareholders' letter



FOREWORD

«We have seized a number of key transformations in the market»

Dear shareholder,

Two years ago, our company made its most important strategic move to date: the acquisition of Kurt Salmon's European activities¹. This event saw the birth of a new leader in consulting—Wavestone—whose ambition is to be the transformation champion for large companies. Two years on, we are now in a position to make an initial assessment of the merger.

The first thing to observe is that both business and financial results have been extremely positive. While the company's revenue stood at €200m in 2015/16 (excluding Kurt Salmon), we set ourselves the target of increasing revenue to more than €350m in 2017/18: +75% growth in the space of two years—a goal we confirmed when we published our 2017/18 half-year results at the beginning of November. But looking beyond this step change in size, the acquisition has already generated considerable value and synergies. In our first full fiscal year 2016/17, group share of net income increased by 50%.

Above all, this move has allowed us to create, and bring to life, a value proposition that is unique in the market, and one that enables us to target our customers' major transformations. Today, Wavestone seamlessly combines business skills, fully focused on our customers' business issues, with technological skills, providing an excellent understanding of all that is digital and innovation.

These two core skillsets enable Wavestone to offer a truly differentiated value proposition, something we're seeing clear results from. We now have a comprehensive ability to carry out in-depth analysis of the developments in each of our clients' business sectors; and that means we can support them as they face the challenges that lie ahead, whether those be specialized business expertise or disruptive technologies.

Of course, there are still areas of improvement, and we have made these a priority in H1 2017/18: improved staff loyalty across our teams and better operational performance from some practices. Today, I can tell you confidently that we are right on track. The new HR models and processes that we've put in place are enabling us to progressively bring the unusually high levels of staff turnover rate in some teams under control. And, with respect to the performance in some of our business activities, H1 has confirmed progress in this area; and this positive trend is gradually spreading throughout the firm.

Over the next few months, our aim is to continue developing Wavestone's brand and reputation. To further demonstrate our value, we have seized a number of key market transformations that represent major challenges for our clients: the bank of the future, new energy models and services, the automotive industry in an age of connected vehicles, and the modernization of the State.

Lastly, in an increasingly global market, most pressing strategic issue will be our how to operate internationally in the coming years. We currently work in eight countries, and we intend to grow in each. Through a combination of organic growth and targeted acquisitions, we aim to generate €100m in revenue outside of France by 2021.

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¹ Excluding retail and consumer goods

CORPORATE SOCIAL RESPONSIBILITY

Wavestone honored twice at the Grands Prix du Gouvernement d'Entreprise* and the 2017 Gaïa Rating ranking

At the Grands Prix du Gouvernement d'Entreprise*, hosted by AGEFI on September 19, 2017 at the Intercontinental Hotel in Paris, Wavestone took the silver award in the Corporate Governance for the medium sized companies category.

Launched in 2004, the Grands Prix du Gouvernement d'Entreprise* have, over the years, become a benchmark in governance best practice. Every year, they recognize the listed companies that meet the levels of excellence required by investors, both in terms of transparency and the solid implementation of good practice.

A panel of 19 specialists draws up the candidate lists, on the basis of major governance criteria; these are then subject to a perception survey using a further panel made up of several hundred financial professionals (governance specialists, institutional investors, analysts, etc.).

Announced on October 16, 2017 at the Palais Brongniart in Paris, the results of the 9th Gaïa Rating included Wavestone once again. For the 8th consecutive year, the company has featured in the ranking, which distinguishes the 70 best French SMEs and intermediate-sized companies, in terms of their environmental, social, and governance performance. After ranking second last year, this year, Wavestone took first place in the category of companies with revenues between €150m and €500m.

One of the four objectives of the Wavestone 2021 strategic plan is to see the firm in the top three of its category in CSR (Corporate Social Responsibility), measured annually through the Gaïa Rating ranking. The latter was chosen because of its relevance, applied, as it is, to a broad range of listed companies from all business sectors. It's a demanding index that will spur the company to maintain its commitment to CSR for many years to come—if it is to retain its position among the best-in-category players.

* Corporate Governance Awards

FOCUS ON

MARKET EVENT

Participation in the 13th Women's Forum Global Meeting

Since its creation in 2015, the Women's Forum Global Meeting has brought together thousands of participants—both women and men—to debate, be controversial, take action, innovate, and bring their visions to a world full of challenges. The impact of new technologies, urbanization and smart cities, climate change, and environmental conservation are at the heart of the discussions. It's a gathering that reflects both the firm's values and the challenges our clients face.

The 13th Women's Forum Global Meeting took place on October 5-6, 2017 at the Carrousel du Louvre. As a partner of the event, Wavestone spoke on the theme of *new ways of working*, with Florence Noizet providing our input. Florence spoke at a round table with Maud Bailly (Accor's Chief Digital Officer), Raphaël Gielgen (Vitra's Research Director) and Alain Krakovitch (SNCF Transilien's CEO). Florence Noizet is a Wavestone partner and head of its Digital Workplace concept which brings together the skills of some 200 consultants. Digital Workplace is a concept that is flourishing today in business. It consists of replacing aging IT and communications systems, and instead, offering employees state-of-the-art digital functionality and services. By doing so, it sets up an essential springboard for a company that wants to drive digital transformation.



Florence Noizet

Partner and Head of Wavestone's Digital Workplace (third from left)

AUTONOMOUS VEHICLES

«What is the Connected Cars and Cybersecurity (C3S) Chair?»

With the close collaboration of five major players in the business world (Nokia, Renault, Thales, Valeo and Wavestone), Télécom ParisTech is aiming to create a unique ecosystem and make the C3S Chair a benchmark in research and training in the field of the cybersecurity for connected and autonomous cars.

The Chair, inaugurated on October 5, 2017, will focus on the challenges linked to this emerging form of mobility. It will be held by two research professors from Télécom ParisTech, who will gather a multidisciplinary team around them.

Interview with
Gérôme Billois
(Partner)
and **Laurent Stoupy**
(Partner)

The Chair's work will address five major themes:

- The identification of cyber risks affecting autonomous and connected vehicles
- Building digital trust into communications between vehicles and highway infrastructure
- Managing the identities of different drivers: authentication and behavioral footprints
- Building in cyber resilience—the ability of a vehicle to resist a cyberattack—from the vehicle concept stage
- Respecting drivers' privacy: protection of personal data and legal and social aspects

On each of these themes, Wavestone—which sits on the C3S steering committee—will work to guide the research, interact with the researchers, share their feedback, and assess the results.

When are we going to see connected and autonomous vehicles on the streets?

LS: The autonomous car will represent a major digital transformation for our societies. It will change the way we look at everyday transport and all the uses that are linked to transport. For this transformation to be successful, future “ex-drivers” will require greater levels of confidence in the use of autonomous vehicles and the ecosystems associated with them. Without this, there is a risk that they will reject the technology.

To develop confidence, cybersecurity must be integrated into vehicle design as early as possible, and especially into communications between the vehicle and highway infrastructure. For example, if the system is not properly protected, an attacker could take control of the vehicle, deactivate the brakes, turn the wheels, and so on. There are, in fact, two levels of risk: those at the scale of a single vehicle, and those that could be common to all vehicles produced by the same manufacturer.

The objective of the Chair is to provide confidence to citizens, governments, and insurers, in order to help make the autonomous car a reality.

What are the new challenges raised by connected vehicles? And what are the risks in cybersecurity terms?

GB: You must not confuse connected vehicles with autonomous vehicles: in fact, autonomous vehicles are a more developed form of connected vehicles. Connected vehicles exist today... but there is always someone at the wheel. In California, some 40 companies already have the right to operate autonomous vehicles (including Google, Apple, and Tesla). All vehicle manufacturers are pursuing autonomous vehicle projects, and such transport is expected to become the norm in the medium term. A vehicle has a design life of between 15 and 20 years, and, therefore, manufacturers who fail to anticipate this development now face losing significant market share in the future.

We will see partially autonomous vehicles by 2020 (for example, cars that drive themselves on freeways), and we can expect to see fully autonomous vehicles on the streets by 2030. In these vehicles, a driver gets in, identifies themselves, and lets themselves be driven.

Why is Wavestone a partner in this Chair?

GB: Wavestone is already working on these subjects and we wanted to complement that by addressing these problems, “upstream”, by supporting a research Chair. The best approach is to work hand-in-hand with researchers, anticipating future problems, and finding long-term, sustainable solutions to cybersecurity issues.

A number of our employees are members of a C3S collaborative working group; they provide Wavestone's input and work directly with researchers.

LS: Supporting this Chair also helps us strengthen our relationships with the other Chair partners, some of whom are also clients: Nokia, Renault, Thales and Valeo.

Thanks to this partnership in the C3S Chair, we are even more relevant in the pre-sales and execution phases of our engagements. Our approach isn't merely that of a traditional consulting firm: we want to test our ideas by exposing them to the ideas of researchers and vehicle manufacturers.

Stock market data

Share price at October 31, 2017
€121.25

Number of shares
4,966,882

Market capitalization
€602.2M

Stock information Euronext (Paris) compartment B
 Mnemonic: WAVE
 ISIN Code: FR0004036036
 SRD: long only
 Reuters: WAVE.PA Bloomberg: WAVE
 Indices: CAC Mid & Small, Small CAC, EnterNext © PEA-SME 150, TECH 40

Share price performance

From January 1, 2016 to October 31, 2017



Jean-Noël Mermet
 New member of the Supervisory Board

Review of the 2017 Annual General Meeting

The Wavestone Combined Ordinary and Extraordinary Shareholders' Meeting was held on Thursday July 27, 2017, under the chairmanship of Michel Dancoisne, Chairman of the Supervisory Board. During this meeting, held at the Pavillon Vendôme, the company's shareholders approved all 27 resolutions that they were asked to vote on, including the allocation of company profits: a dividend of €0.61 per share, up 49% from the previous year.

The Shareholders' Meeting also ratified the appointment of Jean-Noël Mermet as a new member of the Supervisory Board. Jean-Noël Mermet created Frenger International Limited in 1983 in the UK with the goal of assisting French companies operating in the UK and German markets. Today, he devotes the bulk of his time to the activities of Frenger Corporate Finance, and to helping French, German, UK, and US groups, manage international external growth. He has completed more than 70 acquisitions on behalf of his clients in ten different countries. Jean-Noël Mermet also directs the activities of Frenger Consulting Services, which operates in the field of economic development consulting, and the support activities provided by Frenger Business Services to help businesses establish themselves in the UK.

The detailed results of votes, and the minutes of the meeting, are available at www.wavestone.com. Go to "Investors" on the top menu, and choose "Annual General Meetings" from the dropdown list.

Upcoming events

- + **December 5, 2017**
 Half year results 2017/18
- + **January 30, 2018**
 Third quarter revenue 2017/18
- + **April 26, 2018**
 Annual revenue 2017/18

In the press

Le Revenu, June 7, 2017: The shares of the IT consulting firm have reached a new and historic high, buoyed by the publication of annual financial statements that exceed analysts' expectations. Wavestone's management is traditionally cautious; sometimes too much so. And we believe this remains the case today. We can't rule out the possibility of some pleasant surprises. Buy Wavestone.

Les Echos, September 28, 2017: «We are channeling our efforts, above all, into the major transformations that our clients are undergoing: we want to be the champions of transformation.» says Pascal Imbert, CEO of Wavestone. «We will also focus strongly on international operations. Wavestone has a good position in Europe, but we must continue to accelerate our growth internationally.»

YOUR CONTACTS

Wavestone Shareholder Relations Department
 Email: action@wavestone.com
 Tel.: +33 (0)1 49 03 28 28



Tour Franklin, 100-101 Terrasse Boieldieu
 92042 PARIS La Défense Cedex
 Tel.: +33 (0)1 49 03 20 00, Fax: +33 (0)1 49 03 20 01
www.wavestone.com