Econocom 2018 annual report

econocom

chairman's message

2018 ended with a further 8% rise in revenue and a good generation of cash. Our clients are relying on us more than ever to facilitate and finance their digital transformation and the group proved its ability to rally in the second half. However, the year proved to be more complicated than expected, with sectorial changes in traditional Services activities, which led me to return as CEO in the fourth quarter.

I now intend to prepare a new phase of development for the group. This will involve refocusing on certain activities, reducing overheads, intensive investment in the sales force, developing cross-disciplinary offerings and pay-per-use solutions, whilst continuing to reduce our net debt to give us greater leeway.

I am supported by a new Management team including some of Econocom's historic leaders, new talents, and the heads of our operational activities, to ensure I stay in touch with what is happening on the ground.

In 2019 we are aiming for recurring operating profit of €128 million by continuing our strict cost management and cash flow generation. I have complete confidence in the validity of the Econocom model and I know we have the human, technical and financial expertise, as well as the boldness, to succeed.

Jean-Louis Bouchard

Chairman of the Board of Directors
and Chief Executive Officer

content

01

the essentials

1. For a useful digital transformation that makes sense

With a presence in 18 countries, Econocom designs, finances and facilitates the digital transformation of large companies and public organisations. 360° digital experts, we are convinced that digital technology is not an end in itself but a way to make the end-user's everyday life easier. In other words, the infrastructure, hardware and applications have only one purpose: to be useful to the user and thus create sustainable and shared value.

User satisfaction: a key success factor for digital transformation

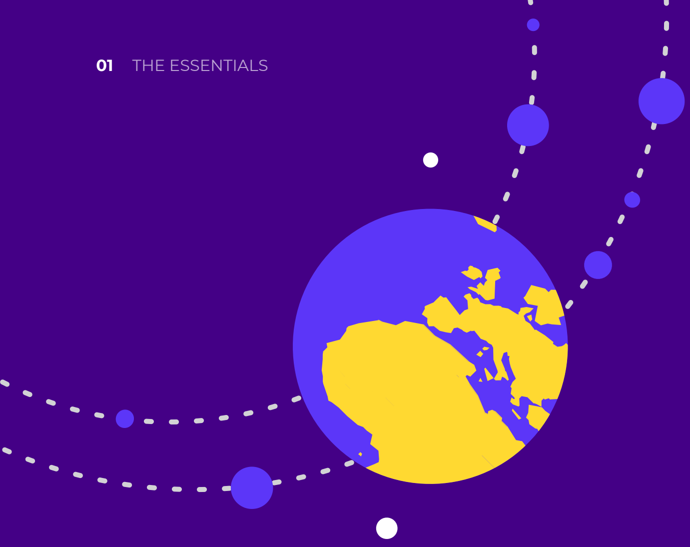
At a time of constantly-changing technology, of ever-shorter shelf lives, we are convinced that it is essential to return to the value of use, which is by nature a stable benchmark, to ensure that digital transformation is successful, firmly-rooted in organisations, and creates sustainable value for everyone.

This user- and use-oriented approach is not new at Econocom. It has been the core of our DNA for more than 40 years. Every day, we strive to offer our customers digital solutions which are really useful to them and make sense. This translates into a working method that informs all our decisions, in each of our three business lines — services, distribution and financing.

45% **Of companies say that resistance to change is the first obstacle to digitisation[1]**

Starting with employees' actual use to distribute the right equipment, deploy bespoke services and offer flexible and original financing solutions, Econocom helps companies successfully complete their digital transformation and ensure the performance of their digital projects.

(1) Source : Econocom Barometer 2018.



CYBER SÉCURITY	DIGITAL.SECURITY • EXAPROBE
MICROSOFT	ALTER WAY • DIGITAL SECURITY • INFEENY
WEB APPS, SAAS & CLOUD	ALTER WAY • ARAGON-ERH • ASP SERVEUR • ECONOCOM BRASIL • NEXICA • SYNERTRADE
INFRASTRUCTURE & NETWORKS	ASYSTEL ITALIA • ASP SERVEUR • EXAPROBE • NEXICA
MOBILITY	BIZMATICA • DMS • ECONOCOM BRASIL • GIGIGO • JADE SOLUTIONS • JTRS • RAYONNANCE
DIGITAL SIGNAGE & MULTIMEDIA	ALTABOX • CAVERIN • CINEOLIA • ENERGY NET
CONSEIL	FIFTY EIGHT • HELIS

2. The Econocom galaxy

An agile organisation for sustainable digital transformation

Econocom has adopted a unique organisational model, enabling it to implement its development strategy: the "Galaxy."

The Planet: the group's three legacy professions

At Econocom, we do business for the benefit of our customers and completely independently from manufacturers, telecom operators, software vendors and financial companies. A digital pioneer for 40 years, the group is the only player on the market to combine technological and financial expertise through three activities:

- **Financing:** the leaders in digital transformation financing, Econocom offers flexible and original financing solutions aligned with new methods of digital consumption.
- **Services:** our consultants support companies throughout the lifecycle of their business, mobile, collaboration, CSR and BI applications, for immediate and easy handling.
- **Distribution:** Econocom offers "turnkey" products and solutions enabling companies to acquire and integrate materials suited to their users' needs.

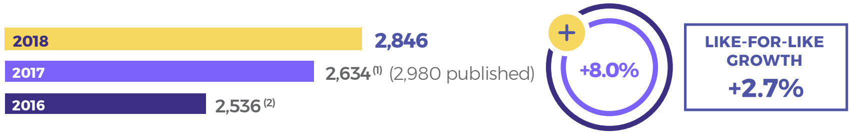
Satellites: successful SMEs, positioned in strategic digital segments

Expert and autonomous SMEs, positioned in the most promising digital segments, the Satellites effectively complement Econocom's historical offers and drive its growth. The heads of these companies retain a significant share of the capital and have strong management autonomy to preserve their agility.

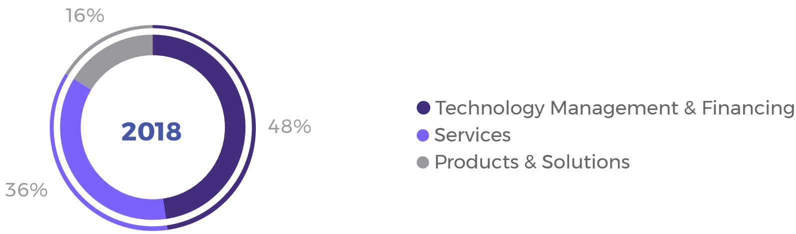
This model, which combines Econocom's industrial power with the agility of its satellites, enables us to offer our customers comprehensive, tailor-made solutions integrated throughout the digital value chain. We offer them solutions that are right for their needs, not just standard “one size-fits-all” solutions, in line with their changing digital challenges, in a constant quest for excellence, reliability, and pleasure of use.

3. 2018 Key figures

Consolidated revenue *(in € millions)*

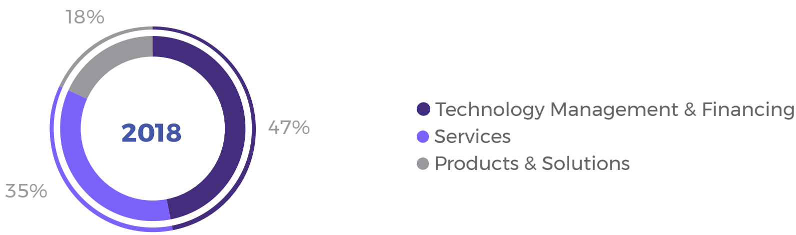


Revenue by business



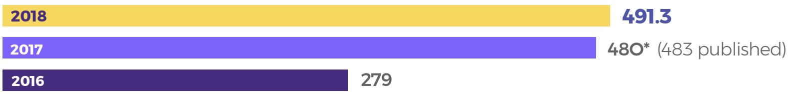
Recurring operating profit (3) *(in € millions)*

Recurring operating profit by business

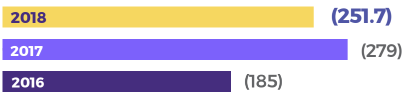


(1) Adjusted for restatements related to the application of IFRS 15.
(2) Not restated for IFRS 15
(3) Before amortisation of intangible assets from acquisitions.

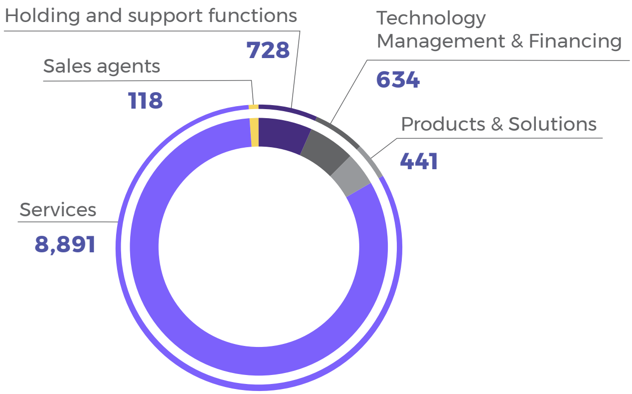
Shareholders' equity *(in € millions)*



Net debt *(in € millions)*



Breakdown of staff at 31 December 2018

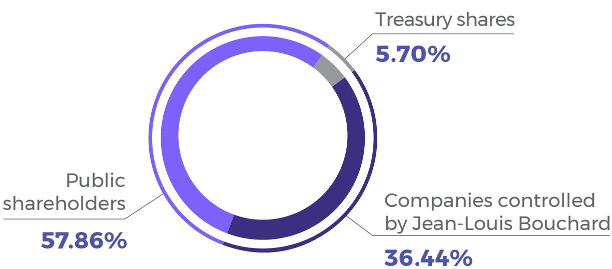


10,812 employees in **18** countries

* Adjusted.

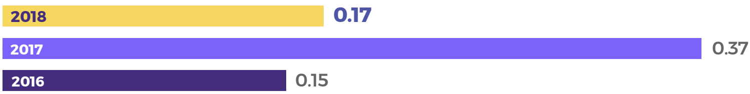
4. Performance and share capital

Distribution of capital at 31 December 2018



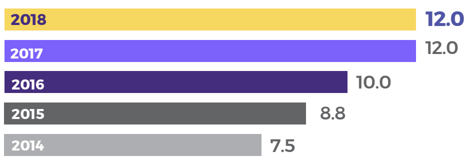
Market capitalisation at 31 December 2018:
€713m
Number of oustanding shares:
245,140,430

Basic earnings per share [(1)] *(in €)*



Recurring earnings per share [(1)] *(in €)*

Compensation per share [(1)] *(in eurocents)*



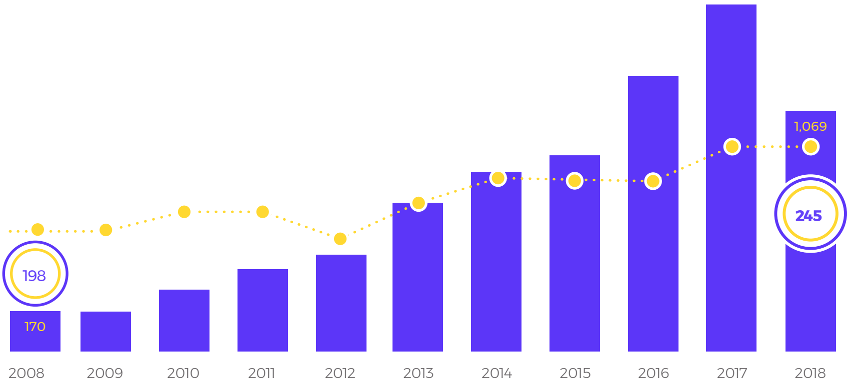
Refund of issue premium
At the **General Meeting to be held on 21 May 2019,** the Board of Directors will recommend that shareholders receive a refund of the issue premium, considered as paid-up capital, in the amount of **€0.12 per share.**

(1) Proforma year end after share split

Change in the share price

Year	High in €	Low in €	Closing in €	Average daily volume of shares traded
2016	7.17	3.69	6.97	210,890
2017	8.00	5.75	5.96	399,425
2018	**7.30**	**2.28**	**2.91**	**833,060**

Change in market capitalisation



Shareholders' agenda

25-04-2019
Release of Q1 2019 revenue after trading

21-05-2019
Annual General Meeting

24-07-2019
Release oh H1 2019 revenue after trading

04-09-2019
Release of 2019 half-year result after trading

05-09-2019
Meeting on the 2019 half-year results

24-10-2019
Release of Q3 2019 revenue after trading

The Econocom Group share is listed on the **Eurolist market (Compartment B)** of Euronext Brussels and is included in the **Bel Mid and Family Business indices**

Code ISIN : BE0974313455

Real-time financial information:

www.econocom.com
https://finance.econocom.com

(1) Proforma year end after share split.

5. Governance

At 31 Decembre 2018

Board of Directors

Chairman and Chief Executive Office

Jean-Louis Bouchard

Vice-Chairman an Chief Executive Officer

Robert Bouchard

Chief Executive Officer

Bruno Grossi
(administrateur délégué)

Jean-Philippe Roesh

Non-Executive Directors

Véronique di Benedetto

Gaspard Dürrleman

Rafi Kouyoumdijan

Independent Directors

Walter Butler

Philippe Capron

Adeline Challon-Kemoun

Anne Lange

Marie-Christine Levet

Jean Mounet

Chairman's Council

Jean-Louis Bouchard

Chairman

Bruno Grossi

Managing Director

Strategy & Acquisitions

Julie Verlingue

Executive Director

Countries other than France & TMF group business

Galliane Touze

Company Secretary

Éric Bazile

Group Financial Controller

Company Secretary

Galliane Touze

Staturory Auditor

PricewaterhouseCoopers

Company auditors, limited liability partnership (SCCRL)
représented by Alexis Van Bavel


Jean-Louis Bouchard


Robert Bouchard


Eric Bazile


Walter Butler


Philippe Capron


Adeline Challon-Kemoun


Véronique di Benedetto


Gaspard Dürrleman


Bruno Grossi


Rafi Kouyoumdjian


Anne Lange


Marie-Christine Levet


Jean Mounet


Jean-Philippe Roesch


Galliane Touze


Julie Verlingue

02

group overview

" Everything we have learned over the last forty five years, we've learned from our customers. We have always invented our products and services with their help."

Jean-Louis Bouchard
Econocom's Founding President

Preamble

45 years of intuition, daring and independence

When Jean-Louis Bouchard created ECS in 1974, he deployed an economic model thereto unknown in the IT sector, in response to a customer request: leasing. The company began by renting IBM machines.
Keen on preserving its independence, it quickly established partnerships with most of the other manufacturers, becoming their indispensable financing partner. This mix of intuition, daring and independence, which was at the origin of the creation of Econocom, is still part of the company's values today. It has always been at the heart of the company's decisions, as it has grown and diversified.

From leasing to services, including distribution and telecommunications

Econocom began to diversify its business lines in the 1990s, by buying the Belgian IT distribution leader, Asystel Belgium. At that time, Jean-Louis Bouchard had already understood the importance of the distribution channel, against the backdrop of declining mainframe sales and the explosion in personal computers. In 2000, Econocom was still playing on the element of surprise, being one of the first IT players to invest in telecoms, anticipating the coming IT convergence. 2013 was marked by the strengthening of the Group in terms of services: the acquisition of the service provider Osiatis allowed Econocom to become a leading digital services company.

Agility through Satellites

After acquiring Osiatis, the Group counted more than 8,000 employees. In order to maintain its agility despite having become a large group, Econocom invented in 2014 an unprecedented development model: the "Galaxy" with its innovative SMEs, all positioned in strategic areas (cybersecurity, cloud, mobility solutions, etc.). The objective? To invent Econocom's future, in synergy with the Group's different activities, and in line with the uses and needs of users.

1. Group history

1974
Jean-Louis Bouchard founds the Group under the name Europe Computer Systèmes (ECS) in France.

1985
Jean-Louis Bouchard sells his stake in ECS France to Société Générale but buys back all the foreign subsidiaries. Meanwhile, he acquires Econocom, an American SME. The subsidiaries and Group are renamed "Econocom".

1986
Econocom Belgium is listed on the Second Marché of the Brussels Stock Exchange.

1993
Acquires Asystel Belgium, making Econocom Distribution the leading IT distributor in Benelux.

1996
Econocom is listed on the Premier Marché of the Brussels Stock Exchange.

2000
Following the public exchange offer on Infopoint group, Econocom is listed on the Second Marché of the Paris Bourse. The Group diversifies by establishing Econocom Telecom, anticipating convergence between IT and telecoms.

2001
The Group employs 2,000 people.

2002
Acquires Comdisco-Promodata in France (administrative and financial management of IT assets).

2004/2007
The Group steps up the pace of its development in the telecoms market with the acquisition of Signal Service France, the corporate activity of Avenir Telecom, followed by the corporate division of The Phone House France.

In 2007, the Group doubles its capacity in Italy with the acquisition of Tecnolease, an Italian company specialising in computer hardware leasing.

2008
Acquires Databail, a French IT infrastructure financing company.

2009
Opens a nearshore remote service facility in Rabat, Morocco.

2010
Econocom acquires ECS from Société Générale and becomes the number one company in Europe in Technology Management & Financing.

2013
Econocom merges with Osiatis group, thus making decisive headway in the digital services market. As a result of this acquisition, Econocom earns almost €2.0 billion in proforma revenue, including €650 million in business-to-business digital services. The Group now employs a workforce of more than 8,000 people in 20 countries.

2014
Econocom Group issues €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE), due to mature in 2019. The proceeds from this issue are used to strengthen Econocom's financial resources, particularly in the context of its Mutation strategic plan.

2015

Econocom joins the Tech 40 index, selected by EnterNext from among 320 listed European high-tech stocks.

In May, Econocom completes a €101 million private placement (Euro PP) split into two tranches with maturities of five and seven years, and coupons of 2.364% and 2.804% respectively. This helps strengthen, diversify and disintermediate the Group's financial resources while further optimising the financial conditions of its borrowings.

Econocom Group becomes a European company (*societas europeae*) on 18 December 2015 to reflect its European identity and ambitions.

Lastly, Econocom implements an external growth strategy geared towards acquiring majority stakes in medium-sized companies offering substantial scope for entrepreneurship. To this end, the Group makes several acquisitions and investments, either directly or through its subsidiary Digital Dimension. In the field of security: Altasys, Clesys and Econocom Digital Security.

2016

Econocom now employs over 10,000 people.

At end-November, Econocom Group took advantage of favourable market conditions to launch a "Schuldschein" loan issue (private placement under German law) in a total amount of €150 million, thereby increasing its financial resources. During the year, Econocom Group continued its original "Satellites" external growth strategy, acquiring either directly or through its subsidiary Digital Dimension, the following entities.

2017

Seven acquisitions are made:

- new Satellites: Aciernet (acquired by Exaprobe), LP Digital (acquired by Alter Way), Energy Net in Germany, Jade Solutions and JTRS in the United Kingdom;
- new Planet members: BIS in the Netherlands and Belgium, and BiBoard in France.

In April, Econocom completes the early conversion of its January 2014 ORNANE bonds due in 2019, boosting equity by €183 million.

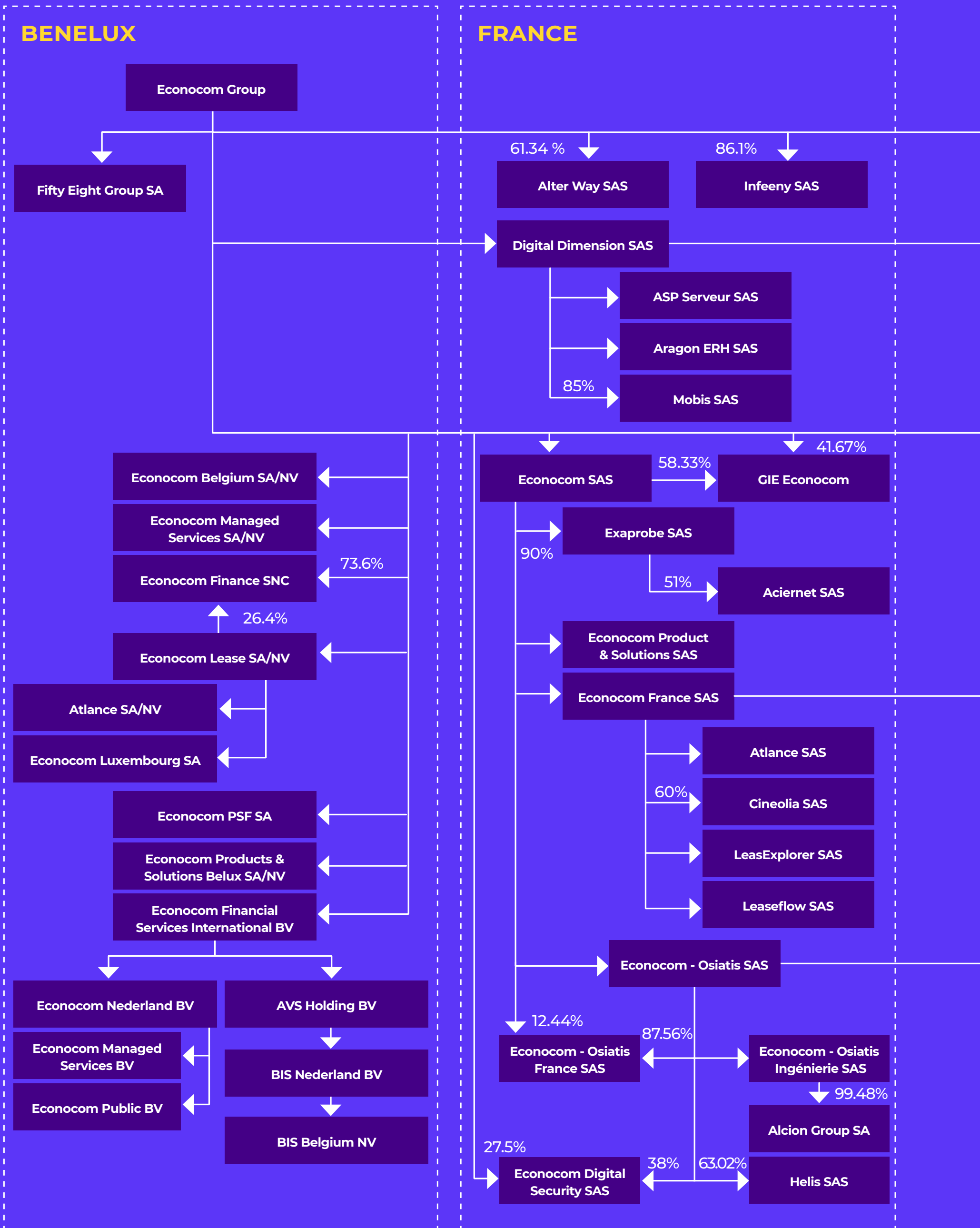
The Group meets the targets set in 2012 for the Mutation strategic plan (doubling revenue and profit from continuing operations) and presents its new five-year strategic plan "e for excellence".

2018

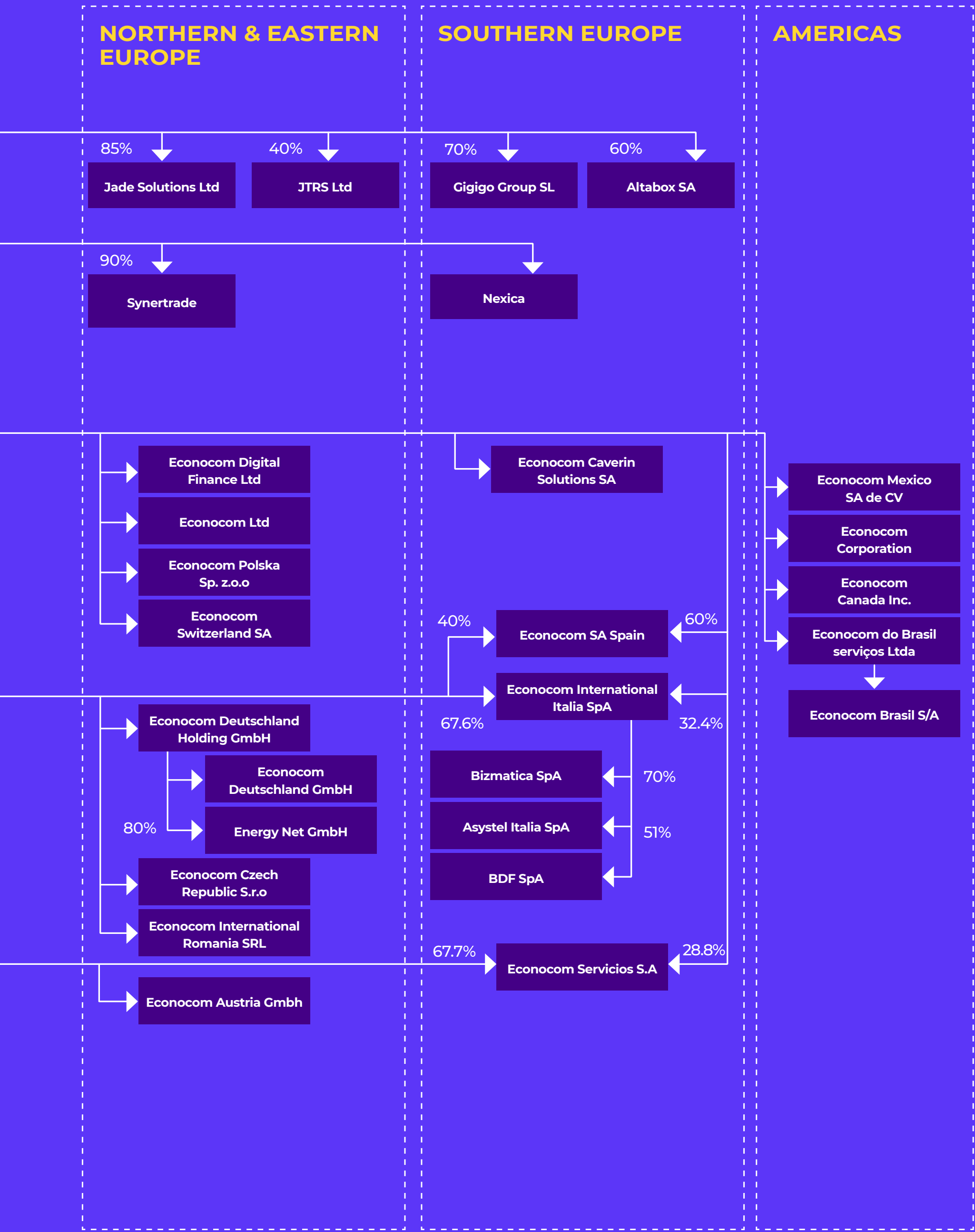
The Group employs 10,700 people. Econocom secures the financing of its new strategic plan by issuing a convertible bond debt (OCEANE) for €200 million in March and maturing in 2023. Two external growth operations are carried out in the first half of the year to supplement the existing positions in Services in Italy (BDF) and in Spain (Altabox).

The new management's focus in the second half of the year on reducing working capital requirements allows for cash generation to be bettered and net debt reduced.

2. Group structure



Percentages are not given for wholly owned subsidiaries. Subsidiaries with little or no activity are not included.


NORTHERN & EASTERN EUROPE
SOUTHERN EUROPE
AMERICAS
85%
Jade Solutions Ltd
40%
JTRS Ltd
70%
Gigigo Group SL
60%
Altabox SA
90%
Synertrade
Nexica
Econocom Digital Finance Ltd
Econocom Ltd
Econocom Polska Sp. z.o.o
Econocom Switzerland SA
Econocom Caverin Solutions SA
Econocom Mexico SA de CV
Econocom Corporation
Econocom Canada Inc.
Econocom do Brasil serviços Ltda
Econocom Brasil S/A
40%
Econocom SA Spain
60%
Econocom International Italia SpA
67.6%
32.4%
Econocom Deutschland Holding GmbH
Econocom Deutschland GmbH
80%
Energy Net GmbH
Bizmatica SpA
70%
Asystel Italia SpA
51%
BDF SpA
Econocom Czech Republic S.r.o
Econocom International Romania SRL
67.7%
Econocom Servicios S.A
28.8%
Econocom Austria Gmbh

3. Group positioning

Econocom, 360° expert in digital transformation

A leading player in digital services in Europe, the Group supports the digital transformation of companies throughout the entire value chain: from consulting to management, through the design of solutions, their implementation and their financing. Regardless of the services or offers deployed, Econocom helps its customers think about and use digital technologies effectively, placing end users and their uses at the starting point of any digital transformation.

The strengths of the Group

Econocom Group stands out from its competitors thanks to:

- nearly 40 years' experience in business infrastructure management;
- a unique combination of expertise coupling financial innovation with technological expertise;
- its dual IT and telecommunications expertise;
- its independence from IT hardware manufacturers, telecom operators, software vendors and financial companies.

Thanks to its presence in 18 countries, mainly in Europe, but also in Morocco, Brazil, Mexico, Canada and the United States, the Group is able to meet the needs of its major customers, regardless of the geographical area in which they operate.

A unique development model

In addition, its unique development model, the Galaxy (made up of the Econocom "Planet" with its three historic and complementary business lines and its "Satellites", with advanced skills embodied by expert and autonomous SMEs), helps put Econocom at the forefront of key areas such as security, web and mobile applications, digital solutions and digital transformation consulting. This relational and organisational system addresses the challenges of the digital revolution. This revolution forces organisations to operate in a different way, with collaborative and transversal organisations that take priority over hierarchical and vertical structures.

The five pillars of the Econocom offer derived from this unique model are:

- Technology Management & Financing (see page 31);
- Products & Solutions (see page 32);
- Services (see page 34);
- the digital solutions of the Satellites (Cybersecurity, Microsoft, web apps, SaaS & Cloud, Infrastructure & Networks, Mobility, Digital Signage & Multimedia, Consulting) (see page 36);
- the combination of Planet and Satellites expertise: end-to-end transversal offers (see page 44);.

3.1. Technology Management & Financing

3.1.1. MARKET: A DEMAND FOR GREATER FLEXIBILITY

Consumption oriented towards use rather than ownership, seeking solutions for making costs more flexible, developing the circular economy: these phenomena have encouraged the development of new methods of financing (rental, variable rents, etc.).

Use rather than ownership

Boosted by a fast-growing digital transformation market, the trend of consumption based on use rather than ownership is gathering strength. While traditional consumption patterns are still present, especially for strategic hardware, which large companies continue to want to keep control of, a mixed model is emerging in the IT and digital segments. Increasingly accustomed to the new standards of digital leaders, companies are now seeking solutions to improve the customer and employee experience, while favouring an approach based on return on investment, while making their costs more flexible at the same time.

A trend reinforced by changes in accounting standards

This trend to make costs more flexible is likely to be strengthened in the coming years by developments in IFRS coming into force in 2019. Companies that seek to deconsolidate their assets with a material unit value will have to hand over control of said assets to service providers who will in turn use the assets to provide a comprehensive service, or will charge variable rents for their use. In this context, they will have to rely on partners able to optimise the underwriting of their equipment with relevant advice, thanks to their strong knowledge of rented technologies and associated service packages.

Leasing boosted by the circular economy

The circular economy is another notable market trend. It has led to the development of the leasing model, which relies on an organised and structured reuse and recycling channel. This model allows companies to rely on specialists for the responsible and sustainable management of their equipment.

3.1.2. ECONOCOM: *À LA CARTE* FINANCIAL SOLUTIONS

A pioneer in leasing, the Econocom Group generates 48% of its revenue through the Technology Management & Financing business. Today, the offer responds, more than ever before, to companies' expectations regarding financing. While 30% of them believe that the lack of financial resources is the greatest obstacle to their digital transformation[1], Econocom offers a wide range of adapted financial solutions. These solutions enable them to fast-track the completion of digital projects (connected devices, mobility, business hardware, IT & multimedia, industry hardware, energy, etc.), while meeting the financial and operational constraints of the players (CFOs, CIOs) and business lines involved.

Linearised payment methods

Ever attentive to its customers' needs, Econocom offers all-inclusive or *à la carte financial solutions*, combining several of its areas of expertise with a linear payment method, resulting in a comprehensive range of leasing solutions and usage- or unit-based invoicing for services, ranging from general scalable lease contracts to subscription service agreements. This contractual flexibility enables the Group to refresh assets on a regular basis and guarantee budget stability.

(1) Econocom, Sia Partners and Ifop.

Asset management service

In addition, Econocom delivers effective asset management services, offering operational solutions to meet customers' needs and help them manage, monitor and control resources. Customers benefit from the Group's expertise throughout the product lifecycle, including the simplified management of risks and management of the end of the product use cycle, in compliance with the General Data Protection Regulation (GDPR).

Financing of green projects

Econocom also offers financing solutions for energy efficiency projects (see partie 3 CSR report, page 102).

EDFL: the solution for financing the most complex transformation projects

In order to fast-track the roll-out of its most advanced digital solutions, Econocom set up a specialised unit in 2014 that gives it the capacity for financial innovation. Econocom Digital Finance Limited (EDFL) is a dedicated, centralised unit specialising in risk management and financing solutions. It offers specific expertise in transaction security and non-standard contract financing. Through EDFL, Econocom has been able to boost its independence and refinancing capacity.

3.1.3. A UNIQUE POSITION IN THE MARKET

Econocom has a unique position in its market, with no directly comparable competitors. Its competitors are, for the most part, either general or independent leasing companies, or specialist subsidiaries of hardware manufacturers or bank subsidiary leasing companies. These companies do not share Econocom Group's same characteristics of independence or technological specialisation, while independent competitors do not have distribution and service activities. Finally, Econocom is large enough to guarantee sustainability and a balanced force to its customers, compared with major hardware manufacturers and players in the digital sector.

3.2. Products & Solutions

3.2.1. A GROWING MARKET

PCs and tablets: a dynamic professional market in Western Europe

Although the world market for PCs and tablets has been declining for several years worldwide, the B2B market in the Western Europe zone remains dynamic. The professional PC market recorded an increase of 2.9% at end 2018. Tablet sales grew by 4.2%[1], driven by the demand for business mobility. Sales growth was particularly strong in Northern Europe, with the Benelux, the Nordic countries, the United Kingdom and Ireland posting double-digit growth.

Prices for professional devices increased 7.2% year-on-year, driven by demand for Windows 10.

Note: The problems encountered by Intel in the supply of processors since the beginning of the third quarter of 2018 disrupted shipping schedules and the pricing policies of PC vendors with less clout and lower purchasing power, such as HP Inc., Lenovo and Dell. Supply was limited, especially in the entry-level personal computer market, with Intel prioritising the production of Xeon and Core processors to serve the best-performing segments of the market. This drove global average prices up in a market where unit demand was stable.

(1) Gartner – Worldwide PC Shipments, Q3 2018 and Q4 2018 update.

Smartphones: manufacturers are positioning themselves on the professional market

In 2018, the global smartphone market had been down for four consecutive quarters[1]. To cope with this decline, the hardware manufacturers concentrated a large part of their efforts on the professional market. With one major goal - to help companies create mobility solutions for their employees.

These employees increasingly need to have continuous remote access to their email and databases. However, the impact of using these tools on business performance is difficult to quantify. Brands are now counting on encryption keys to win over professional users. Means of identification such as facial recognition, fingerprints or iris scans are gradually being integrated into business life. Hardware manufacturers such as Samsung, for example, offer two uses for their devices. The B2B market is the segment that will allow mobile hardware manufacturers to revive their business, now that the mass market appears saturated.

Storage solutions: double-digit growth

In 2018, storage sales experienced double-digit growth[2]. Dell remains the market leader, but Lenovo posted strong performance as well. IBM's 2018 sales were down, however.

The revenues generated by original design manufacturers (ODM), which sell directly to the hyperscale datacenters, increased by 45.8% at end 2018. That represents almost 28% of all investments in storage by companies in the fourth quarter. On this market segment, Dell remains in first place among suppliers. It is followed by HPE, despite a decline in its sales by 3.3% at the end of the year. Further down in the list as regards revenue, NetApp generated strong returns. In its annual ranking, IDC ranked five suppliers in fourth place because of their very close market shares: Hitachi, Huawei, IBM, whose sales declined by 21%, Lenovo, almost doubling its revenue year-on-year and Chinese company Inspur, claiming 65.3% of revenue.

3.2.2. DOUBLE-DIGIT GROWTH FOR ECONOCOM

Revenue for Products & Solutions stood at €448 million, a 26.7% increase, 9.4% of which organically. The business reaped the rewards of its packaged solutions combining design, services and, in some cases, financing.

To help companies succeed in their digital transformation, Econocom has become much more than a supplier of products for information systems. Today, its mission is to support companies in the implementation of "turnkey" solutions as a service, integrated into professional and user-oriented environments!

Econocom provides a one-stop service, going beyond products and associated services, to offer user centric and effective solutions to meet the accelerating needs and life cycles of IT, telecommunications or audiovisual equipment. Design, security, collaborative work, etc.: these offers help companies innovate, adapt and constantly move forward, transforming themselves to meet every development need.

Econocom is the preferred partner of the market's main technology players, including Apple, Brother, Dell EMC, Epson, HPE, HPInc, Lenovo, Microsoft, Samsung, VMWare, etc. They recognise Econocom's technical and commercial expertise, as well as its commitment, and the high level of certified services it offers.

(1) Gartner - PCs, Ultramobiles and Mobile Phones market (January 2019)/Market Share: Pcs, Ultramobiles and Mobile Phone ASPs, 3Q18 Update (December 2018).
(2) IDC Worldwide Quarterly Enterprise Storage Systems Tracker, December 2018.

3.2.3. FRANCE'S SECOND LARGEST PLAYER IN DISTRIBUTION

In a dynamic, highly competitive market with more than 14,000 computer resellers in France, Econocom has climbed to 2nd place in this distribution market.

In the European market, it competes with Computacenter, SCC or Realdolmen.

The main difference between Econocom and its competitors lies in its largely outsourced business model (logistics from wholesalers and independent sales agents).

3.3. Services

3.3.1. A GLOBAL MARKET UP 5%

The global market for IT services - €763 billion - showed very good momentum in 2018, which should continue until 2022 with an average annual growth rate of 5.4% according to PAC. The EMEA area (Europe, Middle East, Africa) is expected to grow by 4.7% per year until 2022, and France by 5% between 2018 and 2019.

This dynamic is driven by the enthusiasm and the need of public and private companies to continue their digital transformation. In fact, 60% of market players have witnessed an acceleration of these projects in 2018, according to the semi-annual barometer published by Syntec Numérique/IDC.

Digital services companies recorded growth of 3.3% in 2018 in a €34 billion market. IDC estimates that technologies associated with digital transformation have increased by 15.5% in France to €12 billion and will continue to grow in the coming years. Though the largest volumes in the market are still being generated by traditional IT projects, the growth dynamic concerns Cloud projects (+19%), projects related to data processing (+11%), mobility (+16%) and security (+10%). The processing and valuation of the data held by the company generates investments in compliance with the GDPR (General Data Protection Regulation).

The automotive and aerospace (25%), energy (18%) and transportation (10%) sectors have brought growth to Consulting and services.

3.3.2. THE THREE PILLARS OF THE ECONOCOM OFFER

Services account for more than one third of Econocom's business and growth in 2018 was 15.5% higher than that of the market. Our 8,850 Services employees, present in 10 countries, support customers in this digital transformation by working across the entire life cycle of their applications, infrastructures and digital solutions. To provide maximum proximity, quality and responsiveness, Econocom provides its services at its customers' facilities, or at its own service centres in France and Morocco.

Specific projects have been developed for three major business issues: the user experience, operational excellence and dynamic growth.

3.3.2.1. The user experience

All digital solutions offered by Econocom are designed taking into account customer uses, their manners of working and using hardware and applications every day. Its DevOps approach also allows it to combine agile development and continuous deployment to respond to changes in uses.

The OneDesk offering (see box) and the BiBoard business intelligence solution are two emblematic examples of Econocom's user centric approach. The reporting tables of BiBoard's data analyses have been designed to respond simply to a recurring question from data minders: how can this data be used, made meaningful and be shared with my ecosystem?

OneDesk, the next generation HelpDesk, 100% user centric

With "OneDesk", Econocom offers its customers a turnkey support solution designed by and for end users. Field immersion to understand real uses and needs, co-development workshops, user tests in the laboratory, etc., everything has been designed to provide a qualitative experience, adapted to each device and meeting the specific needs of each employee, whether they are employees, technicians, sales representatives, VIPs, etc., and for every device. In the end, everyone has a single contact person to answer all their questions about their work environment.

OneDesk was born out Econocom's experience as the leading French player in user management outsourcing, and out of technology partnerships with web software vendors.

3.3.2.2. Operational excellence

Any user experience, however fluid and well-designed, that is not in line with infrastructures and information systems, will not reach its objectives. One of the CIO's challenges is to provide more efficient and more flexible resources within a budget context that is often limited.

Econocom optimises IT services and provides its customers with an on-demand information system, through its consulting, integration, managed services and Cloud services (private, public and hybrid) and critical maintenance.

- **Econocom, with the OneGate offer, provides managed historical or Cloud environment services** (supervision, exploitation, administration). This offer enable them to control IT infrastructures very simply, and to manage them from an operational and financial perspective. In addition, the technological advisory services (Move To The Cloud) and the continual improvement services (Automation, Orchestration, Containerisation, DevOp) help customers adapt their infrastructures to incorporate digital technologies at their own individual pace.
- **Econocom hosts the infrastructures of its customers** and has five dual-data centres, enabling it to promote customer proximity and improve its performance. The Group offers a practical response to the challenges posed by data security and location issues, which is a major concern for CIOs, particularly in the context of GDPR. The Group supports its customers in the operation of their Cloud infrastructures hosted at Econocom, or on the major public Cloud platforms.

Econocom relies on a hybrid Cloud solution

Open Cloud or private Cloud? Econocom offers its customers the choice of a hybrid solution. The advantages of this choice are numerous. The hybrid combines the robustness of a private sector Cloud - essential to strategic infrastructure, with the flexibility and power of a public Cloud solution - adapted to new user uses. This offer enables Econocom to strengthen its positions in the very dynamic Cloud computing market, knowing that it is already the seventh largest player in France in server outsourcing and hosting (see page 45 Econocloud Offer).

3.3.2.3. Dynamic growth

Econocom co-constructs the digital solutions of tomorrow's business models: identification of business issues and sources, offering solutions, implementation of proof of concept, and deployment and industrialisation of customised and turnkey solutions.

At the crossroads of their digital transformation, Econocom offers customers unique governance combining the confidence and agility necessary to carry out such projects.

3.3.3. ECONOCOM: ISO 27001 CERTIFIED

IT security is a major challenge for Econocom and the Group continues to make progress in this area. The Group has been ISO 27001[1] certified since 2016. This certification is the world's most widely recognised information systems security standard. This certification covers all of Econocom's Services businesses in France. The actions and measures taken to combat cybercrime in 2017 were extended across all the Group's business lines, with the blanket rollout of a series of security measures to protect workstations, the strengthening of information system department security expertise within the IT Department, and the creation of mandatory awareness training for Services employees *via* MOOCs (Massive Open Online Courses).

3.3.4. ECONOCOM: FRANCE'S 10TH LARGEST DIGITAL SERVICES COMPANY

As the tenth largest French digital services company for the fourth consecutive year, Econocom competes with companies such as Capgemini, Steria, Atos or GFI in the services market. But unlike these companies, it is the only one to offer associated distribution, management and financing services. Similarly, the Group has few competitors in telecommunications.

3.4. Digital solutions offered by Econocom satellites

Launched in 2014, the Satellite model enables Econocom to rapidly take up a position on buyont markets, (cybersécurity, Cloud, mobility, etc.). Econocom Satellites are innovative SMEs, whose areas of expertise correspond to the strategic challenges of digital transformation today (cybersecurity, Cloud, infrastructures, etc.). In 2018, they represented 24 % of the current operatin gincome, compared with 17 % in 2017, proving the relevance of this model.

3.4.1. CYBERSECURITY

3.4.1.1. A critical issue, a dynamic market

Cyber security has become a critical component of digital transformation and is one of the fastest growing segments of the IT market. With the digital revolution gaining traction, the uses made possible by new technologies are placing greater emphasis on the security of IT systems.

(1) The ISO 27001 standard applies to information security management systems and helps organisations keep information assets secure. For more information: https://www.iso.org/fr/isoiec-27001-information-security.html.

The amount of digital data is multiplied by eight

According to the IDC 2017 study (Data Age 2025), the total global datasphere is expected to increased eightfold over the coming years to reach 163 trillion gigabytes. All business sectors and models will be affected, from B2B to B2C. Though this exponential growth in the volume of digital data may offer new value-creating analyses, it also poses problems in terms of their protection and ownership.

The number of smartphones and IoT will double by 2020

According to recent studies, there are currently more than 3 billion smartphones and over 8 billion IoT devices in the world today. By 2020, their number will exceed 20 billion. However, this raises the number of zones at risk and points open to attack.

80% of European companies have already had their computers hacked[1]

The proliferation of computer attacks boosts the market.

Beyond the growth in the number of devices and data, there are other factors that explain the strong market dynamics. The introduction of new and increasingly restrictive regulations such as the General Data Protection Regulation (GDPR) and the E-PRIVACY project[2], or the eIDAS European regulation[3], has of course also proven to be a driving factor. Artificial intelligence, Big Data, blockchain technology and even Cloud computing are opening up massive growth prospects for security, which must and should be seen as an essential component of any digital transformation project.

3.4.1.2. The Econocom offer: Exaprobe and Digital.Security

Econocom has chosen to structure its security offering through two complementary entities. Exaprobe and Digital.Security give the Group a suitable and recognised security infrastructure integration offer.

Exaprobe is a benchmark for securing companies' infrastructure and digital territories

Acquired in 2013, and now housing Cap Synergy (2012), Comiris (2014) and Aciernet (2017), Exaprobe is a security systems integrator. It operates in the areas of IT security, network infrastructures and platforms for unified communication and the digitisation of workspaces. Its current business model is based on a mix of integration products and services in project or outsourcing mode. With 300 employees and 2018 revenue of €330 million, Exaprobe has established itself by virtue of its technological expertise and innovative offering. Following the acquisition of Aciernet in 2017, it has specific expertise in designing and equipping large data centres. It boasts high-level partnerships with leading manufacturers and software vendors (Cisco, Check Point, HP, Microsoft, etc.).

Econocom Digital.Security helps customers manage their digital risks.

It addresses both the security of information systems and the security of connected devices, by:

- anticipating new uses and quickly countering emerging threats;

(1) Source: European Community.
(2) European project that aims to strengthen the rules protecting Internet users' privacy, which may come into force in 2019.
(3) Regulation on electronic identification and trust services for electronic transactions, in effect since the second quarter of 2018.

- guaranteeing a constant and optimal level of security of sensitive digital data; and
- integrating best security practices into everyday tasks and digital transformation projects.

Digital.Security offers services in the following areas: audit, consulting, operational security, integration & projects. It also offers the services of the leading European Computer Emergency Response Team (CERT™) dedicated to the security of connected devices and their environment (IoT). Boasting rare expertise specific to the world of IoT, Digital.Security covers communication technologies, data exchange protocols and operating systems. It is officially recognised by TF-CSIRT, the European body[1] that coordinates relations between the various global CERTs, and which has just obtained PASSI certification[2].

3.4.2. MICROSOFT TECHNOLOGIES

3.4.2.1. Market: new business models are changing the game

The French market for Microsoft technologies has been transformed by the arrival of new business models that are imposing a change of approach for partners distributing the brand.

In fact, over the last ten years, the competition has changed considerably: pure players are consolidating, and the broadline companies are launching new offers.

These partners, who are used to selling licenses and solutions for server integration and migration, are now being confronted with new needs: leasing licenses, integrating new uses, improving the level of services and information systems using solutions such as SaaS (Software as a Service), IaaS (Infrastructure as a Service) and PaaS (Platform as a Service).

3.4.2.2. Econocom aiming to become a market leader with its Infeeny offering

As a historic partner to Microsoft, Econocom wants to accelerate this strategic collaboration by becoming a market leader, and offer all French companies a team dedicated to Microsoft technologies to support them in their digital transformation.

This ambition covers the entire value chain: everything from devices and Cloud-hosted applications, to consulting services, open source software, collaboration within companies and the development of innovative services, all in an environment based on Microsoft solutions and a unique value proposition: Your Microsoft Specialist as-a-service.

For this, in 2018 Econocom launched the "Infeeny by Econocom" Microsoft transversal offer. Capitalising on **Infeeny** brand recognition, this offer also makes use of the long-standing expertise of Econocom and other Group entities such as **Alter Way** and **Digital Security**.

Infeeny by Econocom represents:

- 700 Microsoft consultants, experts, DevOps;
- a network of regional agencies and application service centres;
- a unique and multidisciplinary interlocutor for integrated solutions with customised financing;
- three domains of expertise in coherence with Microsoft: Modern Workplace, App & Infra, and Data & IA;
- a strong implication in Microsoft innovation projects: **Hololens** (*Econocom has signed an exclusive distribution partnership with Microsoft for the European market*) **IA** (*founding member of the Impact IA association alongside Microsoft*), Chatbot, etc.

(1) TF-CSIRT: Task Force on Computer Security Incident Response Teams.
(2) PASSI: provider of information systems security audits.

Infeeny: an exclusive Microsoft pure player in the Econocom Group. Thanks to its expertise in Microsoft and Econocom Group's business contributions, Infeeny offers innovative solutions combining design, supply and management of hardware and software equipment to provide businesses with a personalised environment, tailored to business and users.

3.4.3. WEB APPS, SAAS & CLOUD

3.4.3.1. Double-digit market growth

SaaS and Cloud: services and the Cloud hybrid are on the rise

According to Gartner, the adoption of enterprise SaaS is still relatively new and many SaaS application providers have focused more on the functionality of their applications and less on the needs of IT operations. This can lead to limitations in native SaaS management consoles, including insufficient reporting, inaccurate permissions and tedious administrative tasks that require significant manual effort.

Most companies already have some Cloud infrastructures and SaaS solutions in place and are planning to move in that direction. 16% of budgets for Cloud solutions are allocated to what Gartner calls "services related to the Cloud". These are essentially services that organisations need to move toward a Cloud solution in order to transform their operations by adopting Cloud services.

In 2019, more than 30% of new software investments by technology providers will move from Cloud-First to Cloud-Only. The Cloud is the foundation, and the hybrid Cloud is the cornerstone for companies wishing to carry out digital transformations. The size of the Cloud market is growing exponentially, and is expected to reach $317 billion by 2022.

In the specific area of HRIS, in 2020, it is expected that the share of SaaS/Cloud will be 73% (Gartner 2018).

Web Apps and Open Source: growth relays on the IA side

According to PAC-CXP, the Open Source market will see **annual growth of 8.1% by 2021** for the industry as a whole (+12.6% for publishing and +7.8% for services), representing about twice the growth forecast for the entire digital sector (+4.2%). **The United Kingdom and Germany are in second and third place behind France, European leader in open source and open digital.** France should maintain this position until 2021. The free software and open source sector continues to grow, building on its traditional implementations in infrastructure, middleware and the web, and is finding new growth vectors through its strong implication in the new technology market segments: Big Data and AI, new generations of DevOps-oriented development tools, and Cloud technologies.

3.4.3.2. The Econocom offer: Alter Way, Aragon-ERH, ASP Serveur, Econocom Brazil, Nexica, Synertrade

Applications

At the heart of the user experience, applications are the most visible part of the daily lives of the company's customers and employees. Today, every company must have powerful business-oriented applications, developed within shorter and shorter deadlines and adapted to rapid changes in the market, uses and technologies.

To meet the needs of companies regardless of the sector of activity or business line, **Econocom proposes a dual approach:**

- **the development and integration of customised applications** thanks to the expertise of the **Alter Way** "Satellite". This innovative SME is a specialist in web platforms and DevOps practices, based on open source solutions (Digital, Expertises, Cloud Consulting, Continuity, Hosting);
- **off-the-shelf software platforms**, in SaaS or on-premise mode, to rapidly deploy new digital processes. The **Aragon-ERH** "Satellite", vendor of a 100% SaaS & 100% Cloud HRIS solution, helps companies cover all their HR needs. **Synertrade** offers a SaaS solution dedicated to purchases, and covering the entire expenditure chain.

Hosting and Cloud offers

For Econocom, infrastructure performance is a key success factor to ensure a successful user experience (see section on operational excellence on page 35). The Group supports CIOs in maintaining very high levels of performance, integrating more efficient and flexible Cloud offers and enhancing security. As the 7th ranked company in the outsourcing server and hosting market in France, Econocom, with its "Satellites", is positioning itself as an important partner for companies and public authorities.

The Satellites:

- **ASP Server (France):** production infrastructure host and operator of public, private and hybrid Cloud solutions. As a specialist in mission-critical hosting and public and private Cloud solutions, ASP Server owns its infrastructure and has a cutting edge, very high security data centre;
- **Econocom Brazil:** strategic consulting, managed services and outsourcing projects;
- **Nexica (Spain)**: an expert in the hosting and management of critical applications for 15 years. The company is a key player in the Spanish market in the Cloud computing and saw its revenue increase by 11% this year.

Nexica has data centres in Barcelona, Madrid and Marseille.

3.4.4. INFRASTRUCTURE & NETWORKS

3.4.4.1. A market undergoing major structural changes

- **Businesses need more and better IT infrastructure**

  Digitisation, new uses, development of Cloud models: to meet these challenges, the network must play an increasingly important role. In addition to the commonly accepted intrinsic qualities (performance, availability, durability), it is becoming increasingly common for networks to be required to integrate advanced functions such as: filtering, optimisation and management of flows (voice, video), virtualisation and quality of service measurements. The development of forms of collaborative work (for example, videoconferencing) partly explains this trend.

- **A strong tendency towards migration to public *Cloud systems***

  Over the last several years companies have been shifting their IT workload to the public Cloud. Indeed, *Cloud services* are expected to account for about 80% of the server and storage capacity provided in 2018, according to McKinsey.

- **Cybersecurity, a top priority for executives and Boards of Directors**

  In all business sectors, attacks are becoming more numerous and more complex, with 80% of technology managers saying that their organisation is struggling to put in place a strong defence.

- **New mutations for tomorrow**

  These include the growth of Asia for hardware solutions, the use of DevOps for software and hardware, *container-first* architectures and the increasing use of artificial intelligence and technology stacks optimised for machine learning.

3.4.4.2. The Econocom offer: Asystel Italia, ASP Serveur, Exaprobe, Nexica

To help its customers transform their infrastructures, Econocom offers consulting, transformation engineering, optimisation and technological innovation services. In addition to its transformation and integration services, Econocom also offers maintenance services in operational conditions throughout the life cycle of these infrastructures, thereby guaranteeing its customers end-to-end support.

Designing scalable infrastructures capable of integrating the innovations of tomorrow

Developing flexibly to improve support: Econocom's approach. The Group advocates traditional IT solutions together with the most innovative digital solutions (hybrid Cloud solutions, etc.). This "mix" facilitates the digital transition and its adoption by users. This flexibility also makes possible the design of scalable infrastructures capable of integrating technological innovations as they occur over time.

Asystel Italia: infrastructure expert: Cloud solutions, outsourcing.

Exaprobe: see Chapter 3.4.1.2.

ASP Server and Nexica: see Chapter 3.4.3.2.

3.4.5. MOBILITY

3.4.5.1. A dynamic market driven by the growth of software solutions and service

The enterprise mobility market is divided into four main segments:

- **Connectivity**: 3/4/5G mobile networks and WiFi;
- **Hardware**: consumer and professional devices and accessories;
- **Software**: off-the-shelf mobile applications, development platforms, mobility management solutions such as EMM (*Enterprise Mobility Management*);
- **Services**: deployment and management of a mobile business fleet, user services, mobile application development, EMM services, etc.

The mobility market is very dynamic, driven particularly by the strong growth of the software and services segments. According to a PAC-CXP survey, the French corporate mobility services and software market reported revenue of €1.3 billion in 2017. The survey estimates that the average annual growth rate for the mobility segment will be 20.4% for the 2017-2021 period.

Globally, Gartner expects the Managed Mobility Services (MMS)[1] market to grow by 88% in four years to reach $8.2 billion by 2021. In parallel, it notes an average price decrease of 5%, attributable to the tendency to standardise and package offers.

(1) Gartner, Critical Capabilities MMS (Managed Mobility Services), March 2018.

Highly placed among the investment priorities of business mobility decision-makers (according to Enterprise Mobility Exchange)[1] is the security of mobile applications (a priority for 63% of decision-makers). 57% of European companies plan to develop mobile application management (MAM) and 50% to invest in improving the user experience.

3.4.5.2. The Econocom offer: Jade, JTRS, Bizmatica, Gigigo, Econocom Brazil, Rayonnance, DMS

Econocom has several Satellites that allow it to extend its expertise in corporate mobility not only in Europe, but also in Brazil:

Bizmatica (Italy) provides solutions with vertical expertise in omnichannel solutions, IOT and network management for telecommunication companies, Big Data and analytics, enterprise applications, API management and monetisation;

DMS (France) is a mobile technology expert specialising in the deployment and management of very large terminal fleets;

Econocom Brazil accelerates the digital transformation processes of companies through strategic consulting, managed services and mobile outsourcing;

In Spain, Mexico and Brazil, Gigigo supports companies in their mobile marketing strategy by offering customised mobile application development for consumers and a platform for generating and managing promotional marketing campaigns;

Jade Solutions (United Kingdom) provides companies with professional mobility solutions (rugged terminals, wireless networks and guest WiFi), particularly in the retail, industry, transport and logistics sectors;

JTRS (United Kingdom) specialises in technology solutions for education and B2B (Apple Solution Expert, Google Partner, Microsoft Certification, LEGO Education Partner®);

Rayonnance (France) provides mobile solutions for businesses. This French specialist has been offering business applications to companies on PDAs, tablets and smartphones for more than 16 years;

3.4.6. DIGITAL SIGNAGE & MULTIMEDIA

3.4.6.1. A growing market driven by the expansion of retail

According to Technavio's global digital signage market research report, the market will record a CAGR (compound annual growth rate) of nearly 7% over the 2018-2022 period. This dynamism is largely due to the strong growth in the retail segment, itself boosted by the increase in the demand for consumer goods and the rise in household income. Other factors such as urban growth and the increase in the demand for quality products also help explain the excellent performance of the market.

3.4.6.2. The Econocom offer: Caverin, Cineolia, Energy net, Altabox

Digital signage solutions can be an excellent lever for new business, for example to enrich omnichannel retail experiences, or to better capture user attention and generate additional advertising revenue.

(1) Enterprise Mobility Exchange.

In order to help its customers put in place the business models of tomorrow, the Econocom Group works in collaboration with them to create the right digital solutions, whatever their business universe. End-to-end support, from the consulting phase up to the creation of an industrial model for their innovative projects.

With its four Satellites, Econocom is present in several geographical areas: Spain, France and Germany. The Group aims to offer its customers integrated digital solutions, together with financing offers.

Altabox (Spain): leader in Spain in the development of omnichannel marketing strategies for retail outlets. Altabox joined the Econocom Galaxy in 2018. The company is specialised in the design and deployment of dynamic digital signage, sensory and auditory marketing, and traffic and data analytics solutions. With this acquisition, the Group has obtained a complete range of state-of-the-art digital point-of-sale solutions, combined with its innovative financing and distribution model (subscriptions, payment for use, etc.).

Caverin (Spain): specialised in B2B audiovisual products and services with significant expertise in consulting and services.

Cineolia (France): Digital specialist for patient services, Cineolia joined the Econocom Galaxy in 2016. Cineolia specialises in the implementation of public service delegations (Délégation de Services Publics, DSP). Thanks to its innovative approach to hospital services concessions (well-being, entertainment, communication, relaxation areas, etc.), the company aims to respond to the needs of all, with a service-and customer-oriented model. It provides various digital services to hospital patients through multimedia equipment (connected televisions, telephones, tablets, etc.). Free or paid entertainment programs and specific content are included in this offering, which also allows hospitals to direct targeted services and messages to patients. Cineolia's ambition is to become the leading digital solutions provider in France for customers reception in public places (hospitals, museums, etc.). Objective: offer users a high quality, easy-to-use and innovative experience through digital technologies.

Energy Net (Germany): Econocom strengthened its presence in Germany with the acquisition of Energy Net in 2017. This Satellite, specialised in the B2B distribution and integration of Apple products, allows Econocom to strengthen its historic partnership with Apple[1]. Econocom intends to strengthen its European partnership with the brand. Energy Net enables Econocom to develop innovative solutions combining hardware, applications and services, charged as a fee.

3.4.7. CONSULTING

3.4.7.1. Econocom is strengthening its consulting offer with Helis and Fifty Eight

Helis (France) is a specialised consulting firm specialising in mission critical infrastructure consulting and engineering. With a team of over 60 consultants on assignment, Helis experts assist companies in their respective fields, in areas as specialised as IP and network infrastructure, GDPR compliance and Big Data and CSR, providing a bespoke solution to their transformation projects.

(1) Econocom is Apple's first B2B partner. The partnership has been in place for thirty years.

Fifty Eight (France) is a consulting company project, founded at the end of the year (December 2018). Its purpose is to support large companies in the transformation of their organisations and businesses, by using digital innovation solutions (see box).

Fifty Eight, the emblem of Econocom's "userisation"

For Econocom, "userisation" means putting customer uses and experience back at the heart of digital transformation decisions. It is also the purpose behind the Fifty Eight "Satellite", created at end 2018 by the Group.

From organisational or cultural analysis, through the implementation of new processes and new digital solutions, to supporting change over time, Fifty Eight also wants to engage with its customers to reduce "digital waste", or the multiplication of expensive and unused solutions.

Fifty Eight, through its people-centered approach, serves as a bridge between the different cutting-edge technological skill sets within the Econocom Galaxy. The Group's experience in pay-as-you-go models complements this panoply of 360° players in digital transformation.

3.5. Combination of Planet and Satellite know-how

The combination of the know-how of the entities of the Planet (the Group's three historical activities) and the Satellites makes it possible to create these transversal "end-to-end" offers (consulting, design, sourcing, construction, financial approach, security, operation).

These new "one stop shop" offers have no equivalent on the market. They allow companies to simplify and manage the entire life cycle of their resources. All of this through the placing of the user at the heart of the digital transformation.

3.5.1. HORIZONTAL TRANSVERSAL OFFERS

3.5.1.1. Econocom Mobility Offer

Corporate mobility is an essential part of the digital transformation of companies. Large or small, regardless of their sector of activity, all companies must invest in mobility, but not all have reached the same level of maturity.

Having all the expertise needed to respond to this market, Econocom has chosen to structure them within a transversal offer in France. Econocom Mobility is the result of the merger of the Econocom Group with DMS and Rayonnance, two Satellites operating on the French mobility market.

The offer covers the needs of companies in the field of digital mobility, and meets the expectations of CIOs as well as Business Departments and employees. Through the Group's Technology Management & Financing (TMF) activities, Econocom Mobility adapts to consumer uses with its "Mobility as a service" offer.

To simplify the management of the mobility program, Econocom has developed a **platform** bringing together processes, users and data (interconnection with the customer ecosystem).

- **Terminals & Connectivity:**
  - the distribution of consumer-grade or rugged terminals, traceability solutions and mobile payments,
  - services to ensure complete lifecycle management (fleet deployment, maintenance and recycling, fleet and subscription management, optimisation of telecommunications expenditures),

    - a data connectivity offer to guarantee the best market all over Europe.
- **Security:**
    - strategy consulting and integration and management services in EMM solutions and mobile threat detection,
    - partnerships with market leaders and an internally developed solution (*Harmonie*),
    - an innovative solution to simplify the life of users during an EMM migration (Wave);
- **Applications:**
    - tailor-made development of business applications with real expertise *in retail, field* forces, transport-logistics, construction and health,
    - packaged applications to meet standard needs and a *development* and integration platform to simplify mobile application creation and management (App Factory);
- **Employee Experience:** services associating human assistance (specialised helpdesks, local support, on-site training) and selfcare (mobile support application, connected drop-off points) to ensure autonomy and user satisfaction.

3.5.1.2. EconoCloud offer

EconoCloud is another vision of Cloud and IT outsourcing.

Launched last July **to allow companies to manage all their Cloud resources *via* a single console**, EconoCloud is:

- **an ultra-secure sovereign Cloud service hosted in France**: this service allows the outsourcing of IT production in an ultra-secure zone and in compliance with the totality of French and European laws, in order to protect the intellectual and industrial property of companies with sensitive or confidential data;
- **a next generation *Cloud Management Platform***, which allows hybridization and multi-Cloud solutions: it allows the administration and centralised management of all IT resources through a single unified portal, integrating cost management, compliance and optimisation. Consolidated reporting of all resources allows monitoring and financial optimisation.

3.5.1.3. MarS (*Master all Resources)* offer

Users are the top players. They vote with their mouse clicks, testing, comparing and evaluating in a few seconds the relevance of what is proposed to them. They adopt the resources proposed by a company or choose to use others. Regardless of the strategy and the means employed, it is they who decide whether a solution is appropriate or not.

This result in significant additional costs for companies and difficulties in deploying projects as planned. The lack of capacity to measure actual uses, silo data management and difficulties in calculating TCO (Total Cost of Ownership) and ROI are also factors that explain the additional costs.

Today's decision-makers are looking for a simple solution to understand the real uses of employees from the data available throughout the life of digital resources (assets, applications and connected devices) and to have the necessary indicators for managing resources. This is the ambition of the MarS solution (see details in box).

MarS: understanding real uses and succeeding in the transformation

On one hand, licences that are expensive and for which 25%[(1)] of the cost is considered unused by the employee. On the other, there are poorly controlled IS investments whose ROI is not known[(2)]. **This means that the digital transformation could be much more efficient with precise indicators on uses!** Based on this observation, Econocom has created the MarS (Master all Resources) offer, a cockpit for decision-makers, providing a set of smart indicators taken from workstation data.

MarS can produce indicators to improve the performance of digital transformations in three specific areas:

- **financial performance:** how to spend less thanks, for example, to an anti-digital waste algorithm to identify all assets and applications not used by the company;
- **operational performance**: how to increase user satisfaction with, for example, a satisfaction indicator that makes it possible to capture user satisfaction;
- **technological performance**: how to improve uses from typical employee profiles defined through their digital uses.

3.5.2. VERTICAL TRANSVERSAL OFFER

3.5.2.1. Econocom Retail

With the proliferation of technological innovations, "smart phygital" is becoming the new norm. While many thought that e-commerce would render physical stores obsolete, 360 degree retail is emerging between the on- and off-line worlds.

Econocom Retail's ambition? To help retailers meet new challenges in their industry by offering their customers an experiential, connected and omnichannel retail solution to improve the customer experience. With solutions supporting the entire customer journey, from digital solutions for attracting customers to the store, and then ensuring their loyalty after they leave, including innovative solutions within the store itself, Econocom Retail aims to bring the future of customer experience to end-customers today.

Econocom Retail is:

- **end-to-end connected solutions** to provide customers with a unique, innovative and consistent customer experience;
- **custom-designed software and solutions;**
- **360 degree collaboration:** conception, support and financing
- **a showroom and a labcenter:** an invitation to live the new retail experience with Econocom Retail.

(1) Source: https://iaitam.org/wp-content/uploads/2015/12/The-Real-Cost-of-Unused-Software.pdf
(2) 85% of companies do not know how to calculate the ROI of their digital initiatives and the IS projects have an average overhead of 45% (studies undertaken by Econocom, McKinsey, 1E or Atos).

4. Financial position and results

4.1. Highlights of the past three years

2018 was notable for:

- revenue of €2,846 million, up 8%, 2.7% of which on a like-for-like basis. This revenue figure reflects the first application of IFRS 15;
- Recurring Operating Profit[1] stands at €114.6 million;
- in March 2018, the issue of an OCEANE bond maturing in 2023 for a nominal amount of €200 million. This convertible bond aims to support the Group's investments in its new strategic plan;
- the continuation of Econocom's investment strategy, initiated in 2014, through the acquisition of majority shareholdings in new subsidiaries (see below) while multiplying innovative initiatives on the Planet. These transactions were intended to strengthen the Group's know-how in the most buoyant market segments and to roll out its original model in the leading European countries;
- the return in October of Jean-Louis Bouchard, founder of the Group and Chairman of the Board of Directors, to the position of CEO;
- the continuation of the Group's cash management efforts, which significantly reduced the Group's working capital requirements and lowered net book debt.

2017 was notable for:

- the achievement of the objectives of the five-year Mutation strategic plan launched in 2013, with a two-fold increase in revenue (before the application of IFRS 15) and recurring operating profit[1] to €3 billion and €154.4 million respectively;
- the improvement in these indicators confirms the pertinence of the Group's model and investments, which bring together within its Galaxy a Planet comprising wholly owned entities alongside Satellites, small- and medium-sized companies that are highly effective in their area of expertise and in which founding entrepreneurs retain stakes. The stability and size of the Planet, which bolster the Group's credibility in relation to third parties, combined with the agility and innovation of the Satellites, help the Group conquer new markets;
- the Board of Directors appointed Robert Bouchard as Chief Executive Officer and Group Chief Operating Officer, cementing the long-term commitment of the Bouchard family;
- April 2017 saw the early conversion of the Company's January 2014 ORNANE bonds due in 2019, boosting equity by €183 million;
- the two-for-one split of *Econocom Group* shares;
- lastly, the unveiling in October of a new five-year strategic plan. The "e for excellence" plan aims once again to double recurring[2] operating profit to €300 million on target revenue of €4 billion by 2022.

2016 was notable for:

- the achievement of the objectives announced by the Group, with revenue of over €2.53 billion and recurring operating profit of €140.3 million;

(1) Before amortisation of intangible assets from acquisitions.
(2) Before amortisation of intangible assets from acquisitions.

- the continuation of Econocom's investment strategy, initiated in 2014, by the acquisition of majority shareholdings in new Satellites while multiplying innovative initiatives on the Planet. The aim of this strategy is to develop the Group's original model in its strategic Western European countries, to attract talented digital entrepreneurs and to develop its skills to offer digital solutions matching the needs of its customers more closely than ever;
- a policy of optimising financial resources, taking advantage of favourable market conditions to successfully issue a "Schuldschein" loan (private placement under German law) in a total amount of €150 million at the end of November 2016.

4.2. Consolidated data for the year: comparison between 2018, 2017 and 2016

4.2.1. KEY FIGURES

in € millions	2018	2017 adjusted	2016(1)
Revenue from continuing operations	2,845.9	2,634.3	2,536.2
Recurring operating profit (before amortisation of intangible assets from acquisitions)	114.6	154.4	140.3
Recurring operating profit	110.4	150.2	136.1
Operating profit	81.8	131.1	123.8
Shareholders' equity (including non-controlling interests)	491.3	480.0	279,0
Net debt	**(251.7)**	**(278.6)**	**(185.2)**

4.2.2. REVENUE

in € millions	2018	2017 adjusted	2016(1)
Technology Management & Financing	1,356	1,379	1,259
Services	1,042	902	802
Products & Solutions	448	353	475
Total revenue	**2,846**	**2,634**	**2,536**

(1) IFRS 15 not restated.

In 2018, Econocom Group posted consolidated full-year revenue of €2,846 million compared with €2,634 million in 2016, an increase of 8.0%, 2.7% of which was organic growth. This performance was driven by the robust growth of all business lines, as well as the lively business trend of the Satellites, which contributed €493.7 million to consolidated revenue in 2018.

Between 2016 and 2018, revenue grew by 12.2%. This performance was driven by the Group's external growth policy, its positioning in the fast-growing digital transformation market and commercial synergies between its three complementary business lines.

Technology Management & Financing

At 31 December 2018, Technology Management & Financing recorded revenue of €1,356 million compared with €1,379 million in 2017, a purely organic decrease of 1.6%. This decline is related to the lower contribution of structured financing and the in-house funding division.

Revenue for this segment increased by 9.5% in 2017, mainly owing to organic growth, recording an increase of 9.6% on 2016.

Services

Services posted revenue of €1,042 million in 2018, compared with €902 million in 2017, an increase of 15.5%, with organic growth of 5.4%. Planet business levels continued their upward trajectory in line with the market, owing in particular to the ramp up of large outsourcing contracts. Business growth was above all else driven by the strong performance of the Satellites and their high value-added positioning in the key digital and integration services segments.

In 2017, Services had achieved revenue of €902 million, *i.e.* an increase of 12.5%. Planet and Satellite business growth continued.

Services posted a revenue increase of 9.9% in 2016, with organic growth of 2.7%. Business benefited from the strong performance of the Satellites and their high value-added positioning in the digital transformation market.

Products & Solutions

Products & Solutions posted revenue of €448 million in 2018, reflecting a strong growth rate of 26.7%, with organic growth of 9.4%.

The business reported excellent sales momentum with mixed growth, driven in particular by major multi-year contracts in public services in France. The increase in revenue was also driven by all countries.

In 2017, Products & Solutions reported revenue of €353 million, much of this growth was achieved in France, Belgium and the Netherlands following the acquisition of the BIS group at the beginning of the year.

Products & Solutions reported revenue of €475 million in 2016 compared with €437 million in 2015. The trend was driven notably by France, but also by Spain, where the Caverin Satellite acquired at the beginning of the year saw strong growth on the back of synergies between the Group's three businesses, now all represented in that country.

4.2.3. RECURRING OPERATING PROFIT

in € millions	2018	2017 adjusted	2016
Technology Management & Financing	53.3	92.4	80.2
Services	40.3	43.4	46.4
Products & Solutions	21.0	18.6	13.7
Total recurring operating profit*	**114.6**	**154.4**	**140.3**

* Before amortisation of intangible assets from acquisitions.

The Group's recurring operating profit before amortisation of intangible assets from acquisitions is €114.6 million, *i.e.* 4.0% of revenue. The change over 2017 can be explained mainly by the drop in operating profit of the Technology Management & Financing business line.

In 2017, recurring operating profit for the Group increased by 10.1% to €154.4 million. Growth was driven by the Technology Management & Financing and the Products and Solutions business lines. For the Group as a whole, profitability was 5.2%.

In 2016, the Group had already benefited from double-digit growth (19.2%) of its recurring operating profit owing to robust sales, the success of its multi-business line offerings, and the benefit of the synergies arising from the acquisition of Osiatis and the productivity plans implemented in all of the Group's businesses.

4.2.4. OPERATING PROFIT

The Group's operating profit was €81.8 million, compared with €131.1 million in the previous year, an decrease of 37.6%. Non-recurring expenses amounted to €28.6 million, an increase of €9.5 million compared with 2017, and adjusted to take account of restructuring measures.

Non-recurring expenses amounted to €19.9 million in 2017 following adjustments to the accounting methods used for changes in the fair value of put options in debt instruments now recorded as equity.

In 2016, non-recurring expenses amounted to €12.3 million after adjusting the change in accounting method for changes in the fair value of put liabilities, now entered as shareholders' equity.

In 2015, non-recurring expenses were limited compared with 2014, when the integration of Osiatis was finalised (€5.2 million, versus €24.9 million in 2014).

4.2.5. FINANCIAL POSITION

The Group boasted a sound financial position at 31 December 2018, with net cash at bank of €317.70 million and net debt under control at €251.7 million, less than 1.6x its 2018 EBITDA.

At 31 December 2017, net debt stood at €278.6 million, less than 1.5x Group EBITDA in 2017.

At 31 December 2016, net debt stood at €185.2 million, less than 1.3x Group EBITDA in 2016.

4.3. Equity restrictions

In May 2015, the Group issued a Euro Private Placement (Euro PP) bond and a Schuldschein loan in November 2016.

The Group is subject to one single covenant in relation to these bond issues. It is calculated as of 31 December of each year, and corresponds to the ratio of net debt to proforma EBITDA. And it may not exceed 3x over two consecutive years. A breach would not result in early redemption, but it would force the Group to pay a higher interest rate until the ratio is brought back within the relevant bounds.

Other lines of credit do not contain covenants in respect of maximum debt, financial ratios or credit ratings that, if breached, would trigger immediate repayment.

Econocom is not subject to any legal or economic restrictions liable to limit or significantly restrict cash flows within the Group in the foreseeable future.

5. Share performance and Shareholders

5.1. Econocom Group SE share performance

The data that follows have been adjusted to take account of the two-for-one split of Econocom Group shares on 2 June 2017.

	Price *(in €)*				**Volume**	
2016	**Highest** *(in €)*	**Lowest** *(in €)*	**Last** *(in €)*	**Average price** *(in €)*	**Number of shares traded**	**Value** *(in € thousands)*
January	4.42	3.80	4.31	4.15	3,205,310	13,313
February	4.49	3.69	3.84	4.05	3,322,588	13,458
March	4.55	3.87	4.55	4.29	3,251,146	13,933
April	4.86	4.50	4.71	4.68	4,309,060	20,255
May	5.40	4.70	5.36	4.98	3,937,102	20,675
June	5.50	4.53	5.16	5.20	6,675,862	35,861
July	6.13	5.11	5.86	5.57	4,763,886	26,982
August	5.95	5.36	5.69	5.81	2,686,460	15,729
September	6.74	5.61	6.69	6.29	5,135,074	32,960
October	7.08	6.42	6.78	6.78	5,827,716	39,754
November	7.17	6.35	6.74	6.81	6,022,760	41,012
December	7.02	6.55	6.97	6.77	5,061,738	34,285
Total 2016	**7.17**	**3.69**	**6.97**	**5.69**	**54,198,702**	**308,217**

2017	Price (in €)				Volume	
	Highest (in €)	Lowest (in €)	Last (in €)	Average price (in €)	Number of shares traded	Value (in € thousands)
January	7.25	6.78	6.99	7.07	12,715,426	89,993
February	7.20	6.80	7.06	7.03	7,578,192	53,341
March	7.40	6.60	6.94	7.02	10,939,812	76,826
April	7.62	6.77	7.38	7.09	8,476,814	60,954
May	7.82	7.18	7.82	7.44	9,379,917	69,656
June	8.00	7.06	7.32	7.40	7,696,144	57,152
July	7.69	6.40	6.46	7.33	8,992,524	64,336
August	6.60	5.98	6.17	6.30	9,481,797	60,144
September	6.48	6.06	6.46	6.31	8,068,838	50,864
October	6.85	6.30	6.61	6.60	7,039,646	46,506
November	6.69	5.94	5.99	6.29	5,615,011	35,011
December	6.20	5.75	5.96	5.98	5,869,330	35,090
Total 2017	**8.00**	**5.75**	**5.96**	**6.82**	**101,853,451**	**699,874**

2018	Price (in €)				Volume	
	Highest (in €)	Lowest (in €)	Last (in €)	Average price (in €)	Number of shares traded	Value (in € thousands)
January	7.30	5.92	6.72	6.50	8,023,061	52,141
February	7.07	6.36	6.66	6.68	7,786,606	52,032
March	6.62	5.78	5.95	6.14	12,527,051	76,882
April	6.03	5.14	5.35	5.51	11,874,357	65,486
May	5.49	5.20	5.29	5.35	9,719,694	51,999
June	5.71	4.71	4.72	5.29	8,994,421	47,575
July	4.68	2.52	3.02	2.94	65,405,115	192,218
August	3.18	2.84	3.05	2.97	24,411,283	72,530
September	3.12	2.28	2.80	2.71	26,733,717	72,383
October	2.89	2.35	2.76	2.63	16,259,853	42,768
November	3.25	2.67	3.22	2.94	13,105,122	38,487
December	3.27	2.69	2.91	2.92	8,423,123	24,613
Total 2018	**7.30**	**2.28**	**2.91**	**3.70**	**213,263,403**	**789,114**

5.2. Name, registered office and legal form

Company name: Econocom Group SE.

Registered office: Place du Champ de Mars 5, 1050 Brussels (Tel. +32 32 2 790 81 11).

Legal form, incorporation, published documents:

Econocom was incorporated as a joint-stock company (*société anonyme*) under Belgian law on 2 April 1982, under a deed held by Jacques Possoz, notary, and published in the Belgian Official Gazette

(*Moniteur belge*) of 22 April 1982 (No. 820-11). It was transformed into a European company (*societas europaea*) by decision of the General Meeting of Shareholders of 18 December 2015 under a deed of the same date held by Tim Carnewal, notary, published in the Belgian Official Gazette of 31 December 2015.

Econocom is a European Company (*societas europaea*) governed by the provisions of Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European Company (the "SE Regulation") and Directive No. 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees and the provisions of Belgian law in respect of European Companies, as well as, for all other matters not yet covered or only partially covered by the SE Regulation, Belgian law applicable to public limited companies insofar as they are not contrary to specific provisions applicable to European Companies. Econocom is a company that publicly raises, or has publicly raised, capital within the meaning of article 438 of the Belgian Companies Code (*Code des sociétés*).

It is registered with the Brussels register of companies of under number 0422.646.816.

Term: indefinite.

Financial year: 1 January to 31 December.

5.3. Corporate Purpose (article 3 of the Bylaws)

The Company's purpose is, in all countries:

- the design, construction, operational and administrative management, and financing of computer, digital and technological, information and data processing, and telecommunication systems and solutions, or such systems and solutions as they relate to the Internet of Things (IoT);
- the purchase, sale, leasing and trading of all types of hardware, software and computer, technological, digital or telecommunications solutions, for businesses and individuals alike, and more broadly any accessory connected with such solutions, as well as any advice, services and related financial transactions.

To this end, the Company may acquire, manage, operate and sell patents, trademarks, and technical, industrial and financial knowledge.

It may establish branch offices or subsidiaries in all countries.

It may acquire interests in any companies with similar or complementary activities in any country by means of asset transfers, acquisitions, partial or total mergers, subscriptions to initial capital or capital increases, financial investments, disposals, loans or any other means.

It may perform, in all countries, all industrial, commercial, financial, securities and property transactions related in whole or in part, directly or indirectly, to one or other branch of its purpose, or one that is liable to expand its purpose or facilitate its achievement.

It may provide guarantees or grant real or other personal guarantees in favour of companies or individuals, in the broadest sense.

It may conduct its activities in its own name or on behalf of third parties, for its own account or for the account of others.

5.4. Share capital

5.4.1. SHARE CAPITAL (ARTICLE 5 OF THE BYLAWS)

At 31 December 2017, the Company's share capital stood at €23,489,757.67 and was composed of 245,140,430 ordinary shares with no stated par value, held in registered, or dematerialised form. The capital is fully paid-up.

5.4.2. CHANGES IN SHARE CAPITAL BY THE GENERAL MEETING (ARTICLE 6 OF THE BYLAWS)

The share capital may be increased or reduced by a decision of the General Meeting in accordance with the conditions required for amending the Bylaws.

For capital increases approved by the General Meeting, the price and conditions for issuing new shares are set at the same meeting based on recommendations from the Board of Directors.

Existing Shareholders have a pre-emptive right to subscribe for the new shares in cash, in proportion to the number of shares they hold, within a time limit set at the General Meeting and in accordance with conditions determined by the Board of Directors.

Shares with no stated par value below the carrying amount of the par value of existing shares may only be issued in compliance with legal requirements.

Pre-emptive rights may, however, in the Company's best interests, be limited or cancelled by decision of the General Meeting ruling in accordance with the conditions required for amending the Bylaws or by the Board of Directors, within the authorised capital, in favour of one or more designated persons who are not employees of the Company or its subsidiaries, all in accordance with legal provisions.

The Board of Directors may sign agreements, containing the clauses and conditions it deems appropriate, with any third party in order to ensure that all or part of the shares to be issued are subscribed.

The share capital may be redeemed without being reduced by repaying a portion of the distributable profits to securities representing this share capital, in accordance with the law.

5.4.3. CHANGES IN CAPITAL

At 31 December 2017, the Company's share capital stood at €23,489,757.67 and was composed of 245,140,430 ordinary shares with no stated par value, held in registered, or dematerialised form. The capital is fully paid-up.

At 31 December 2017, authorised unissued capital (excluding additional paid-in capital) stood at €19,052,787.28.

The changes in share capital over the last three financial years are described below.

No changes were made to the share capital in 2016 and 2018.

The following changes to the share capital occurred in 2017:

- following the issue in 2014 of ORNANE bonds convertible into cash and/or new shares and/or exchangeable for existing shares for a total of €175 million, Econocom Group bought back 39.12% of the bonds issued, while the remaining 60.88% was converted in 2017, resulting in the issue of 10,050,928 Econocom Group shares through seven capital increases conducted on 17 February 2017, 3 March 2017, 16 March 2017, 21 March 2017, 24 March 2017, 31 March 2017 and 6 April 2017 (see details below) respectively, at the end of which Econocom Group share capital represented €23,489,757.67, equivalent to 122,570,215 shares;
- following a decision by the Extraordinary General Meeting on 16 May 2017, Econocom Group proceeded with a two-for-one share split, bringing its number of shares to 245,140,430 shares with a share capital of €23,489,757.67.

The number of Econocom Group shares and voting rights (denominator) both stood at 245,140,430 at 31 December 2018.

Changes in the Company's share capital and number of shares since 1 January 2008 are summarised in the table below:

Transaction date	Type of issue	Change in the number of shares	Change in capital *(in €)*	Issue premiums *(in €)*	Total amount of the transaction *(in €)*	Number of shares	Paid-in capital *(in €)*
1 Jan. 2008						25,800,000	16,180,922.08
22 Dec. 2008	Cancellation of treasury shares	(1,000,000)	-	-	-	24,800,000	16,180,922.08
28 Oct. 2010	Capital increase as payment for an acquisition	1,372,897	895,755.62	14,206,111.38	15,101,867.00	26,172,897	17,076,677.70
14 Sept. 2012	Cancellation of treasury shares	(2,000,000)	-	-	-	24,172,897	17,076,677.70
14 Sept. 2012	Four-for-one share split	72,518,691	-	-	-	96,691,588	17,076,677.70
12 Sept. 2013	Capital increase as payment for an acquisition	9,527,460	1,682,642.38	50,734,212.37	52,416,854.75	106,219,048	18,759,320.08
18 Nov. 2013	Capital increase as payment for a tender offer	6,313,158	1,114,965.29	36,763,982.71	37,878,948.00	112,532,206	19,874,285.37
31 Dec. 2013	Cancellation of treasury shares	(6,014,892)	-	-	-	106,517,314	19,874,285.37
24 Jan. 2014	Capital increase through convertible bonds (OCEANE)	20,000	3,732.00	101,268.00	105,000.00	106,537,314	19,878,017.37
25 Feb. 2014	Capital increase through convertible bonds (OCEANE)	266,028	49,640.82	1,347,006.18	1,396,647.00	106,803,342	19,927,658.19
26 March 2014	Capital increase through convertible bonds (OCEANE)	210,592	39,296.47	1,066,311.53	1,105,608.00	107,013,934	19,966,954.66
28 May 2014	Capital increase through convertible bonds (OCEANE)	708,428	132,192.66	3,587,054.34	3,719,247.00	107,722,362	20,099,147.32
18 June 2014	Capital increase through convertible bonds (OCEANE)	7,850,228	1,464,852.54	39,748,844.46	41,213,697.00	115,572,590	21,563,999.86
29 Dec. 2014	Cancellation of treasury shares	(3,053,303)	-	-	-	112,519,287	21,563,999.86
17 Feb. 2017	Capital increase through convertible bonds (ORNANE)	400,000	76,640.00	4,299,240.00	4,375,880.00	112,919,287	21,640,639.86

Transaction date	Type of issue	Change in the number of shares	*Change* in capital *(in €)*	Issue premiums *(in €)*	*Total* amount of the transaction *(in €)*	Number of shares	*Paid*-in capital *(in €)*
03 March 2017	Capital increase through convertible bonds (ORNANE)	1,198,194	229,573.97	12,883,101.71	13,112,675.68	114,117,481	21,870,213.83
16 March 2017	Capital increase through convertible bonds (ORNANE)	800,000	153,280.00	8,603,440.00	8,756,720.00	114,917,481	22,023,493.83
21 March 2017	Capital increase through convertible bonds (ORNANE)	1,144,500	219,286.20	12,311,386.50	12,530,672.70	116,061,981	22,242,780.03
24 March 2017	Capital increase through convertible bonds (ORNANE)	657,418	125,961.29	7,072,897.29	7,198,858.58	116,719,399	22,368,741.32
31 March 2017	Capital increase through convertible bonds (ORNANE)	1,961,518	375,826.85	21,106,537.80	21,482,364.65	118,680,917	22,744,568.17
06 April 2017	Capital increase through convertible bonds (ORNANE)	3,889,298	189.50	41,855,117.90	42,600,307.40	122,570,215	23,489,757.66
02 June 2017	Two-for-one share split	122,570,215	-	-	-	245,140,430	23,489,757.66

The Extraordinary General Meeting of 20 May 2014 renewed for five years from the decision of the General Meeting the authorisation granted to the Board of Directors to buy back treasury shares in the proportion of up to 20% of share capital, in accordance with article 620 of the Belgian Companies Code. The minimum purchase price was set at €4 per share and the maximum price at €20 per share (now a minimum of €2 and a maximum of €10 after taking account of the Econocom Group two-for-one share split on 2 June 2017).

The Extraordinary General Meeting of 20 May 2014 authorised the Board of Directors for five years from the decision of the General Meeting to buy back treasury shares pursuant to article 630 of the Belgian Companies Code, in the proportion of up to 20% of share capital, in accordance with article 620 of the Belgian Companies Code.

The Extraordinary General Meeting of 19 May 2015 renewed for five years from the publication of the amended Bylaws, *i.e.*, 9 June 2015, the authorisation granted to the Board of Directors to increase the share capital, in accordance with articles 603 and 604 of the Belgian Companies Code, on one or several occasions, under conditions it deems fit, in the maximum amount of €21,563,999.86.

The Extraordinary General Meeting of 19 May 2015 renewed for three years from the publication of the amended Bylaws, *i.e.*, 9 June 2015, the authorisation granted to the Board of Directors to purchase Econocom Group shares without the prior approval of Shareholders if the Company faces a serious and imminent threat.

The Extraordinary General Meeting of 17 May 2016 granted the Board of Directors a three-year authorisation from the decision of the General Meeting to increase the share capital in the event of a public offer for the Company's shares, in accordance with article 607 of the Belgian Companies Code. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital, as decided by the Extraordinary General Meeting of 19 May 2015 outlined above.

At 31 December 2018, Econocom Group held 13,854,631 treasury shares as part of the share buyback programme, and 124,000 Econocom Group shares as part of the liquidity agreement with Exane, representing a total of 13,978,631 Econocom Group shares or 5.70% of the total number of shares outstanding.

5.5. Rights attached to shares

5.5.1. PARTICIPATION IN GENERAL MEETINGS AND VOTING RIGHTS

5.5.1.1. Participation in General Meetings

5.5.1.1.1. Right to participate in General Meetings

All Shareholders are entitled to attend Econocom Group's General Meetings, regardless of the number of shares they hold, provided that they meet the admission requirements set out in the "General Meetings" section of this chapter.

Holders of bonds, subscription rights and certificates issued in connection with the Company may attend the General Meeting in a non-voting capacity only, provided that they meet the admission requirements applicable to Shareholders.

5.5.1.1.2. Right to call General Meetings

Shareholders who, alone or jointly, hold at least 10% of Econocom's share capital are entitled to ask the Board of Directors or Statutory Auditor to call a General Meeting.

5.5.1.1.3. Right to add matters to the agenda and to table draft resolutions

Shareholders who, alone or jointly, hold at least 3% of Econocom Group's share capital may ask for items to be added to the agenda of General Meetings and file resolution proposals concerning agenda items.

This right does not apply to Meetings called following a first Meeting that could not validly make decisions due to a failure to meet quorum requirements.

Shareholders wishing to exercise this right must:

(i) prove that they effectively hold at least 3% of Econocom Group's share capital on the date of filing of their request; and

(ii) ensure that their shares representing at least 3% of the share capital are duly registered at the record date.

Ownership is established either by a certificate stating that the corresponding shares are recorded in the Company's share register or by a certificate issued by an authorised account holder or clearing institution certifying that the corresponding number of shares is registered in the account held by the account holder or clearing agent.

Shareholders may send their requests to the Company by post or email. Where appropriate, these requests must also include the items to be added to the agenda together with the related resolution proposals and/or the text of the newly proposed resolutions concerning items already on the agenda. Requests must also indicate the postal or email address to which Econocom should send confirmation of receipt. Requests must reach the Company no later than the 22nd day preceding the date of the relevant General Meeting.

Econocom will confirm receipt of any requests within 48 hours, and will publish a revised agenda no later than 15 days before the General Meeting. Proxy forms and postal voting forms are also published on the Company's website (www.econocom.com). However, all proxies and postal voting forms previously submitted to Econocom remain valid for the agenda items they cover. The proxy holder may deviate from the voting instructions given by the Shareholder for items on the agenda for which alternative resolution proposals have been made if the execution of these instructions is liable to compromise the interests of the Shareholder he/she represents. The proxy holder must in any event inform the Shareholder of any such votes. The proxy must also indicate whether the proxy holder is entitled to vote on new items added to the agenda by Shareholders or whether he/she should abstain.

5.5.1.1.4. Right to ask questions

After the Notice of Meeting has been published, all Shareholders are entitled to put questions to Econocom's Directors or Statutory Auditor concerning their reports. After the Notice of Meeting has been published, all Shareholders are also entitled to put questions to Econocom's Directors regarding items on the agenda of the General Meeting. The Directors and Statutory Auditor are required to answer these questions, provided they do not harm the Company's commercial interests or any confidentiality undertakings made by the Company, its Directors or its Statutory Auditor. Questions relating to the same subject may be grouped and answered together.

Questions may be submitted before the General Meeting (by post or by electronic means, to the address shown in the Notice of Meeting) or during the Meeting (verbally). Questions submitted by post or by electronic means must reach Econocom Group no later than the sixth calendar day before the Meeting. They will only be answered if the Shareholder meets the admission requirements for the relevant General Meeting.

5.5.1.1.5. Other rights to information

All Econocom Group Shareholders have specific rights to information under the Belgian Companies Code.

Most rights to information concern General Meetings. They include the right to consult, or obtain, free of charge, a copy of (i) the text of the Notices of Meeting and, where applicable, the revised agenda, (ii) the total number of shares and voting rights, (iii) the documents that will be submitted to the General Meeting (annual financial statements, reports and other documents as described in article 553 of the Belgian Companies Code), (iv) a resolution proposal or, where the agenda item does not require any resolution to be adopted, the Board's comments thereon, (v) where appropriate, the resolution proposals filed by Shareholders, as soon as practicable after the Company receives them and (vi) proxy and postal voting forms. These documents/items may be consulted on Econocom's website (www.econocom.com) and during normal office hours on working days at Econocom Group's registered office located at Place du Champ de Mars 5, 1050 Brussels, from the date of publication of the Notice of Meeting. Holders of registered shares will receive a copy of these documents together with the Notice of Meeting.

5.5.1.2. Right to vote at General Meetings

5.5.1.2.1. Principle

Each share entitles its holder to one vote, subject to any restrictions provided by law.

As a general rule, the Annual General Meeting alone is responsible for:

- approving the annual statutory financial statements (no such approval is required for the consolidated financial statements prepared in accordance with IFRS);
- appointing and removing Directors and the Statutory Auditor;
- granting discharge to the Directors and Statutory Auditor;
- setting the amount of compensation for the Directors and Statutory Auditor for the performance of their duties;
- distributing profits;
- filing claims against Directors;
- authorising certain actions by the Board of Directors;
- approving the compensation report;
- authorising the acquisition of treasury shares;
- taking decisions that involve the liquidation, merger or restructuring of the Company; and
- approving any amendments to the Bylaws.

Shareholders' meetings cannot vote on items that are not on the agenda.

5.5.1.2.2. Quorum and voting requirements

Except as provided by law, decisions are taken by a majority vote regardless of the number of shares represented at the Meeting.

General Meetings can only validly deliberate and decide to amend the Bylaws if those attending the meeting represent at least one-half of the share capital. To be adopted, resolutions must be approved by a majority of three-quarters of votes cast.

If the amendments to the Bylaws concern the Company's corporate purpose, the General Meeting can only validly deliberate and decide on said amendments if those in attendance represent one-half of the share capital and one-half of any profit shares if any. To be adopted, amendments must be approved by a majority of at least four-fifths of votes cast. The quorum and voting requirements also apply when the General Meeting votes to authorise the acquisition or disposal of treasury shares, or to authorise such an acquisition without the authorisation of the General Meeting to protect the Company from serious and imminent harm.

An attendance list indicating the names of Shareholders and the number of shares registered for voting purposes is signed by each Shareholder or by their proxy prior to entering the meeting.

5.5.1.2.3. Proxy voting

All Shareholders can choose to be represented at a General Meeting by a proxy, who may or may not be a Shareholder of the Company, in accordance with articles 547 to 549 of the Belgian Companies Code.

The Board of Directors may decide on the form of proxy. Proxies must reach the Company no later than the sixth day preceding the date of the Meeting. All proxy voting forms that reach the Company before the revised agenda is published, pursuant *to article* 533 ter of the Belgian Companies Code, remain valid for the agenda items covered.

5.5.1.2.4. Distance voting

Shareholders who satisfy the attendance requirements specified below may vote at all General Meetings either by post or, where permitted in the Notice of Meeting, by electronic means. Shares will be taken into consideration for the purposes of voting and quorum requirements only if the form provided by the Company has been duly completed and reaches Econocom at the latest on the sixth day before the date of the General Meeting. If the Notice of Meeting allows Shareholders to opt for distance voting through electronic means, it must provide a description of the means used by the Company to identify Shareholders that choose to do so.

5.5.2. DISTRIBUTION OF PROFITS

All shares carry the same rights to participate in Econocom's profits.

The Company's profit for the year is calculated in accordance with applicable legal regulations. A total of 5% of profits is allocated to the legal reserve. This allocation is no longer required when the legal reserve equals 10% of the share capital.

Acting on a recommendation of the Board of Directors, the General Meeting independently determines how the residual profit balance will be used and allocated by simple majority vote of members present, within the limits set by articles 617 and 619 of the Belgian Companies Code. No profits are distributed when, at the end of the last reporting period, net assets as shown in the annual financial statements total less than paid-up capital or would total less than paid-up capital if profits were distributed or if net assets exceed called-up capital plus any reserves not available for distribution pursuant to the law or to the Company's Bylaws.

In accordance with the Belgian Companies Code, the Board of Directors may distribute an interim dividend deducted from profit for the year. The Board sets the amount of any such interim dividend and the dividend payment date.

5.5.3. LIQUIDATION

In the event that Econocom is dissolved for any reason and at any time, the liquidation process will be managed by one or more liquidators appointed by the General Meeting, or, if no such liquidators are appointed, by the Board of Directors in office at that time, acting as a liquidation committee.

For this purpose they will have the broadest powers conferred by articles 186 et seq. of the Belgian Companies Code. The General Meeting determines the fees payable to the liquidators. The liquidators can only assume their duties after their appointment by the General Meeting has been approved by the Commercial Court pursuant to article 184 of the Belgian Companies Code.

Once all liabilities, expenses and liquidation fees have been settled, the net assets will be used first to refund the outstanding paid-up share capital in cash or in securities.

If the shares are not all paid up in equal proportions, before making any allocations, the liquidators ensure that all shares are on a wholly equal footing, either by additional calls for funds charged against shares not fully paid up or by prior cash reimbursements for shares paid up in excess of the requisite amount.

The remaining balance is allocated equally among all shares.

5.5.4. PRE-EMPTIVE RIGHTS IN THE EVENT OF A CAPITAL INCREASE

In the event of a capital increase in cash involving the issuance of new shares, or if the Company were to issue convertible bonds or stock warrants exercisable in cash, existing Shareholders have, in principle, a pre-emptive right to subscribe for the new shares, convertible bonds or stock warrants in proportion to the percentage of share capital they already own at the issuance date.

The Company's General Meeting may, however, limit or cancel such pre-emptive rights under specific conditions upon presentation of a report of the Board of Directors. Any such decision is subject to the same quorum and voting requirements as a decision to increase the Company's share capital. Shareholders may also allow the Board of Directors to limit or cancel said pre-emptive rights in the event of a capital increase within the authorised capital limits.

5.5.5. CHANGES IN RIGHTS ATTACHED TO SHARES

Rights attached to shares issued by Econocom Group may be modified by the Extraordinary General Meeting, voting in accordance with the conditions required for amending the Bylaws. Any changes approved apply to all shareholders.

5.6. General Meetings

Ordinary General Meetings

The Ordinary General Meeting is held every year on the third Tuesday in May, at 11.00 am or on the first working day following this date if the Tuesday is a holiday. At Ordinary General Meetings, the Board of Directors submits to Shareholders the annual statutory financial statements prepared in accordance with applicable accounting standards, the annual consolidated financial statements prepared in accordance with IFRS, and the reports of the Board of Directors and Statutory Auditor on the statutory and consolidated financial statements. The Meeting decides whether to approve the statutory financial statements, the appropriation of income, the discharge of Directors and the Statutory Auditor and, where applicable, the appointment, removal or re-election of the Statutory Auditor and/or certain Directors.

Extraordinary General Meetings and Special Shareholders' Meetings

A Special Shareholders' Meeting, or, where appropriate, an Extraordinary General Meeting, may be called by the Board of Directors or by the Statutory Auditor as often as is required in the Company's interest. Any such Meeting must be called at the request of the Chairman of the Board of Directors, a Chief Executive Officer (*Administrateur Délégué*), a Statutory Auditor (*Commissaire*), or one or more Shareholders representing at least one-tenth of the Company's share capital (article 27 of the Bylaws).

Content of General Meeting convening notices

Annual General Meeting notices must contain at least the following information:

- the date, time and place of the General Meeting;
- the agenda, indicating the items to be discussed as well as resolution proposals;
- a clear and accurate description of the formalities to be completed by Shareholders in order to attend the General Meeting and exercise their voting rights, including the deadline by which Shareholders should indicate their intention to attend the Meeting:

- the right of Shareholders to add items to the agenda, file resolution proposals, and ask questions, as well as the period in which these rights may be exercised and the email address to which Shareholders should send their requests. Where applicable, the Notice of Meeting also indicates the deadline for publishing the revised agenda. The Notice may contain only the details of these periods and the email address to be used, provided that more detailed information on Shareholder rights is posted on the Company's website,
- the procedure to follow in order to vote by proxy, and in particular the proxy voting form, the conditions in which the Company will accept notifications of the appointment of proxies sent by electronic means, along with the timeframe within which the proxy voting rights may be exercised,
- where appropriate, the procedure and timeframe set by or pursuant to the Bylaws allowing Shareholders to participate in the General Meeting remotely and opt for distance voting prior to the Meeting (articles 28 and 34 of the Bylaws);

- the record date, along with a statement indicating that only people who are Shareholders at that date are entitled to attend and vote at the General Meeting;
- the address where Shareholders can obtain, for example, the full text of the documents and resolution proposals described, along with the procedure to follow in order to obtain such documents;
- the exact website address on which the information mentioned below will be available.

Availability of documents on Econocom's website

As from the date of publication of the Annual General Meeting convening notice and up to the date of the Meeting, the following information is posted for Shareholders on the Company's website **(www.econocom.com)**:

- the Notice of Meeting, along with the revised agenda reflecting items subsequently added thereto and the related resolution proposals where applicable, and/or the resolution proposals formulated within the timeframe given;
- the total number of shares and voting rights at the date of the Notice of Meeting, including separate totals for each class of shares, when the Company's share capital is divided into two or more share classes;
- the documents to be submitted to the General Meeting;
- for each item placed on the Meeting agenda, a resolution proposal or, when the matter to be discussed does not require any resolution to be adopted, the Board of Directors' comments thereon. The resolution proposals formulated by Shareholders pursuant to article 533 ter of the Belgian Companies Code are posted online as early as practicably possible after they have reached the Company;
- the proxy voting form and, where applicable, the postal voting form, unless these forms are sent directly to each Shareholder.

When the forms mentioned above cannot be posted online due to technical reasons, the Company must explain on its website how to obtain a hard copy of them. In this case, Econocom is required to send the forms promptly and free of charge to the postal or email address indicated by any Shareholder that so requests them.

The information mentioned in this section will be available on Econocom's website **(www.econocom.com)** for five years as from the date of the Annual General Meeting to which they relate.

Formalities and notice periods

Notification of all General Meetings must be made by announcements placed at least 30 days before said Meeting in:

- the Belgian Official Gazette;
- a newspaper with national circulation, unless the notice concerns an Ordinary General Meeting held in the place and at the time and date indicated in the Bylaws, and whose agenda is confined to the review of annual financial statements, the annual report, the Statutory Auditor's report and the vote to grant discharge to Directors and the Statutory Auditor;
- any media as may reasonably be relied on to efficiently disseminate information to the public throughout the European Economic Area and which is readily accessible in a non-discriminatory manner.

Holders of registered shares as mentioned in the Belgian Companies Code, along with Company Directors and the Statutory Auditor must be notified of Meetings 30 days before they are due to take place. This notification is sent by ordinary letter unless the recipients have individually and expressly agreed in writing to receive notification by another means, although no proof of compliance with this formality is required. Notices of Meetings are also available on Econocom's website **(www.econocom.com)**.

If another Meeting has to be called because a first meeting did not meet the quorum, and provided that the date of any second Meeting was indicated in the paragraph above in the first Notice of Meeting and that no items have since been added to the agenda, the 30-day period specified above is reduced to at least 17 days before the Meeting.

Formalities to be completed in order to attend General Meetings

Shareholders may only attend and vote at General Meetings if their shares are registered in their name at the record date, *i.e.*, by midnight (CET) on the fourteenth day preceding the Meeting, either in the Company's share register or in the books of an authorised account holder or clearing institution, regardless of the number of shares held by the Shareholder at the date of the General Meeting.

The Shareholders shall inform the Company (or the person designated for this purpose) of their intention to attend the General Meeting no later than the sixth day preceding the date of said Meeting, in accordance with the formalities provided in the Notice of Meeting, and provided that Shareholders present the share certificate delivered by the authorised account holder or clearing institution.

Holders of bonds, subscription rights and certificates issued in connection with the Company may attend the General Meeting in a non-voting capacity only, provided that they meet the admission requirements applicable to Shareholders.

5.7. Provisions that could delay, defer or prevent a change in control of the Company

5.7.1. GENERAL INFORMATION

Laws relating to takeover and squeeze-out bids and their implementing orders, as well as the Belgian Companies Code and other applicable laws, contain various provisions (such as the requirement to disclose major shareholdings – see section 8 of this chapter –

and competition provisions) that may be applicable to the Company, and which place certain restrictions on hostile takeover bids or other changes of control. These provisions could discourage potential takeover bids that other Shareholders may consider to be in their interests and/or prevent Shareholders from selling their shares at a premium.

In certain conditions, the Board of Directors may defer or prevent the issuance of shares that could have a dilutive impact on existing shareholdings.

5.7.2. AUTHORISED CAPITAL (ARTICLE 7 OF THE BYLAWS)

Pursuant to a decision of Econocom's Extraordinary General Meeting of 19 May 2015, the Board of Directors was granted authorisation to increase the share capital, on one or more occasions, under conditions it deems fit, by an amount of up to €21,563,999.86. At 31 December 2018, authorised unissued capital stood at €19,052,787.28 (excluding additional paid-in capital).

The Board of Directors may use this authorisation to issue shares with or without voting rights, convertible bonds, equity notes, subscription rights payable in cash or in kind, and other share equivalents or equity instruments issued by the Company.

Any capital increase effected under this authorisation may be carried out:

- either by means of contributions in cash or in kind, including any restricted issue premium, whose amount is fixed by the Board of Directors, or by creating new shares carrying rights that will be determined by the Board;
- or by converting reserves – including restricted reserves – or the issue premium into capital, with or without creating new shares.

This authorisation is granted to the Board of Directors for a period of five years from the date of publication of the decision of the Extraordinary General Meeting of 19 May 2015 in the annexes of the Belgian Official Gazette, *i.e.*, 9 June 2015. It may be renewed on one or more occasions, in accordance with applicable provisions.

The Extraordinary General Meeting of 17 May 2016 also granted the Board of Directors a three-year authorisation to increase the share capital in the event of a public offer for the Company's shares, in accordance with article 607 of the Belgian Companies Code, for a period of three years from the date of the General Meeting. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital provided in the first paragraph.

In the event that a capital increase is carried out within the authorised capital, the Board of Directors will allocate any issue premium to a restricted account. This account will form part of shareholders' equity in the same way as the share capital, and, provided it is converted into capital by the Board of Directors, may only be reduced or cancelled by the General Meeting under the conditions required by article 612 of the Belgian Companies Code.

The Board of Directors may limit or cancel pre-emptive subscription rights of existing Shareholders in accordance with the conditions set forth in articles 595 et seq. of the Belgian Companies Code if it is in the Company's interests. It may even do so for one or more specific parties other than employees of the Company or of its subsidiaries, except as provided in article 606, paragraph 3 of said Companies Code.

The Board of Directors may decide, with the right of substitution, to amend the Bylaws to reflect the Company's new capital and shares each time the share capital is increased within the limit of the authorised capital.

5.7.3. ACQUISITION AND DISPOSAL OF TREASURY SHARES (ARTICLE 12 OF THE BYLAWS)

The Company may only acquire its own shares or (if applicable) profit shares by means of a purchase or exchange, directly or by a person or entity acting in their own name but on the Company's behalf following a decision of a General Meeting voting pursuant to the quorum and majority requirements set forth in article 559 of the Belgian Companies Code, which sets the maximum number of shares or profit shares that can be acquired, the period for which the authorisation is granted, within the limit provided in article 620 of the Belgian Companies Code, and the minimum and maximum consideration.

Such an authorisation was given to the Board of Directors by the Extraordinary General Meeting of 20 May 2014, for a period of five years from the date of the General Meeting, for up to 20% of the share capital, as provided in article 620 of the Belgian Companies Code. The minimum purchase price was set at €4 per share and the maximum purchase price at €20 per share (a minimum of €2 and a maximum of €10 after taking account of the Econocom Group two-for-one share split on 2 June 2017).

The General Meeting may also authorise the Board of Directors to acquire the Company's shares or profit shares, in accordance with applicable laws and regulations, by means of purchase or exchange, to protect the Company from serious and imminent harm.

This authorisation may be renewed, on one or more occasions, in accordance with applicable laws and regulations.

The Extraordinary General Meeting of 20 May 2014 authorised the Board of Directors for five years from the date of the General Meeting to buy back treasury shares pursuant to article 630 of the Belgian Companies Code, in the proportion of up to 20% of share capital, in accordance with article 620 of the Belgian Companies Code.

The Board of Directors may otherwise dispose of shares of the Company in the conditions provided by the Belgian Companies Code, as well as to spare the Company serious and imminent harm, provided, in such cases, that the securities are sold on the market or as a public offering made on the same conditions to all Shareholders.

5.8. Notifications of major shareholdings

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, amending Directive 2001/34/EC, was transposed into Belgian law by the Act of 2 May 2007 on the publication of major shareholdings in issuers whose shares are admitted to trading on a regulated market ("Transparency Act") and by the Royal Decree of 14 February 2008 on the publication of major shareholdings ("Royal Decree on Transparency"). This legislation came into force on 1 September 2008.

Pursuant to these provisions, any natural or legal person who acquires, directly or indirectly, securities carrying voting rights of the Company must notify it and the FSMA (Belgian Financial Services and Markets Authority) of the number and percentage of voting rights held subsequent to this acquisition when the voting rights attached to securities carrying voting rights reach a proportion of 5% or more of total existing voting rights. Shareholders must also notify the Company in the event that they directly or indirectly acquire securities carrying voting rights when, as a result of their acquisition, the number of voting rights reaches or exceeds 10%, 15%, 20%, and every five percentage point threshold thereafter, of total existing voting rights. Notification is also required in the event that shareholders directly or indirectly sell securities carrying voting rights when, as a result of this sale, the voting rights fall below one of the thresholds stated above.

In accordance with article 6 of the Transparency Act, the disclosure requirements mentioned above apply whenever the number of voting rights rises above or falls below the specified thresholds as a result of, among others:

(i) the acquisition or sale of securities carrying voting rights, regardless of how the securities were acquired or sold, for example, by means of a purchase, sale, exchange, contribution, merger, spin-off or succession;

(ii) unintentionally crossing the specified thresholds (due to an event altering the allocation of voting rights); or

(iii) the conclusion, modification or termination of an agreement to act in concert.

The FSMA and the Company must be informed of any such event as soon as possible, and at the latest within four working days of the date on which the event took place.

The Company is required to publish all of the information contained in such notifications no later than three business days after receipt. It must also disclose its ownership structure in the notes to its annual financial statements, based on the notifications received.

The Company is also required to publish the total amount of capital, the total number of securities carrying voting rights and the total number of voting rights, as well as a breakdown by class (where appropriate) of the number of securities carrying voting rights and the total number of voting rights, at the end of each calendar month during which changes occurred in these amounts. Where appropriate, the Company is also required to publish the total number of bonds convertible into securities carrying voting rights and rights to subscribe for securities not yet issued carrying voting rights (whether or not these are evidenced by certificates), the total number of voting rights that would result from exercising these conversion or subscription rights, and the total number of shares with no voting rights.

5.9. Econocom’s largest Shareholder

Jean-Louis Bouchard, Chairman of Econocom Group, remains Econocom’s largest Shareholder, with approximately 36.44% of the share capital at 31 December 2018.

6. Corporate Governance

6.1. Board of Directors and Advisory Committees

The composition and functioning of the Board of Directors and the Board's committees are governed by:

- articles 517 *et seq.* of the Belgian Companies Code;
- articles 14 *et seq.* of the Bylaws;
- the Internal Rules of the respective Committees, available on the Econocom website (www.econocom.com), namely: (i) the Internal Rules of the Board of Directors of 19 May 2016; (ii) the internal rules of the Chairman's Council (formerly the Executive Committee) of 7 September 2016; (iii) the internal rules of the Audit Committee of 22 November 2012; and (iv) the internal rules of the Compensation Committee of 31 August 2011.

For more details on corporate governance, please refer to section 5, Chapter 5 of this report, which contains the report of the Board of Directors on the financial statements for the year ended 31 December 2018.

6.1.1. BOARD OF DIRECTORS

6.1.1.1. Composition of the Board of Directors

6.1.1.1.1. Appointment (article 14 of the Bylaws and article 4 of the Board of Directors' internal rules)

The Company is governed by a Board comprising at least three members, whether or not Shareholders or legal persons. Members are appointed to the Board for a maximum term of four years by the General Meeting, which may remove them at any time. They may be re-elected. The term of office of outgoing Directors ends immediately after the General Meeting that decides on re-election.

The composition of the Board ensures an even balance between the Chief Executive Officers, the non-executive Directors and the Independent non-executive Directors. If the number of Directors so permits, at least three Directors shall be independent within the meaning of Appendix A of the Belgian Corporate Governance Code. The aim is that at least half of Board members should be non-executive Directors, and that at least one-third of Board members should be of a different gender than the other members.

Directors are appointed by the General Meeting from the candidates put forward by the Board.

Directors undertake to act in Econocom's interest and to maintain independence of judgement, decision-making and action in all circumstances. They participate in the work of the Board in a wholly impartial manner. Even if Directors know Econocom Group's business sector well, they should continue to build on their knowledge and expand their expertise.

The Board regularly reviews its composition, functioning and interaction with the Chief Executive Officer(s) and with the Chairman's Council.

6.1.1.1.2. Vacancy (article 15 of the Bylaws)

If a seat on the Board becomes vacant, the remaining Directors are entitled to fill it temporarily. In this case, the first General Meeting after the seat becomes vacant appoints a Director to fill the vacancy on a long-term basis. The Director nominated in the conditions described above is appointed for the remaining term of office of the Director he/she is replacing.

6.1.1.1.3. Chair, Vice-Chair and Secretariat (article 16 of the Bylaws and articles 5 and 6 of the Board of Directors' internal rules)

The Board of Directors elects a Chairman and Vice-Chairman from among its members.

The Chairman of the Board is responsible for:

1. Managing the work of the Board and, in particular, ensuring that the Board is well organised, functions efficiently and performs its duties and obligations in a due and proper manner. This involves:

- preparing, convening, chairing and overseeing meetings of the Board, and ensuring that these meetings dedicate enough time to serious, in-depth discussion of relevant issues,
- drawing up the agenda for meetings of the Board of Directors, in liaison with the Chief Executive Officer(s) and, where appropriate, the Chairman's Council,
- ensuring that the Board receives the appropriate information and that the documents supporting proposals for decisions are relevant and readily available within a reasonable time prior to Board meetings;

2. Ensuring the quality and continuity of the Board's work by initiating and managing procedures:

- assessing the size, composition and performance of the Board, the Chief Executive Officer(s), the Board's committees and the Chairman's Council in order to ensure that the decision-making process is effective,
- appointing or re-electing members of the Board, the Chief Executive Officer(s), members of the Board's committees and the Chairman's Council;

3. Liaising between the Board and the Chairman's Council:

- this involves: meeting regularly with the Chief Executive Officer(s) and other members of the Chairman's Council,
- ensuring that relations between the Board of Directors and the Chairman's Council are professional and constructive, and that the Chairman's Council provides the Board with the information it needs to perform its duties of assessment, decision, supervision and oversight,
- if it deems it to be in the Company's interest, the Board may entrust the Chairmanship to a Director who also performs executive functions within Econocom,
- in the absence of the Chairman, the Vice-Chairman replaces him. Should both the Chairman and the Vice-Chairman be prevented from attending a Board meeting, the Directors present elect a Chairman for the meeting in question.

The Board of Directors may appoint a Company Secretary who reports on how the procedures, rules and regulations applicable to the Board are implemented and respected. Directors may consult the Company Secretary at their own initiative.

6.1.1.1.4. Compensation (article 14 of the Bylaws and article 10 of the Board of Directors' internal rules)

Directors may or may not collect compensation for the performance of their duties. Any fixed or variable compensation may be set by the General Meeting acting on a recommendation from the Board of Directors assisted by the Compensation Committee.

Compensation is set for each Director or on an aggregate basis for the Board as a whole, in which case the Board shall decide how to allocate the compensation according to criteria it defines.

Compensation due to non-executive Directors is determined based on a realistic assessment of their responsibilities, the associated risks and market practices.

6.1.1.2. Powers of the Board of Directors (article 20 of the Bylaws and article 2 of the Board of Directors' internal rules)

The Board of Directors is vested with the power to undertake all actions necessary or useful for the Company to fulfil its corporate purpose, except for those actions set aside Bylaw for the General Meeting, and without prejudice to the powers it may delegate.

The Board represents the Company in its dealings with third parties and in legal proceedings, either as plaintiff or defendant.

It has the following duties and responsibilities, which it performs with the support of the Chairman's Council and the committees it has established:

- appoint, monitor and evaluate the Chief Executive Officer(s) and Managing Directors, members of the committees established in accordance with the provisions of the Belgian Companies Code, as well as members of the Chairman's Council and, more broadly, ensure the establishment of a clear and effective management structure;
- approve the strategic plans proposed by the Chairman of the Board, after reviewing them with the Chairman's Council;
- assess Econocom's functioning in relation to its strategic and budgetary targets, based notably on a quarterly review of financial results and any other reports made to the Board;
- approve any acquisitions, investments or internal reorganisation considered strategic by the Chairman of the Board or the Chairman's Council;
- take all steps necessary to ensure the integrity of the financial statements and other important information that must be disclosed to investors, and their publication within the prescribed timeframe;
- approve an internal control and risk management framework and oversee the work of the Statutory Auditor and Internal Audit;
- approve any other matters that the Chairman, Chief Executive Officer or Chairman's Council member believes should be submitted for approval by the Board due to its strategic significance (even in relation to matters delegated by the Board to the Chairman's Council, the Chief Executive Officers, the Managing Directors or any third party);
- take all decisions on matters set aside for it by law and the Bylaws, including any decision to be submitted to the General Meeting;
- assess its own functioning and interaction with the Chief Executive Officer(s), the Managing Directors and the Chairman's Council.

6.1.1.3. Functioning of the Board of Directors

6.1.1.3.1. Meetings (article 17 of the Bylaws and article 7.1 of the Board of Directors' internal rules)

The Board of Directors meets at least four times a year. Board meetings are convened and chaired by the Chairman, or, if the Chairman is prevented from attending a particular meeting, by the Vice-Chairman, whenever it is deemed to be in the Company's interest or each time a minimum of two Directors so request.

The Chairman prepares the agenda for each Board meeting together with the Chief Executive Officer(s) or the Chairman's Council.

Board meetings are held at the location indicated in the convening notice.

Members of the Board are convened at least five working days before the date of the meeting, unless a shorter timeframe is in the Company's interests or the Directors decide upon one.

Important information needed to allow the Directors to understand the matters to be discussed at the meeting are sent to each Director as soon as possible before the date of the Board meeting.

A Director unable to attend a Board meeting may be represented by another Director provided a proxy request is submitted in writing.

The Board may invite any persons whose presence it deems useful to attend its meetings.

6.1.1.3.2. Quorum and deliberations (article 18 of the Bylaws and article 7.3 of the Board of Directors' internal rules)

The Board of Directors may only validly debate and take decisions if at least half of its members are present or represented.

Decisions of the Board are adopted on the basis of a majority of votes cast; abstentions are not counted. In the event of a tied vote, the Chairman or, in his absence, the Vice-Chairman or, in his absence, the Director replacing him, has the casting vote.

In exceptional circumstances, when urgency and the best interests of the Company so dictate, decisions may be adopted pursuant to the unanimous consent of the Directors, expressed in writing. However, this procedure cannot be used for the approval of the annual financial statements or the utilisation of the authorised capital.

6.1.1.3.3. Proxies (article 18 of the Bylaws and article 7.1 of the Board of Directors' internal rules)

All Directors may ask one of their colleagues to represent them at a given meeting of the Board of Directors and vote on their behalf. This request may be made in writing, by email, by fax, or by any other means used to grant unequivocal special representative powers. In this case, the Director (proxy giver) represented is deemed to be present.

A Director may represent one or more other members of the Board.

Directors may also express opinions and vote in writing, by email or by fax, but only if half of the Board members attend the meeting in person.

6.1.1.3.4. Minutes (article 19 of the Bylaws and article 7.5 of the Board of Directors' internal rules)

Deliberations of the Board of Directors are recorded in the minutes of the meeting signed by at least the majority of the members present.

These minutes are recorded in a special register together with any delegations of authority granted.

Copies or extracts required for legal or other purposes are signed by the Chairman, by a Chief Executive Officer, by two Directors or by a Managing Director.

6.1.1.3.5. Information provided to the Board (article 9 of the Board of Directors' internal rules)

The Directors have access to all of the information needed to exercise their duties in a due and proper manner. Non-executive Directors may raise issues with members of the Chairman's Council, after having consulted the Chairman of the Board or a Chief Executive Officer and made sure that this will not jeopardise the proper conduct of business.

Directors may not use the information received in their capacity as Director for purposes other than the exercise of their office. They are required to keep any information they receive in their capacity as Director confidential.

6.1.1.4. Day-to-day management – delegation (article 21 of the Bylaws and article 3 of the Board of Directors' internal rules)

The Board of Directors may delegate the power to manage the Company's day-to-day affairs or to represent the Company with regard to its day-to-day management to one or more Directors who are also Chief Executive Officers and/or to one or more executives who are also General Managers, regardless of whether or not they sit on the Board.

Their roles and responsibilities are set out in the agreement governing their appointment. Nevertheless, the limits placed on their representative powers for the purposes of day-to-day management shall not be binding on third parties, even if they are published.

The Board of Directors and those responsible for day-to-day management, within the limits of the powers of day-to-day management, may grant special and precise powers to one or more persons of their choice, who need not be Shareholders or Directors. Holders of these special powers may substitute one or more persons in the exercise of their powers, subject to the consent of the Board of Directors or the person responsible for day-to-day management (as appropriate).

In the event of a special delegation of powers, the deed of appointment defines the relevant powers and the related compensation.

6.1.1.5. Liability of the Board of Directors (article 25 of the Bylaws)

The Directors and the Statutory Auditor(s) are not personally liable for undertakings made by the Company.

Pursuant to common law and the provisions of the Belgian Companies Code, they may be held liable for the performance of their duties and any faults committed in their management.

6.1.1.6. Representation (article 22 of the Bylaws)

The Board of Directors represents the Company as a collegial body in its dealings with third parties and in legal proceedings.

Notwithstanding the Board's general powers of representation as a collegial body, the Company is legitimately represented in any legal proceedings and in its dealings with third parties, including with public officers (and mortgage registrars):

- either by the Chairman of the Board of Directors, acting alone; or
- by two Directors, acting in concert; or
- by a Chief Executive Officer, acting alone; or
- by a General Manager, acting alone.

The aforementioned persons are not required to provide any justification of a prior decision of the Board of Directors.

The Company is also legitimately represented by special proxies acting within the scope of their mandate.

6.1.2. COMMITTEES OF THE BOARD OF DIRECTORS (ARTICLE 21 OF THE BYLAWS)

The Board of Directors may set up any committee it deems useful, permanent or temporary, in an advisory or technical capacity. The internal rules of these committees are set by the Board of Directors.

Each committee is governed by its own internal rules, which define its composition, role, function and responsibilities as well as its functioning. These internal rules are adopted by the Board of Directors.

The Board of Directors shall establish an Audit Committee within the meaning of article 526 *bis* of the Belgian Companies Code, as well as a Compensation Committee within the meaning of article 526 quater of the Belgian Companies Code. The composition of these committees, their tasks and internal rules are established by the Board of Directors, pursuant to the provisions of the Belgian Companies Code.

The Board of Directors may establish specialised Committees tasked with examining and advising on specific issues. The composition and role of these committees are governed by law.

6.1.2.1. Chairman's Council (article 21 of the Bylaws, article 3 of the Board of Directors' internal rules and the Chairman's Council's internal rules)

6.1.2.1.1. General information

Pursuant to articles 898 and 525 of the Belgian Companies Code and article 21 of Econocom's Bylaws, the Board may establish a Chairman's Council, consisting of several persons, Directors or not, and delegate to it the operational management of the Company, as well as special powers other than those relating to operational management, without prejudice to the day-to-day management powers conferred to the Chief Executive Officers.

However, the Board of Directors retains exclusive powers for overall policy and for acts reserved for the Board pursuant to the law, the Bylaws or the Board's internal rules. The Board may also address any question relating to operational management, if it considers it appropriate. In accordance with the decisions of the Board, the Council may, in turn, delegate any of its responsibilities to an Executive Committee (ExCom), of which the Chairman's Council determines the powers and composition.

6.1.2.1.2. Composition of the Chairman's Council

The members of the Chairman's Council are appointed by the Board of Directors. The Chairman's Council has at least three members, who may or may not be Directors or Econocom Group employees. The Board of Directors shall in principle ensure that each Chief Executive Officer and each Managing Director in charge of Econocom's day-to-day management is a member of the Chairman's Council.

The members of the Chairman's Council may, in their capacity as Council members, be removed by the Board of Directors at any time (without prejudice to employment or management contracts binding them to Econocom Group).

The members of the Chairman's Council are appointed for a maximum term of six years. They may be re-elected.

The Chairman's Council is chaired by a Chief Executive Officer appointed by the Board.

6.1.2.1.3. Role of the Chairman's Council

The Chairman's Council's responsibilities include, but are not limited to:

- taking all steps necessary to implement the decisions or recommendations of the Board;
- proposing strategic guidelines to be set by the Board, and framing budgets within the strategic guidelines laid down by the Board;
- managing the Group's operating entities (in accordance with the powers of the bodies of these entities), and supervising their financial and operating performance;
- entering into all agreements, making and approving all pricing proposals, placing and accepting all orders to buy, sell or lease any equipment and other capital goods and services;

- leasing and renting out, even for long periods, any properties, equipment or intangible assets, and entering into any lease and rental agreements concerning such assets;
- concluding financing, with or without the provision of collateral, except for the following transactions, which fall within the scope of the powers of the Board: any capital market transaction (other than commercial paper), any financing that has the effect of causing consolidated net debt to exceed consolidated equity or to represent more than 2x consolidated EBITDA;
- performing any external growth transaction, investment or disinvestment, with the exception of strategic transactions (including any transaction whose value or consideration exceeds €4 million), which fall within the scope of the powers of the Board of Directors;
- acting in dealings with the national government or EU, regional, state and municipal authorities, the Crossroads Bank for Enterprises (Banque-Carrefour des Entreprises), the tax authorities, the postal service, customs authorities, telecommunications companies and any other public departments or authorities;
- managing all legal or arbitration proceedings, as plaintiff or defendant, negotiating all settlements, taking all steps necessary in this respect, and obtaining and enforcing all rulings;
- representing Econocom in its dealings with trade union and employer representative bodies;
- drafting and signing all documents necessary for implementing the powers delegated to it.

Without prejudice to the powers set aside for the Board or the Board's committees, such as the Audit Committee, the Chairman's Council is also responsible for:

- implementing internal controls;
- preparing full, timely, reliable and accurate financial statements in accordance with accounting standards and with Econocom's overall policies as defined by the Board;
- presenting the Board with an impartial and comprehensible assessment of the Company's financial position and, more generally, promptly providing the Board with all of the information it needs to perform its duties;
- the Council may in turn delegate all powers assigned by the Board of Directors, both to Econocom employees and third parties. It notably delegates to the Executive Committee the powers set out in the internal rules of the Chairman's Council.

The powers conferred on the Chairman's Council shall in no event include the powers reserved by law, the Bylaws or internal rules for the Board of Directors. It is also the responsibility of the Chairman's Council to:

- submit to the Board any question relating to a strategic transaction bearing on Econocom or the Group, without prejudice to the Board's powers to examine any issues relating to operational management;
- respect the day-to-day management powers delegated by the Board of Directors to one or more Chief Executive Officers and/or General Managers.

The Chairman's Council has no powers of representation in respect of third parties; such powers are set out in the Bylaws and the Board's internal rules.

6.1.2.1.4. Functioning of the Chairman's Council

With the exception of the matters described below, the rules set out in the Bylaws applicable to Board meetings, deliberations and minutes also apply to the Chairman's Council.

The Chairman's Council meets at the initiative of its Chairman, or when requested by two Chairman's Council members. The Chairman's Council meets at least ten times a year. Meetings are held at the location indicated in the convening notice.

The agenda for the meetings is set by the Chairman. However, members are entitled to propose the addition to the agenda of any item they deem necessary. The Chairman's Council's discussions are based on files containing all information needed for decisions to be made, distributed to each member. The Chairman's Council may invite any persons whose presence it deems useful to attend its meetings.

The Chairman's Council acts as a collegial body; its decision-making is based on a consensus-building process. Where appropriate, the Chairman of the Chairman's Council may put matters discussed to the vote, at his own initiative or further to the request of two other members. Matters are then decided by a majority vote of all members present. When there is no majority, the Chairman holds the casting vote.

The Chairman's Council reports to the Board of Directors on its management and on any significant issues falling within the scope of its responsibility. The Chairman of the Council or any other Council member appointed for the purpose issues a quarterly report in this regard for the Chairman of the Board of Directors; this report includes internal reporting of financial results for the quarter.

The Chairman's Council takes all steps it deems necessary to allow the Board to fulfil its duty of oversight as required by law, the Bylaws and its internal rules.

At 31 December 2018, the Chairman's Council consisted of Jean-Louis Bouchard, Bruno Grossi, Éric Bazile, Julie Verlingue and Galliane Touze.

6.1.2.2. Audit Committee (article 21 of the Bylaws and the Audit Committee's internal rules)

6.1.2.2.1. General information

The Board of Directors has set up an Audit Committee in accordance with article 21 of Econocom's Bylaws and with article 526 *bis* of the Belgian Companies Code.

The role of the Audit Committee is to assist the Board of Directors in performing its duties of oversight of Econocom's business in the broadest sense of the term. More specifically, the Audit Committee assesses financial information and monitors internal control, risk management and internal and external audit processes. It issues opinions.

6.1.2.2.2. Composition of the Audit Committee

The Audit Committee comprises at least two non-executive Directors. If additional Directors are appointed to the Audit Committee, the committee must always include at least one independent Director with accounting and audit expertise.

Members of the Audit Committee are appointed by the Board of Directors for a renewable three-year term.

The Chairman of the Audit Committee is appointed by the Board of Directors. The Chairman of the Board of Directors cannot chair the Audit Committee.

The term of office of a member of the Audit Committee ends at the same time as his term of office as Director.

At 31 December 2018, the Audit Committee consisted of Rafi Kouyoumdjian, Gaspard Dürrleman and Marie-Christine Levet. The committee is chaired by Gaspard Dürrleman.

6.1.2.2.3. Role of the Audit Committee

The Audit Committee is responsible for the tasks described below:

1. **Financial reporting**
   - monitoring the process of preparing financial information and ensuring its reliability, *i.e.*, the accuracy, completeness and consistency of the financial statements,
   - discussing any material financial reporting issues with the members of the Chairman's Council and with the Statutory Auditor. In particular, the Chairman's Council informs the Audit Committee of the methods used to account for material and unusual transactions when several possible approaches exist, and of the existence and justification of activities carried out through special purpose vehicles;
2. **Internal control and risk management**
   - understanding the risk management and control systems established by Econocom's management, assessing whether the systems are appropriate and, where applicable, making recommendations to mitigate any material risks,
   - reviewing the results of any investigations undertaken within the Company in response to alleged fraud or errors, or for any other reason: reviewing decisions taken at such times and, where appropriate, making its own recommendations,
   - enquiring about the systems in place within the Company and its subsidiaries to ensure compliance with the main legal and regulatory requirements applicable to them;
3. **Internal audit**
   - reviewing and making recommendations on proposals by the Chairman's Council on the appointment or replacement of the head of Internal Audit, and on the annual budget set aside for its operation,
   - taking note of the work programme of the head of Internal Audit and his reports,
   - reviewing the effectiveness of the internal audit function, chiefly by analysing how management applies the findings and recommendations of Internal Audit;
4. **External audit**
   - making recommendations to the Board of Directors regarding the appointment or re-election of the Company's Statutory Auditor, the amount of fees payable to the Statutory Auditor and, where applicable, the Statutory Auditor's removal or resignation,
   - ensuring Statutory Auditor independence, chiefly in light of the provisions set forth in the Belgian Companies Code and the Royal Decree of 4 April 2003,
   - identifying the Statutory Auditor's work programme and reports,
   - periodically reviewing the effectiveness of the External Audit process and analysing how the Chairman's Council follows up on any recommendations made by the Statutory Auditor,
   - defining, together with the Company's Statutory Auditor, the nature, scope and cost of the Statutory Auditor's involvement in any work performed that is unrelated to the statutory audit engagement;

5. Other

- formulating recommendations to the Board of Directors concerning matters falling within the scope of responsibility of the Audit Committee,
- fulfilling any other roles assigned by the Board of Directors.

6.1.2.2.4. Functioning of the Audit Committee

The Audit Committee meets as often as necessary and at least four times a year. At least two meetings a year deal chiefly with the financial statements.

The Chairman of the Audit Committee determines the agenda for each meeting. A Chairman's Council or Audit Committee member may ask the Chairman of the Audit Committee to place any item he or she considers appropriate on the agenda.

The Audit Committee takes care to preserve free and open communication with the Chairman's Council.

The Audit Committee may invite the Statutory Auditor, the head of Internal Audit and any other member of the Chairman's Council or Econocom employees to attend all or part of its meetings. The head of Internal Audit and the Statutory Auditor must each attend at least two Audit Committee meetings per year.

Before meetings of the Audit Committee, its Chairman is responsible for ensuring that members receive accurate, complete and clear information in connection with the items on the agenda. The Chairman's Council is required to provide all necessary information, and the Audit Committee may request any clarification it deems necessary.

Except in emergencies identified by the Chairman of the Audit Committee, Audit Committee meetings are convened at least five working days before they are due to take place. A shorter timeframe may apply provided that all members agree.

The Audit Committee can deliberate if at least two of its members are in attendance or legitimately represented. Decisions are made by a majority of votes cast.

The Audit Committee annually assesses its functioning and effectiveness. It meets for this purpose with the head of Internal Audit and the Statutory Auditor for an exchange of views on the audit process and the Audit Committee's internal rules. It reports this assessment to the Board of Directors and makes, if necessary, proposals for modifications.

6.1.2.3. Compensation Committee (article 21 of the Bylaws and the Compensation Committee's internal rules)

6.1.2.3.1. General information

The Board of Directors has established a Compensation Committee in accordance with article 526 quater of the Belgian Companies Code and article 21 of the Company's Bylaws.

The Compensation Committee advises and assists the Board of Directors. It conducts its work under the supervision and responsibility of the Board of Directors. The Compensation Committee takes care to preserve free and open communication with the Chairman's Council.

6.1.2.3.2. Composition of the Compensation Committee

The Compensation Committee consists of three non-executive Directors. The majority of members are independent as defined by article 526 *ter* of the Belgian Companies Code. The Compensation Committee has the necessary expertise in matters of compensation.

The term of office of Compensation Committee members is three years, and does not exceed their term of office as Directors. The term of office as Compensation Committee members may be renewed at the same time as their term of office as Directors.

The Compensation Committee is chaired by a non-executive Director.

The Chairman of the Compensation Committee oversees its work and takes all necessary steps to create a climate of trust within the committee by contributing to open discussions and encouraging constructive debate.

Members of the Compensation Committee choose a Secretary from among themselves.

At 31 December 2018, the Compensation Committee consisted of Jean Mounet, Rafi Kouyoumdjian and Anne Lange. The committee is chaired by Jean Mounet.

6.1.2.3.3. Role of the Compensation Committee

The Compensation Committee assists the Board of Directors, under the responsibility of the Board, in all matters relating to the compensation paid to the Chairman and Chief Executive Officer, the Directors, and the members of the Chairman's Council.

More specifically, on the recommendation of the Chairman and Chief Executive Officer, the Compensation Committee is in charge of:

- making proposals and recommendations to the Board of Directors with respect to the policy for compensating Directors and members of the Chairman's Council and, if required by law, any resulting recommendations which the Board of Directors must submit to the Shareholders for approval;
- making proposals and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Chairman's Council, including the variable portion and long-term bonuses (long-term share incentives) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations which the Board of Directors must submit to the Shareholders for approval;
- making recommendations and proposals to the Board of Directors about setting and assessing performance targets linked to the individual compensation of Directors' and Chairman's Council members;
- drafting the compensation report, in accordance with article 96, section 3 of the Belgian Companies Code, which is subsequently appended to the corporate governance statement;
- commenting on the compensation report during the Ordinary General Meeting;
- submitting recommendations to the Board of Directors with respect to the terms and conditions concerning the Directors' and Chairman's Council members' employment or other contracts;
- generally carrying out all the tasks assigned by the Board of Directors with respect to compensation.

In accordance with article 21 of the Bylaws, the Board of Directors grants the Compensation Committee the power to implement Board decisions with respect to stock option plans or any other existing or future plans for granting financial instruments such as warrants, *i.e.*, issuing stock options or other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Committee is accountable.

6.1.2.3.4. Functioning of the Compensation Committee

The Compensation Committee meets as often as necessary and at least twice a year.

Compensation Committee meetings are convened by the Chairman, who also determines the agenda. A Director or Chairman's Council member may ask the Chairman of the Compensation Committee to place any item he or she considers appropriate on the agenda.

Except in the event of emergencies identified by the Chairman of the Compensation Committee, notice of Compensation Committee meetings (and the agenda for said meeting) are sent by any means ordinarily used by the Company within a reasonable period before the meeting is due to take place.

Before meetings of the Compensation Committee, its Chairman is responsible for ensuring that members receive accurate, complete and clear information and all relevant documents related to the items on the agenda.

The Chairman's Council is required to provide all necessary information, and the Compensation Committee may request any clarification it deems necessary.

The Compensation Committee may invite any persons whose presence it deems useful to attend its meetings. The committee may ask for an independent professional opinion on issues it considers necessary to perform its duties, at the Company's expense.

Directors may not attend Compensation Committee meetings that deliberate on their own compensation, and therefore may not take part in any decisions in this respect.

The Chairman and Chief Executive Officer may participate in meetings of the Compensation Committee in an advisory capacity when said meetings discuss compensation for other Chief Executive Officers and other members of the Chairman's Council.

The Compensation Committee can deliberate if at least two of its members are in attendance or legitimately represented. Decisions are made by a majority of votes cast.

6.2. Conflicts of interest

The Company's corporate officers must comply with the recommendations of article 523 (conflicts of interest between the Company and a Director) and 524 (intragroup conflicts of interest) of the Belgian Companies Code.

To comply with the Corporate Governance Code, the Company has issued a number of recommendations for its Directors and the members of its Chairman's Council concerning transactions and other contractual relationships between the Company (and any companies related to it), its Directors and the members of its Chairman's Council when such transactions and other contractual relationships are not covered by legal provisions on conflicts of interest. These recommendations are outlined in the conflicts of interest procedure adopted on 22 November 2012 by the Board, and in the stipulations outlined in the Board of Directors' internal rules and in the Chairman's Council's internal rules relating, respectively, to conflicts of interests of Directors and of members of the Chairman's Council.

In short, Directors and Chairman's Council members must at all times act in the interests of the Company and its subsidiaries. They apply rigorous discipline to exclude potential conflicts of interest in respect of personal assets, professional or other aspects as much as possible, and to comply strictly with rules on conflicts of interest between Econocom and its Directors or Chairman's Council members.

When a Director or a Chairman's Council member, directly or indirectly, has an interest that is contrary to a decision or transaction made by Econocom, bearing on personal assets or not, he or she shall immediately inform the Chairman of the Board, and, if he or she is a Director, the other Directors, and if he or she is a member of the Chairman's Council, the other members of said Council, no later than the beginning of the meeting at which the matter giving rise to the conflict is discussed. He or she shall then not take part in the discussion or vote on the matter. The Chairman shall then decide whether it is appropriate to make a report to the Board.

The transactions covered by this section are submitted to the Audit Committee, whose task is to ensure that said transactions comply with the procedures outlined above or, where applicable, that they are normal transactions conducted under normal market conditions and guarantees generally applied to transactions of a similar nature. The Audit Committee found that almost all of agreements reached during the 2017 financial year were normal transactions conducted under normal market conditions.

All material agreements between Econocom Group and its related parties are disclosed in Note 22, "Related party information", to the consolidated financial statements in the 2018 annual report.

6.3. Biographies of Directors

Jean-Louis Bouchard began his career in 1966 as an Account Manager at IBM, spending two years at IBM World Trade in New York. Between 1971 and 1981, he created and served as Chairman and Chief Executive Officer of Informatiques Inter Ecoles. In 1973, he founded Europe Computer Systèmes (ECS), where he served as Chairman until he sold his non-controlling interest to Société Générale in 1984. In 1982, he founded Econocom in Brussels, and in 1985 became Chairman of the Executive Board of Econocom International NV. In 1987, he was named "Entrepreneur of the year" by Challenges magazine.

Robert Bouchard began his career as negotiator with Cardif in 1995. In 1997, he became an executive shareholder of a number of restaurants in Paris (La Gare, L'Ampère, Meating and Carmine). In 2010, he took over as Chairman of APL (specialising in the design, construction and maintenance of data centres), and is currently its majority shareholder. He was Chairman of Digital Dimension from November 2016 to November 2017 and Group Chief Operating Officer from July 2017 to November 2018. Robert Bouchard is Jean-Louis Bouchard's son.

Walter Butler, who has French and Brazilian citizenship, is a graduate of the Ecole Nationale d'Administration (ENA). He began his career with the Inspectorate General of the French Ministry of Finance before going on to become Executive VP of Goldman Sachs in New York. He founded Butler Capital Partners (BCP) in 1991. His group currently specialises in private equity and credit in Europe (Butler Investment Managers in London), as well as investing in companies, including Osiatis. Walter Butler was formerly Chairman of the French private equity and venture capital association (*Association Française des Investisseurs en Capital* – AFIC), a member of the French Strategic Investment Fund Committee (*Comité du Fonds Stratégique d'Investissement* – FSI) and France's National Economic Analysis Council (*Conseil d'Analyse Économique de la République Française*).

Philippe Capron is currently a partner of Perella Weinberg Partners and a member of the Supervisory Board of the Virbac group. He was previously Managing Director of Banque Duménil Leblé, a partner at Bain, CEO of SFAC (now Euler Hermes France), Chief Financial Officer of Usinor and then Chairman of Arcelor Packaging, and a member of the Management Board and Finance Director for Vivendi and Deputy Managing Director in charge of Finance for Veolia group. He has experience in the most senior financial positions with very large groups.

Adeline Challon-Kemoun began her career as a communications consultant with Image 7 and then joined the Office of the French Minister of the Economy and Finance. She subsequently held executive management positions (Euris and Rallye) and served as Communications Director for major groups (Casino, France Télévisions and Air France). She was Executive Vice President of Marketing, Digital & Communications for Air France-KLM and a member of the group's Executive Board from July 2015 to June 2017. In April 2018, she joined the Michelin Group as Director Brands, Sustainable Development, Communication & Public Affairs and became a member of the Group Executive Committee. She has been an Independent Director of Bourbon Corporation since March 2017. As a specialist in marketing and digital, she has a sound understanding of the expectations of individual and corporate customers.

Gaspard Dürrleman began his career with Basaltes group in 1982. He went on to head Econocom Trading from 1985 to 1987, then Innovation et Gestion Financière from 1987 to 1992. He was subsequently head of the leather goods division at Hermès until 2000, and then of Delvaux in Belgium until 2003. He then joined Arthus-Bertrand group, which he ran for three years. In 2009, he became Chairman and CEO of Cambour, a jewellery manufacturer, a position he held until the end of 2015. Since then, he has established a consultancy business with large French and international groups in the luxury goods sector and taught in a business school.

Véronique di Benedetto started out as an Account Manager at IBM. In 1985, she became a sales agent before being appointed Sales Director with ECS, and then taking over the Group's international activities, and finally becoming Managing Director in 2009. After the merger between Econocom and ECS, she was appointed Deputy Managing Director of the new Group, running operations in France. In 2015, she was appointed Vice-Chair France, responsible primarily for CSR strategy, and B2B and B2C digital business development in various sectors, including education and culture. She was also appointed Vice Chairman of Syntec Numérique and joined the Board of Directors of Maisons France Confort as an independent Director.

Bruno Grossi worked for over 20 years at Accenture, where he was partner, in charge of the telecom and media sectors in France and in Benelux. Co-Chairman of Osiatis between 2010 and 2013, before its merger with Econocom Group in September 2013, he is now its Chief Executive Officer. Member of the Group's Executive Committee, he is in charge of M&A, Communication and Satellites for the Econocom Group.

Rafi Kouyoumdjian began his career as an Account Manager for IBM in 1983. He joined Econocom Group in 1987, spending 13 years in various positions of responsibility, including senior management from 1995 to 2000. In 2001, he became Chairman of Liberty Surf Group (now Tiscali France), before serving as Chief Executive Officer of NextiraOne Group from 2006 to 2010. He was Chairman of Vizada in satellite communications from 2011 until its sale. Since June 2015, he has been a shareholder and manager of Oteis, an engineering company in construction.

Anne Lange began her career in the Office of the French Prime Minister, where she was in charge of the supervisory body for public broadcasting. She was then appointed head of e-business for Europe at Thomson, then Company Secretary of the Forum for Rights on the Internet. She went on to hold a number of senior management positions with Cisco, in France and in California. More recently, Anne embarked on an entrepreneurial venture as co-founder and CEO of Mentis, a software company specialising in the Internet of Things, which has since been sold. She now splits her time between her directorships and her role as a Senior Advisor, working with CEOs and helping them deal with major digital transformation challenges. She is a Director of Orange, Imprimerie Nationale, Pernod Ricard and FFP. Her strong technological skills, especially related to the world of the Internet, give her a clearer understanding of the major changes underway in the digital world.

Marie-Christine Levet is one of France's pioneering figures in the Internet world and has over 20 years' experience in the new technologies sector as both an entrepreneur and investor.

She has run several French Internet and media companies (Lycos, Club-Internet, Tests group, etc.). Leveraging her entrepreneurial experience, Marie-Christine Levet switched over to the investment sector, taking part in the founding of Jaina Capital, one of France's first investment funds specialising in seed funding. Convinced of the education sector's need to undergo transformation, Marie-Christine Levet founded Educapital, the first European investment fund devoted to the innovative education sector, in October 2017. She is also a Director of Iliad, Maisons du Monde, SoLocal and AFP. Her entrepreneurial experience as both an investor and director of pioneering companies in the digital market as well as in digital transformation consulting is an asset in supporting Econocom Group's development strategy.

Jean Mounet trained as an engineer (ESCPE Lyon). Holder of a doctorate in Physical Sciences, he graduated from Stanford University in Strategic Marketing. He occupied a number of positions with IT manufacturers (IBM and Bull). In 1988, he joined Sopra Group as Managing Director, becoming Vice-Chairman in 2005. He is now a Director of Sopra Banking Software and Special Advisor to the Chairman. He was Chairman of Syntec Numérique from 2003 to 2010, and is now Chairman of the Statutory Committee.

He is also a Director of Horizontal Software and Chairman of Trigone SAS, a management consulting firm

Jean-Philippe Roesch began his career with six years at Arthur Andersen. He joined Econocom Group at the end of 1989 as Chief Financial Officer for Econocom France. After heading various subsidiaries within the Group, Jean-Philippe Roesch held a number of roles (Company Secretary of Econocom Group in 2001, Deputy Managing Director in 2004), culminating in his appointment as Managing Director in 2006. He stepped down at the end of 2016, before returning to a Support role in the Executive Committee. He is a member of the Supervisory Board of Linkfluence Sas.

The Econocom Board of Directors declares that, to its knowledge, none of the Directors have ever been convicted of fraud or subject to any official or public indictment and/or sanction preventing him/her from acting as a member of the management or supervisory body by any legal or supervisory authority, and that none of the Directors have been prevented by a court of law from serving as a member of the governing body and that, in this capacity, they have never been involved in bankruptcy proceedings.

7. Research & Development

Innovation and R&D are major assets for achievement of the "e for excellence" strategic plan. The Group is applying a dynamic of digital transformation by creating differentiating solutions to support its development strategy and achieve its operational excellence objectives.

In 2018, its R&D efforts focused particularly on the areas of data visualisation (DATAVIZ), decision support, multiCloud, metrology, 5G microservice billing and machine learning, applied to process automation.

Econocom puts data at the heart of its development priorities through the creation of a DATA practice bringing together internal expertise and the skills gained through the acquisition of BiBoard. In 2018, this entity started the implementation of an ambitious strategy in the following areas:

- the recruitment of young Ph.Ds;
- the creation of strengthened collaborations with the academic world (Lyon laboratories LIRIS and ERIC);
- the development of new synergies in an innovative ecosystem made up of new technological partners.

Research and development work in the field of data analysis, Big Data, data science and new data architectures available in the Cloud was undertaken to enrich the BiBoard solution and create the MarS offer.

Econocom launched its new MarS (Master all Resources) solution to measure, manage and improve the performance of digital solutions deployed at its customers' facilities. MarS Intelligence is a cockpit for decision-makers, providing a set of indicators based on company data (management of assets, applications, connected devices, HR data and financial data).

The innovative aspect of MarS Intelligence lies in our ability to capture the experience of users and their digital uses, in order to improve the performance of digital transformations in three particular domains: **financial performance** (combating digital waste by identifying all assets and applications not used by the company), **operational performance** (increasing user satisfaction through metrology indicators) and **technological performance** (improving use through user profiling).

Using these indicators and Econocom's expertise, we help our clients identify the levers for improving performance and create action plans to accelerate the digital transformation.

In another area, that of European data protection with GDPR, where the slightest information leak from a company can attract the interest of external entities, as with the American Cloud Act, for example, it is essential to offer an Edge Computing solution for all companies wishing to use a sovereign Cloud service, hosted in the national territories by a local entity. In this context, Econocom is launching an offer in France (EconoCloud) and another in Italy (Naboo Cloud) to specifically address this need.

EconoCloud is a service supported technically by the ASPSERVEUR entity in France, which makes it possible to outsource IT production in an ultra-secure zone. EconoCloud is positioned as a true Cloud Management Platform (CMP) enabling hybridization and multi-Cloud tools natively. All IT resources can be administered through a single, unified portal that integrates cost management, compliance and optimisation. The solution, developed and fine tuned internally, is hosted in France in Econocom's data centre, designed in Class IV according to EN 50600-2-2 on hyper-convergent platforms from NUTANIX, with whom Econocom has forged a strategic partnership.

Naboo Cloud is a service offered by Econocom in Italy, which provides equivalent hybridisation and unified management services in a multi-Cloud environment (public and private on-site, or in a data centre), and container orchestration services. The solution is developed and fine-tuned internally on an open source Openstack and Openshift (Kubernetes Docker) base, hosted in Italy in several Class III and IV Equinix data centres.

In another area, Alter Way's research and development initiatives in 2018 were highly ambitious. Firstly, it finalised its metrology and microservice billing project, Wolphin 2.0, financed under the FUI 22, which sees Alter Way team up with four industrial and academic partners.

The Wolphin project continues on a European scale with Nokia Bell Labs and Engineering Group, funded by the EIT to allow for its industrialisation and the coverage of a new use case, the metrology of 5G services. This project strengthens the Company's positioning on the DevOps market.

Finally, as an example of its positioning in machine learning, Alter Way released several extensions that implement artificial intelligence engines to automate the workflows of its support teams and to anticipate *infrastructure incidents* (predictive maintenance).

For some of its business, the Group is entitled to a research tax credit (*Crédit d'Impôt Recherche*) in France. As a result, it is able to forge ahead with bold medium- and long-term projects that will offer a significant advantage in terms of enabling the Group to differentiate its technological offering.

8. Principal investments

In addition to developing new products and software tools, and recruiting new sales staff and engineers, Econocom Group carries out external growth transactions in order to acquire specific skills, accelerate its growth and increase its profitability.

The Group's main investments over the last three years are described below.

8.1. 2016

In 2016, Econocom focused its acquisition strategy on SMEs operating in high-growth markets. The five deals carried out in 2016 are as follows:

- in January 2016, the Group acquired a 60% controlling interest in Cineolia. Cineolia provides digital services to hospital patients in France through multimedia equipment (connected televisions, telephones, tablets, etc.). It reported revenue of €2.1 million in 2016;
- in January 2016, the Group also acquired a majority 66.7% interest in Caverin. This Spanish multimedia distribution company posted revenue of €18.8 million in 2016. The acquisition of Caverin enabled Econocom to successfully launch its Products & Solutions business in Spain, and to offer its Spanish customers a comprehensive range of services, as it does in France, Benelux and Italy;
- in July 2016, the Group took control of Asystel Italia, a Milan-based service company, acquiring 51% of its capital. This acquisition enabled it to strengthen its services activities and to deploy its multi-business model in Italy. Asystel Italia posted full-year revenue of €29.9 million;
- in July 2016, the Group also took control (81.3%) of MCNext, a consulting and computer engineering group based in France, specialising in software solutions and development tools using Microsoft technology. MCNext posted full-year revenue of €17.2 million in 2016. The alliance between MCNext and Infeeny, an entity specialising in Cloud-based and mobile solutions created by Econocom in January 2016, makes the Group one of the top three players in Microsoft technology services in France;
- lastly, in October 2016, through its subsidiary Digital Dimension, the Group acquired a controlling interest in Gigigo group, based in Spain, Mexico and Brazil, specialising in the development of marketing and mobile promotion solutions (B2C). Digital Dimension owns a 70% interest in Gigigo, or 35.07% for Econocom Group. This acquisition strengthens the Services business in Spain, Mexico and Brazil. Gigigo posted full-year revenue of €7.2 million.

In terms of changes in ownership interest, Econocom Group acquired an additional tranche of shares in Rayonnance group in 2016, increasing its stake from 35.07% to 42.58%.

Econocom Brazil increased its capital for the benefit of its managers. The Group's interest in Econocom Brazil and its subsidiary Syrix stood at 56.87% at end-2016, compared with 61.25% in 2015.

Exaprobe also increased its capital for the benefit of its managers. As a result, the Group's interest in Exaprobe was 90% in 2016, compared with 100% in 2015.

OTHER INTERESTS ACQUIRED AND INVESTMENTS

As part of its strategy of keeping abreast of developments in the digital world and fostering corporate social responsibility (CSR), the Group invested in two start-ups operating in the fields of education and culture. Its aim is to play an active role in the transformation of learning, but also to promote entrepreneurship. In February 2016, Econocom acquired a 10.82% stake in Magic Makers. Magic Makers is a fledgling French start-up created by Claude Terosier in June 2014 and incubated at Paris Pionnières. Specialising in the teaching of programming, it is the first school in France to offer creative programming workshops for children.

In May 2016, Econocom also acquired an additional stake in Histovery, raising its interest to 9.59%. Histovery designs, produces and operates solutions for the enhancement of cultural sites and museum collections through new technologies and augmented reality. This investment will allow Econocom to take part in the development of this new way of experiencing culture.

Aside from the acquisitions and interests described above, the main investments made by the Group in 2016 were for fitting out new office buildings in Lyon, Paris and Brussels in order to group together and optimise the various premises, and to offer its teams an even more favourable working environment for exchange and innovation. The Group also invested in IT hardware and solutions designed to enhance staff performance, improve sales offerings and their delivery, and to develop innovative solutions for the Group's customers.

In its IT projects, the Group continued to harmonise its tools with a view to constantly improving its efficiency and productivity. Noteworthy projects include the deployment of SAP in all activities and countries – a project launched in 2014 and successfully completed in early 2016 – and the introduction of a single payroll tool for all entities in France.

8.2. 2017

The deals carried out in 2017 are as follows:

- **Products & Solutions**

In April 2017, the Group acquired 100% of BIS, a multimedia solutions integrator operating under Dutch law and comprising four companies (three in the Netherlands and one in Belgium). This deal enabled Econocom to bolster its position in the buoyant multimedia segment (digital signage, videoconferencing rooms, smart buildings, etc.) and to roll out its entire offering by developing new cross-functional solutions in the Benelux countries. BIS employs over 220 people and reported revenue of €55 million in 2017.

In October 2017, the Group also acquired 80% of Energy Net, a B2B integrator and reseller of Apple solutions, with which it was already a partner. Thanks to the expected synergies with the Technology Management & Financing business, this acquisition will facilitate the launch of innovative solutions on the German market, combining hardware, applications and services, charged as a fee. Energy Net reported revenue of more than €55 million in 2017;

- **Services**

Through its Alter Way Satellite, Econocom acquired 100% of LP Digital Agency, a French specialist in digital strategy consulting for major companies, at the end of April 2017. LP Digital Agency reported revenue of €1.8 million in 2017.

At end-July, in the United Kingdom, Econocom acquired 85% of Jade Solutions, a specialist in crowd WiFi and professional mobility solutions for major companies, particularly in the retail and logistics fields. Jade Solutions reported revenue of more than €13 million in 2017.

Lastly, Exaprobe, an Econocom Group Satellite, acquired 51% of Aciernet, a French network and security solutions integrator with specific expertise in large data centres. As a Cisco Gold partner, the company has very complementary expertise to the Group's. Aciernet reported revenue of over €183 million in 2017, and is experiencing robust growth driven by the strong momentum of its main customers and its international rollout, particularly in North America;

- **Changes in ownership interest**

Econocom acquired all of the shares held by Georges Croix, a minority shareholder of Digital Dimension, bringing its stake to 100% from 1 October 2017. In the first quarter, Econocom acquired a further 20% of Helis' capital, bringing its stake in this Satellite to 65%. In the first quarter, Econocom acquired a further 35.58% of Econocom Brazil's capital, bringing its stake to 92.85%.

OTHER INTERESTS ACQUIRED AND INVESTMENTS

In early May 2017, Econocom acquired a minority stake (40%) in the capital of JTRS, a digital solutions integrator in the education sector in the United Kingdom. JTRS is a leading partner of Apple and Google Education in Britain.

8.3. 2018

In 2018, the deals carried out are as follows:

- **Acquisitions in "Services"**

During the first quarter of 2018, the Group acquired two companies to reinforce its know-how in digital transformation and continue its strategy to develop in value added services.

The Group acquired a 60% stake in Spanish company Altabox, a specialist in digital marketing services, in order to enrich the customer experience at points of sale. The company's innovative offering includes the design and deployment of digital signage, sensory and auditory marketing, and traffic and data analytics. This acquisition offers numerous opportunities for synergies with the group's other skills in the Retail sector, particularly those of the Caverin, Gigigo, Rayonnance, or Jade Solutions Satellites. With a strong portfolio of Spanish customers, the company achieved a turnover of €9 million in 2017.

Furthermore, Econocom acquired 100% of BDF, an Italian company specialising in managed services in the Banking & Insurance sector. BDF reported revenue of €44 million in 2017.

In October 2018, the Group acquired, through Helis SAS, all of the shares of Upstream and its subsidiary Simstream, a specialist in engineering and integration services related to audio and video streaming. BDF reported revenue of €4.5 million in 2017.

In October 2018, the Group acquired 100% of Osones through Alter Way, a specialist in private Cloud solutions, infrastructure as a service and container orchestration systems. The company reported revenue of €1.5 million in 2017.

OTHER INTERESTS ACQUIRED AND INVESTMENTS

Aciernet: *via* its 90%-owned subsidiary Exaprobe, the Group signed an agreement with the minority shareholders in July 2018 providing for purchase of the remaining equity interest at a fixed price. The participation rate thus increased to 100% for Exaprobe, *i.e.* 90% at the level of Econocom.

ASP Server: the Group acquired a non-controlling interest (20%) in October 2018, thereby increasing its stake to 100%.

Econocom Brazil: in the fourth quarter of 2018, Econocom acquired the outstanding shares from the minority shareholder (*i.e.* 7.15% of the share capital) thus increasing its stake to 100%.

Caverin: Econocom Group SE acquired all the non-controlling interests (33.34% of the capital).

9. Additional information

9.1. Legal and arbitration proceedings

Governmental, legal or arbitration proceedings against the Group, pending or threatened, are subject to provisions established in accordance with IAS 37, taking into account all available relevant information on such proceedings.

The total consolidated amount of provisions for all of the Group's disputes (see Note 16 to the consolidated financial statements) includes all outflows of resources (excluding any possible reimbursements) deemed likely for all types of claims and litigation to which the Group may be party as a result of conducting its business. This amount was increased owing to a commercial dispute which could represent a counterparty risk for the Group.

9.2. Major contracts

In the course of its operations, the Group signs substantial contracts with its customers, suppliers, funders and other partners, some of which are binding for several years. The importance of these parties is outlined in Chapter 4, section 3, “Dependency Risks”.

03

corporate social responsibility

Our approach

CSR stakes and mission

Digital services represent between 6% and 10% of all energy consumption in the world, according to a CNRS study of May 2018. The same study estimates that only 18% of the materials used to manufacture portable computers are recycled in France.

The Econocom Group views these figures as a challenge, after having made the fight against digital waste a major focus of its CSR strategy. How will this be done? Firstly by ensuring the recycling and re-use of computers and terminals. Secondly by designing and deploying truly useful and responsible digital technologies for end users, that contribute to the overall performance and competitiveness of organisations. **Our mission: to provide our customers and their users with effective and responsible digital solutions to generate positive impact.**

This commitment to useful digital is also reflected in the Group's actions in the area of education, through partnerships with education providers or with associations promoting digital technology in schools, in order to better promote digital inclusion.

Finally, CSR cannot be envisaged without an HR strategy and a responsible environmental policy. Econocom's environmental policy activities were recognised this year by WWF, which ranked Econocom among the top companies in green IT in France[1].

The organisation

Econocom's CSR policy involves all Group employees and is implemented by a dedicated organisational structure.

The CSR policy, overseen by Julie Verlingue, Group Executive Director, ensures the operational implementation of the CSR programme by providing technical support to the various participants. It studies the Group's CSR issues and submits improvement plans.

Véronique di Benedetto, VP France, has a representative role for CSR policy on the Board of Directors and other departments.

The CSR Steering Committee comprises 7 directors representing the Group's main functions. It approves the strategic priorities and objectives of the CSR programme and ensures that objectives are met.

CSR Coordinators are part of the operational teams of members of the CSR Steering Committee. They are responsible for implementing action plans that cover their respective scopes.

(1) "WeGreenIT" study launched in 2018 by the Club Green IT with WWF France (see page 109)

Our roadmap

Nurture our excellence through responsible commitment

- Position ourself as a committed employer
- Conduct a demanding environmental policy
- Be an ethical and responsible player

Support the new responsible uses of our customers and users

- Guarantee an extensive and simple user experience, as a service
- Develop our green and responsible digital services offer
- Fight digital waste and promote the circular economy
- Boost responsible innovation in internal and external collaborations

Federate an ecosystem to create shared value

- Support new digital education and training methods
- Become the partner of choice for innovative companies and integrate them into our offers
- Develop our local roots
- Commitment on several societal issues

Actions and highlights

References and standards

- Since 2012, the Econocom Group has joined **the United Nations Global Compact**. Through this membership, Econocom is committed to respecting and promoting the ten principles of the Global Compact. These principles concern: human rights, labour law, the environment and the fight against corruption.
- Econocom was honoured with the **Ecovadis** Silver medal for its CSR performance.

Labels and certifications

- The scope of the ISO 9001 certification concerns more than 6,000 employees across nearly 50 sites and covering 8 countries: Belgium, Spain, France, Italy, Luxembourg, Morocco, the UK and the Netherlands.
- ISO 27001 certifications are managed locally in France, Spain, Italy and Morocco.
- Econocom uses the ISO 26000 standard to ensure compliance with the guidelines in terms of social responsibility.

Commitments to the SDG (Sustainable Development Goals)

Econocom recognises the urgency for private and public sector players to converge together towards the 17 Sustainable Development Goals identified by the United Nations. As part of its commitment to the SDGs, Econocom has identified goals that fall under a priority commitment, active contribution, or participation. 11 goals have been identified and integrated into our CSR policy.

Priority commitments:

- goal no. 12:
  responsible consumption and production;
- goal no. 9:
  innovation and infrastructure;
- goal no. 4:
  access to quality education;
- goal no. 10:
  reduced inequalities;
- goal no. 17:
  partnerships for global goals.

Active contribution:

- goal no. 13:
  fight against climate change;
- goal no. 5:
  gender equality;
- goal no. 8:
  access to decent jobs.

Equity interests:

- goal no. 3:
  access to health;
- goal no. 11:
  sustainable cities and communities;
- goal no. 7:
  use of renewable energies.

1. Nurture our excellence through responsible commitment

Econocom's CSR strategy begins by applying good rules and good practices within the Group, firstly through an HR policy focused on developing employee satisfaction, and then through its demanding environmental policy, and finally, by establishing itself as an ethetical and responsible player.

1.1. Position ourself as a committed employer

Through its hiring policy, professional development plans, after-work social events, health programmes and employee satisfaction surveys, Econocom has committed to making its employees the driving force behind corporate social responsibility (CSR) and the Group's top ambassadors.

At 31 December 2018, Econocom had 10,812 employees, with nearly 83% in Services.

Breakdown of workforce by business

	31 December 2018	31 December 2017
Technology Management & Financing	634	639
Services	8,146	8,145
Digital Dimension	747	706
Services + Digital Dimension	8,891	8,851
Products & Solutions	441	394
Holding and support functions	728	757
Total employees	10,694	10,641
Sales agents	118	119
Total	**10,812**	**10,760**

Breakdown of workforce by geographical area

	31 December 2018	31 December 2017
France	7,444	7,643
Benelux	740	749
Southern Europe	2,001	1,706
Northern & Eastern Europe/Americas	628	662
Total	**10,812**	**10,760**

Econocom's Human Resources policy is designed to attract and retain talent, both essential contributors to the Group's long-term performance.

1.1.1. HIRING AND ONBOARDING POLICY

Talent acquisition

The Group wants every employee to be able to grow in an exciting and rewarding work environment, by carrying out diversified and meaningful assignements. This begins with putting the right skills in the right places, by managing hiring and mobility.

Econocom has defined three priority areas of action to meet the expectations of both current and future employees:

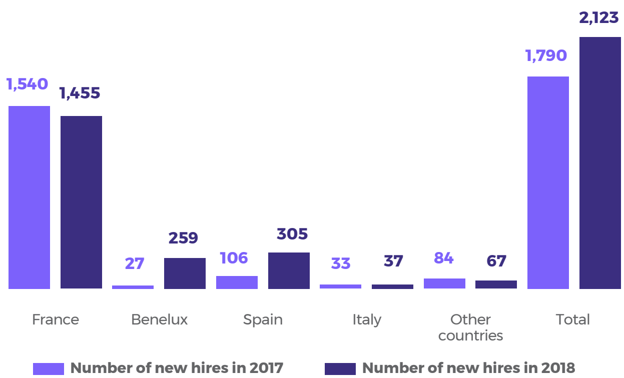
- increase presence on social media. These platforms give applicants and employees the opportunity to interact, and primarily target younger generations (57% of new hires at Econocom are under 30);
- make good use of Group employees' networks to hire people with more targeted profiles who embrace Econocom's corporate culture;
- promote internal employee mobility.

As part of this drive, the Career & Ambassador Programme (CAP) has been launched on an innovative gamified mobile app, providing a single interface for employees to:

- refer potential candidates using the Group's website or mobile app;
- manage their career with a short procedure for applying to the Group's job offers;
- share Group information on social media.

In 2018, the Group hired 1,455 people in France (including 1,112 on permanent contracts, 178 on temporary contracts, 103 work-study contracts and 62 on internships), and 2,123 people worldwide.

Number of new hires by region in 2018



Talent integration

New hires benefit from a personalised onboarding programme aiming to introduce fellow team members, gain a better understanding of the company's organisational structure and learn more about the business activity of their department.

To round out the programme, new hires also take part in a nation-wide onboarding seminar known as the Welcome Day, where they are introduced to Econocom's organisation and businesses. These Welcome Day seminars are extremely popular, with a 100% satisfaction rate with participants.

Employees working at customer sites, on the other hand, attend Welcome Dates. Organised every quarter depending on the region, Welcome Dates allow them to discover the organisation and working of their local branch office and local stakeholders, as well as about national communication tools and the Group's career development programmes.

1.1.2. PROFESSIONAL DEVELOPMENT

Training

Econocom Group supports the career development of its employees by providing a wide range of training options.

The Group's training programme offers three main types of courses:

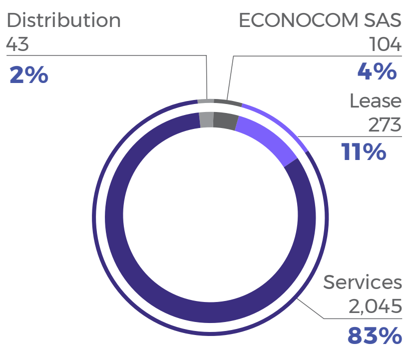
- Learn'up: the digital learning platform accessible to all;
- the Econocom Management Academy aimed at managers;
- training actions that meet the specific needs of the Group's businesses and activities.

To meet the training requests of all employees and encourage them to engage in self-training, Econocom draws on the wealth of opportunities available through digital technology, and has redesigned its distance training offer. In 2018, a total of 8,000 training modules were available, with regular updates throughout the year. MOOCs are also offered throughout the year, particularly on subjects relating to the digital transformation of the Group's businesses (see following point on the internal digital transformation).

The Econocom Management Academy was set up to develop managerial skills. Its training courses help managers prepare for the digital transformation and the collaborative, cross-disciplinary practices that come with it.

Econocom believes that training is a key factor in both employees' professional advancement and the Group's success. In France, 80,000 hours of training were provided in 2018.

Number of employees trained by business in France in 2018



Internal digital transformation

Econocom has introduced a **digital acculturation training programme** called the "digital passport". The goal is to improve employees' knowledge and awareness of the impact of digital technology on their business, and help them learn to use the new tools available to them so that digital solutions can be a true source of professional development. In 2017, almost 500 employees in France signed up on a voluntary basis to obtain the digital passport.

Digital transformation also involves adapting workspaces. To this end, Econocom has redesigned the layout of its offices to create spaces where people can come together to share ideas under the watchwords of co-creation and collaboration. The Group's different sites are equipped with digital solutions, such as displays in walkways to enable staff to perform quick tasks (reserve a meeting room, find their way around, check available offices, etc.) and web conferencing solutions that can be used either from a meeting room or a work device, such as a computer, tablet, smartphone, etc.

At the end of 2017, ten sites were designed or redesigned to meet the Group's standards for collaboration and digital solutions. Nearly 3,000 employees benefit from working conditions adapted to changes in their business and work methods.

A "Digital Bar" has been set up at the Group's main site, and the concept will gradually be rolled out at its other major sites. These physical spaces provide a forum for employees and users to get answers to their questions about digital tools, along with personalised guidance. Technical assistance is also available to help employees and users solve IT and digital issues.

In early 2018, a new in-house tool called OneLink was launched to standardise the Group's digital practices and resources. OneLink combines all IT solutions and digital communication systems (intranet, Microsoft Office 365, newsletter, social media, CRM, HRIS, etc.) so that employees can access all information, documents and company news on a single platform. It will eventually replace the current in-house social media.

Career management

Career management and professional development of employees are prime concerns at Econocom and part of a structured process to target specific initiatives for different employee profiles.

Econocom's Talent Reviews feature top management from each business line, the Career & Development team and the operational HR team to discuss the business challenges and human resources needs within their scope. These reviews are conducted to prioritise development actions based on employee category and to ensure that HR programmes are in line with the requirements and expectations of each business line and with employee aspirations.

In 2017 and 2018, for example, Econocom developed an in-house coaching programme to support staff in their personal development in areas such as public speaking, posture, delegating and managing priorities.

1.1.3. EMPLOYEE SATISFACTION

Econocom operates in a highly competitive market and is confronted with labour issues inherent to the digital sector, including high turnover and downtime between contracts.

Share Engagement programme

Launched in 2011 in France, Econocom's Share Engagement programme aims to enhance work-life balance and improve well-being in the workplace. The programme is based on four key focuses: Easy Life, Flexi'work, Share Solidarity and We Care We Cure.

Easy Life: facilitate your day-to-day life

Improving employee well-being in the workplace means providing a variety of services and innovative programmes to support employees and make their day-to-day lives easier.

Flexi'work: adapt your organisation

Achieving harmonious work-life balance is key to improving employee well-being. Econocom is sensitive to the well-being of its employees and therefore offers teleworking, and more broadly mobile working, and part-time work programmes.

Share solidarity: support a community cause

The Engaged, now! programme was launched in 2016. The purpose was to promote charity work performed by employees in their own time. Employees can therefore submit an application to support a charitable organisation for which they volunteer. The organisation will then receive a financial contribution from Econocom to support its development. The organisation's charitable purpose must also be in line with the Group's CSR strategy.

Fourteen organisations have received support over the past three years. The programme has been a huge success and lets employees draw attention to the action taken by their organisation and recruit potential volunteers.

We Care We Cure: protect your health

In 2017, Econocom launched its employee health programme in France, We Care We Cure. This programme takes action in two key areas:

1. prevention (awareness, screening, preventive action) is the first step towards improving employee health;

2. the Group also provides day-to-day support for employees in treating illnesses.

Happy Life @ Econocom

In 2015, Econocom launched the Happy Dej and Happy Cheers initiatives at its sites in France.

Econocom organises a Happy Dej every year on the biggest sites of France, and a National Afterwork which brings together all the 10 cities concerned. These events allow employees to meet in a friendly and relaxed atmosphere by participating in the various activities offered.

Sports is also a vector for sharing and offering mutual support. That is why the Group holds sports challenges for its employees every year. Since 2016, about 100 runners from across all Group businesses, regions and countries have got together to run in high-profile races, such as the Trail de Porquerolles, Paris marathon, Médoc marathon, Porto marathon and, more recently, the 32-kilometre Run & Bike race through the Gorges du Verdon.

Ten projects to improve employee satisfaction

In 2018, following the results of the employee satisfaction survey conducted in 2017, ten work projects were initiated. The objective is to implement concrete proposals made by the employees as part of the survey carried out last year.

The management of the ten projects is ensured by a collaboration between operations and HR. Though it is still too early to draw conclusions - the first actions were undertaken at the end of the year -, the project has important ambitions. The challenge is to make progress in employee satisfaction over the long term, by involving employees and by starting a virtuous continuous improvement process: measurement, analysis and communication, while deepening results and monitoring actions.

The continuous improvement of employee satisfaction is a major strategic objective for Econocom: indeed, satisfied employees lead to satisfied customers - the impact on the company's performance is real.

1.1.4. DIVERSITY POLICY

Diversity contributes to openness and collective performance. Econocom has always based recruitment, partnerships and career development on the skills of each individual, and condemns any form of discrimination.

Gender parity

Econocom closely monitors gender parity within its workforce and encourages women to join this highly male-dominated industry via, for example, recruitment or engagements in favour of gender equality, especially in the digital sector (see page 114 for the actions of the Femmes@Numérique Foundation).

The Group ensures that fair treatment is applied in terms of representation and promotion to strengthen the balance between men and women.

Econocom is particularly attentive to ensuring that men and women enjoy the same career opportunities, especially in access to training, professional development and management positions.

Progress in gender parity cannot be made without raising the awareness of management and involving men in the process.

The Group has increased the number of women on its Board of Directors. In 2017, three out of the four new directors appointed were women.

One-third of the members of the Board of Directors are now women, in line with the Group's target.

Equality between men and women: 88/100 for Osiatis France

In application of the decree of 8 January 2019, Econocom Osiatis France obtains an index of 88 out of 100 points. This index is based on five indicators:

1. gap in compensation between women and men;

2. gap in rates of individual salary increases between women and men;

3. gap in promotion rates between women and men;

4. percentage of employees returning from paid maternity leave who receive a salary increase upon their return;

5. number of the least represented gender among the ten highest paid employees.

Gender breakdown in France in 2018 (excluding Satellites)

France	Holding and support functions	Products & Solutions	Services	Technology Management & Financing	Total
Women	33	50	382	66	531
Men	12	37	2,362	20	2,431
Total Non-managers	**45**	**87**	**2,744**	**86**	**2,962**
Women	122	51	394	91	658
Men	96	55	1,941	97	2,189
Total Managers	**218**	**106**	**2,335**	**188**	**2,847**
Total	**263**	**193**	**5,079**	**274**	**5,809**

Anti-discrimination policy

Professional integration of young people

For its Services business in France, Econocom clearly encourages hiring young graduates and final-year students on work-study programmes. Econocom plays an important role in training by supporting young workers every year in internships and work-study programmes. These undergraduate and master's-level training programmes are monitored by tutors in technical and functional jobs.

As Econocom's Services business has the highest recruitment needs, it has established special partnerships with more than 40 schools.

Econocom has also partnered with "**Un Stage Et Après**" since 2015. This organisation supports young people in building their career by enabling them to explore the working world as early as possible, to develop their drive to learn and to prevent drop-outs.

As part of this commitment to opening the business world to young people, several years ago Econocom formed a partnership with ***Journée Nationale des Jeunes*** (JNDJ). Once a year, the Group opens its doors to middle and secondary school students from underprivileged backgrounds so that they can learn more about the business world and the solutions the Group provides for its customers.

The Group works to get its employees involved in its diversity policy and strongly encourages them to participate in local awareness and integration initiatives. Through the Group's partnership with the organisation "**100,000 Entrepreneurs**" (see page 114) and its network of partner establishments, several managers speak at secondary schools all over France to give students greater insight into entrepreneurship, intrapreneurship and the business world in general.

See also page 113 on the partnerships with the **Fondation Croissance Responsable and the Double Horizon association**

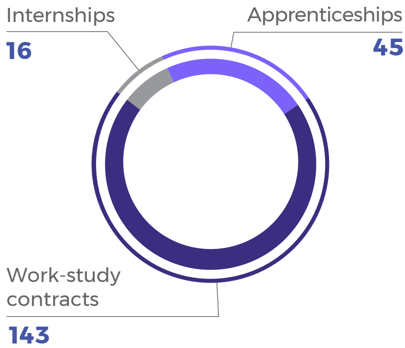
Combining the integration of young people with the retention of older workers

Taking its policy to support the professional integration of young people a step further, Econocom signed a generation contract for its different subsidiaries in France. This contract has three main goals:

- facilitate the long-term integration of young people into the workforce by providing access to a permanent work contract;
- encourage hiring senior workers and keeping them in the workforce;
- ensure the transfer of skills and expertise.

This agreement also aims to create synergies among the different generations of employees that make up the organisation and bring their expertise, a source of strength and innovative force. For this reason, the generation contract not only supports younger and older workers but also the generations in between, by giving them a key role in working with young people, transferring skills and training.

Breakdown of apprenticeships, internships and work-study contracts in France in 2018



Supporting employees aged over 45

Employees in France aged 45 and over can organise a career development meeting to discuss their situation and professional development plans. They are also given the option of having a skills assessment performed by an authorised independent organisation. In addition, these employees enjoy priority access to training programmes and support from the Human Resources Department to guide them through their internal mobility project.

Employees aged over 55 also benefit from additional measures. They are granted one paid day of absence every two years to have a health check-up. They can also opt for flexible working time arrangements such as part-time work, adjusted hours and teleworking. In addition, the Group gives them the opportunity to pass on their expertise in a tutoring programme involving younger Econocom employees.

People with disabilities

Econocom has committed to a proactive approach to supporting people with disabilities. After the partnership agreement signed in 2014 with the *Association pour la Gestion du Fonds pour l'Insertion Professionnelle des Personnes Handicapées* (AGEFIPH), Econocom has reached a new level by signing an agreement in 2018 covering all of the Group's activities in France.

With this agreement, Econocom is committed to increasing its employment rate for people with disabilities by the end of 2020, by implementing an employment policy which aims to meet four major objectives:

- recruit, train and integrate people with disabilities;
- keep disabled employees engaged through appropriate career management and improvement in working conditions;
- raise disability awareness among all internal players and employees of Econocom;
- develop subcontracting with institutions in the protected environment.

The ***Mission Handicap*** is very committed internally to raise awareness among all employees to disability, especially during the European Week for the Employment of Disabled People (SEEPH) and in the context of management training and recruitment teams.

It is also present at recruiting fairs and school forums and participates in the *Commission Handicap* du Syntec Numérique.

Additionally, Econocom has introduced several awareness initiatives aimed at all staff members, such as e-learning modules showing real-life situations of people with disabilities in the workplace, and a special intranet site.

Lastly, Econocom continues its involvement alongside 11 leaders in the digital industry (Accenture, Akka, Altran, Assystem, Atos, Capgemini, CGI, GFI, Open, Orange and Sopra-Stéria) as part of the disability and digital collective ***Handicap et Numérique*** founded in 2010 under the aegis of Syntec Numérique. This organisation is involved in managing www.handi-numérique.com. Created in 2014, it is the first website devoted entirely to jobs in digital technology and designed specifically for people with disabilities. Handi-numerique.com provides information about jobs in the industry and specialised training.

For the past three years, the Group has also offered internships for people with disabilities undergoing a career change.

Employees excluded from the business world

See box page 110 on the partnership with the ATD Quart Monde movement.

1.2. Conduct a demanding environmental policy

In 2015, Econocom expressed its commitment to reducing its CO_2 emissions by 20% across a limited scope. This initial target enabled the Group to more clearly define its goals to reduce CO_2 emissions over a wider scope for its new strategic plan launched in 2018.

Econocom has commissioned greenhouse gas emission audits for its businesses since 2012. Based on these audits, the Group has identified the breakdown of its CO_2 emissions and its main emission factors.

According to the audits, the Group's main emission factors are its vehicles and the energy consumption of its buildings. Econocom has decided to concentrate these actions on two emission sources. It also took actions to reduce the energy consumption of its IT system.

1.2.1. OPTIMISING THE ENERGY CONSUMPTION OF OUR BUILDINGS AND INFRASTRUCTURES

In 2018, greenhouse gas emissions from the energy consumption of buildings in France totalled 1,035 tonnes of CO_2. The Group has therefore chosen to carry out specific action on controlling its consumption. Energy audits were conducted at the Group's eight largest sites, which led to a better understanding and analysis of how energy is used within the organisation. Following this audit phase, Econocom decided to implement a solution to monitor energy consumption at the most energy-consuming sites. The first test site at Villeurbanne was equipped with the solution in October 2017, and data on lighting, heating and air conditioning and other items was collected and analysed.

Thanks to the savings generated, it was possible to carry out a large relamping project on the Villeurbanne site. In addition, 3 new sites were deployed in 2018 for monitoring (Clichy, Noisy and Aix) with the same guidelines as those in Villeurbanne. The Group also plans to extend monitoring to other sites in 2019.

1.2.2. ANALYSIS AND CONTROL OF CONSUMPTION OF THE INFORMATION SYSTEM WITH WATT'S GREEN

Since 2017, the Group has analysed the energy consumption of its information system with Watt's Green.

Watt's Green was developed by Econocom to measure the energy performance of its IT system and provide an overview of power consumption and energy performance that can serve as a basis to launch or improve a reduction plan.

In order to analyse our information system, data related to datacenters, workstations, mobile equipment and meeting rooms were inventoried and then integrated into the Watt's Green solution. Four key energy and environmental indicators emerged:

- annual electricity consumption;
- the weight of emissions in CO_2 equivalent;
- the annual cost of electricity consumed;
- the WEEE (Waste Electrical and Electronic Equipment) weight of the global fleet.

Drawing on these findings, an action plan was adopted, and the following improvement measures were taken to reduce energy consumption, for example:

- optimise the energy efficiency of data centres;
- rationalise existing server infrastructure;
- replace IT equipment with low-energy models;
- implement a monitoring tool and control workstations;
- raise employee awareness to improve behaviour and use patterns.

Thus, these good Green IT practices allow Econocom to improve its digital carbon footprint and record a major reduction in its CO_2 emissions (see box page 101). In 2018, Econocom was close to the average observed in France with an optimised IT organisation thanks to the implementation and monitoring of a Green IT strategy.

Significantly reduce energy consumption with Watt's Green

Thanks to its Watt's Green energy performance measurement tool, Econocom has significantly reduced the energy consumption of its equipment and infrastructure:

- energy consumption linked to the infrastructure equipment was **reduced by 40%.** These results are explained particularly by the closure of the Vélizy datacenter, by streamlining and virtualising servers;
- energy consumption linked to employee equipment was **reduced by 18%** in 2018. This result is mainly due to the replacement of land lines with cell phones (models best classified as regards energy efficiency) and the non-renewal of fixed telephony among others.

The indicator used to monitor the Group's evolution is the annual Kw/h per user

In 2018, WWF recognised Econocom as one of the top French companies in Green IT (see page 109)

1.2.3. RETHINKING TRAVEL TO REDUCE EMISSIONS

The vehicle fleet is the Group's largest source of CO_2 emissions. The Group's target is to keep average emissions at less than 110 grams of CO_2/km for all types of vehicles. Econocom has also incorporated electric vehicles into its fleet. Employees in the Paris region and Villeurbanne can reserve electric vehicles that they can use for short-distance business travel, especially between sites.

With all these initiatives, the Group has reduced the CO_2 emissions produced by its vehicle fleet for an average level of 99 g CO_2/km in 2018, which is equal to 3,600 tonnes of CO_2 emissions for the entire fleet.

Given the introduction of the new standard WLTP (Worldwide Harmonized Light Vehicles Test Procedures) to measure fuel consumption, electrical autonomy and CO_2 emissions – more realistically – and pollutants, the impact on the average level of CO_2 emission will increase by an average 35% with an equivalent model.

Econocom will have to revise its vehicle grid accordingly in order to optimise its carbon footprint in the short term.

1.2.4. THE USEFUL LIFE OF OUR EQUIPMENT AND THOSE OF OUR CUSTOMERS

As part of its Technology Management Financing business (TMF), Econocom manages the return of its used electrical and electronic equipment (EEE). The Group records 500,000 product returns a year, half of which are specifically in France. Econocom encourages the reuse of all its products to limit the environmental impact caused by scrapping or incinerating, as for example, some components contain heavy metals. This approach supports the social and solidarity economy and is in line with regulations on disability and waste electrical and electronic equipment (WEEE).

1.2.5. TREATMENT AND RECYCLING

The recycling of electronic equipment is paramount in the Group's business. A programme to facilitate end-of-life management of IT products (WEEE) was developed by Econocom. Regarding our service activities, all returned products and parts are subject to an audit to determine whether they should be recycled. The recycling of the equipment concerned is done by our partner approved by the State for the treatment and recycling of household and professional WEEE (Ecological) for revaluation and in compliance with the WEEE regulations.

As part of the sustainable development policy, Econocom calls on "Ateliers Sans Frontières", a member of the ARES group, and ATF Gaia, an adapted company and subsidiary of the ATF group, to improve the reuse and repackaging of its waste electrical and electronic equipment (WEEE).

Partnership with ATF Gaia

ATF Gaia gives businesses the means to be part of a more inclusive economy. On the one hand, by accompanying them in their compliance for the management of WEEE and on the other hand by allowing them to contribute more directly to the integration of people with disabilities through work. By sorting as closely as possible to the collection points in its approved centers, ATF considerably limits unnecessary transport, optimising the carbon footprint as soon as the equipment is taken over. After recovery, sorting and survey, the equipment items are directed to the ATF repackaging centres or to the nearest dismantling and destruction sites.

The Company also deletes data and preserves the anonymity of the equipment by performing a certified deletion of the data, thus reducing the risks related to data security and guaranteeing compliance with the GDPR. ATF also provides Econocom a complete report, from the collection to the issue of the destruction certificate in compliance with the WEEE directive.

Partnership with "Ateliers Sans Frontières"

Since 2012, Econocom also collaborates with Ateliers Sans Frontières, an entity of the Ares group specialising in the management of WEEE (Waste Electrical and Electronic Equipment) for reuse and recycling around survey, audit, test, certified data erasure, joint mastering and dismantling tasks on our fleet of computers upon return from lease. Our goal is to give priority to a new usage cycle to the largest possible number of products by repackaging them.

Ateliers Sans Frontières (ASF) is an integration project created in 2003, which welcomes over 110 young and vulnerable young people a year, to help them build their life project, regain their dignity and bring them to a stable personal and professional situation. ASF promotes integration through solidarity activities with a strong social or environmental impact (recycling, circular economy, donation of upgraded equipment) that give meaning to the work done by employees and help motivate them.

In 2017, ASF became one of our major partners, to whom we entrust approximately 30% of our French volumes to be treated. We have also expanded the fields of services and now entrust them with the preparation of computer donations as part of our CSR policy.

Finally, in 2017 and 2018, Econocom and Enedis signed a partnership agreement with ASF. By refurbishing 50 computers, Enedis and Econocom invest in the circular economy and bring new life to their computers by legally fighting against the digital divide and exclusion. These devices have allowed to equip associations and local structures of the Plaine Commune of Seine-Saint-Denis.

1.3. Be an ethical and responsible player

1.3.1. ETHICS AND COMPLIANCE

Econocom has set out to unite all of its employees in support of an Ethics Charter, which lays down the daily applies and behaviour to embody its values.

In 2013, the Group adopted its Ethics Charter, drawn up in collaboration with the trade unions and based on the fundamental conventions of the International Labour Organization (ILO) and the principles of the United Nations Global Compact. The principles enshrined in this Charter are intangible signposts set out to guide the actions of all Group employees. Employees must be aware of and uphold its principles of integrity, respect, compliance, leadership, fairness and accountability.

The Group's Ethics Charter is available in six languages and has been explained to all managers, who are in charge of communicating the Charter's principles to their teams.

The Ethics Charter is available on the Econocom website:

https://ec-c.s3-eu-west-1.amazonaws.com

/zoom/charte_ethique_allegee_2.pdf

Econocom carries out its business activities within a strict ethical framework. The Charter is an integral part of the general governance principles that apply to its business activities as do all applicable laws and regulations.

Anti-corruption

In line with its Ethics Charter and as a member of the United Nations Global Compact (especially the tenth principle of the Global Compact), the Group is actively involved in the fight against corruption.

Econocom has implemented a set of procedures to fight corruption and condemns the use or appropriation of company assets, resources, equipment, data or financial information for personal gain or for unauthorised professional use.

In concrete terms, Econocom conducts audits to ensure that values are applied within its functions potentially concerned by these abuses:

- as a customer: supplier listing, purchasing procedures, etc.;
- as a supplier, Econocom has introduced numerous mechanisms to prevent corrupt transactions:
  - no significant circulation of cash within the company,
  - review of expense sheets by the employee's superior,
  - fees paid to third parties only under business finder agreements. Financial terms (calculation, invoicing, settlement, fee caps) are described in our agreements.

Lastly, the customer gifts account shows an insignificant amount year after year.

Human rights

The Group mainly operates in Western European countries, where labour laws and regulations are stricter than required by human rights standards. The Group has defined its HR standards in line with these regulations and applies them in all other countries where it is active. Econocom's staff is essentially made up of skilled personnel who expect human resources practices to meet the high standards of any European company.

For these reasons, the Group's human rights risks for the most part involve its suppliers and sub-contractors. In keeping with its purchasing practices, Econocom asks its tier-1 suppliers to comply with its own ethical and labour standards. The Group also requires its suppliers to comply with international standards such as the United Nations Global Compact and International Labour Organization fundamental conventions.

1.3.2. RESPONSIBLE PURCHASING

Lasting cooperation between a company and its suppliers contributes to driving performance for all parties. In 2015, Econocom Group decided to structure its responsible purchasing policy to establish trust-based relationships with its suppliers by encouraging them to implement a CSR programme.

As part of this policy, the Group introduced a supplier code of conduct based on the ten principles of the United Nations Global Compact. This code of conduct is systematically sent to all Econocom suppliers to reinforce its responsible purchasing policy.

Tender offers for the top two categories of purchases (mainly outsourced services) now factor in social and/or environmental supplier selection criteria.

Econocom champions the idea that CSR should above all be based on dialogue with its stakeholders and on pooling strengths and resources. That is how the Group and its stakeholders can make the best contribution to sustainable development.

1.3.3. GDPR

Econocom Group's commitments vis-à-vis its employees, customers and partners encourage us to act in an exemplary manner with regard to the protection of personal data. This exemplary nature is fully in line with the digital trust strategy, which is at the heart of the Group's development.

It is in this context that Econocom is committed to a policy of personal data protection (PPDP) since 2018. This policy presents the principles and rules applicable in terms of protection of such data and defines the organisation and commitments made by Econocom and all legal entities belonging to the Econocom Group.

It reflects the commitments made by each entity of the Econocom Group in its daily activities for the responsible use of personal data.

2. Support the new responsible uses of our customers and users

Aware of the challenges related to the environmental impact of digital technology, the Econocom Group is innovating to strengthen the green aspect of its offerings, even creating a specific BU dedicated to energy efficiency. As an expert in digital transformation, the Group does not seek to promote digital technologies just for the sake of digital technologies. By proposing an approach aimed firstly at meeting the needs of users, it contributes to the fight against digital waste.

2.1. Develop our offer of green and responsible products and services

2.1.1. REINFORCE THE GREEN AND RESPONSIBLE DIMENSION IN OUR NEW AND EXISTING OFFERS

Econocom wishes to natively boost the responsible component in 100% of its new offers as well as in its existing offers, with the idea is to create new generation support offers fulfilling new uses (autonomy, user experience, etc.) and the need for cost control requested by the DSI.

Econocom is therefore trying to provide its clients with solutions for transforming the work environment (physical and digital) and associated infrastructure to increase user satisfaction and productivity while reconciling the responsible dimension in its portfolio of offers.

2.1.2. DEVELOPMENT OF THE GREEN&ENERGY BU

Companies and communities face identical environmental challenges: limiting their carbon footprint, reducing and sustainably controlling their energy consumption and securing their energy purchases.

Through its Green & Energy department, Econocom meets these challenges by proposing global solutions ranging from support to the implementation and financing of energy performance projects for enhancing competitiveness and green growth of companies.

These solutions accelerate the energy transition of our customers by enabling them to identify their potential energy savings, prioritise their energy efficiency actions while self-financing all or part of these projects through energy savings and usage generated.

Smart Lighting, an example of a market area in the energy sector

Econocom's financing business provides its customers with the option of rethinking their lighting by introducing a smart lighting system. The Group's financing solution lets customers combine LED and digital technology with an immediate return on investment. The customer can optimise lighting in its buildings to reduce both costs and consumption. Furthermore, the smart lighting system improves visual comfort and enhances the well-being of building occupants.

Watt's Green, a series of solutions to analyse energy consumption and advice to optimise energy expenses

The objective of Watt's Green is:

- to estimate the energy footprint of digital equipment and the building;
- to implement good practices plans;
- to measure the actions implemented to reduce the environmental footprint.

Watt's Green is:

- the only centre of expertise to address 3 key energy consumption environments: digital, datacenter and building;
- 4 packaged solutions of services to manage energy projects:
  - Watt's Green Flash: estimate of IT energy consumption,
  - Watt's Green Dynamic: dynamic management of IT equipment,
  - Watt's Green Datacenter: detailed audit of the energy consumption of the datacentre,
  - Watt's Green Building: analysis of the energy fluids of commercial and residential buildings.

2.2. Fight against digital waste

Econocom wants to offer effective and responsible solutions to generate positive impact for our customers and their users, without promoting digital for digital at any cost. As part of this approach of social responsibility, the fight against digital waste is one of the stakes that Econocom has set for itself. Our MarS (Master All Resources) offer launched in 2018 is an illustration, as is the work done as part of the Green IT project with WWF.

2.2.1. MARS, A BIG DATA OFFER TO BETTER UNDERSTAND DIGITAL USAGES WHILE IMPROVING SATISFACTION OF EMPLOYEES

Today, corporate employees are increasingly demanding: they want to work with tools that provide an experience similar to the one that they experience in the private sphere. The digital solutions and equipment proposed by the Group Management must be adapted to employees' digital uses, be they confirmed or novice nomadic, sedentary digital users, while ensuring satisfaction and a good allocation of resources. This, according to Econocom is the key to the success of digital transformation.

To support decision-makers in this approach, Econocom developed the MarS (Master all ResourceS) offer.

MarS provides decision-makers with a cockpit incorporating indicators on digital uses of big data and improving the performance of digital transformation. MarS proposes **an indicator for the fight against digital waste**, particularly on the resource allocation dimension. This indicator is used to identify the workstations and application solutions actually used or not used, or underused in the company. This real-time identification of dormant digital resources allows the company to conduct investigations to determine the causes. It can thus quickly set up corrective measures for an effective policy to reallocate resources or for recycling. It also reduces the risks in terms of GDPR while improving its environmental impact.

The advantage of these indicators is therefore twofold: in addition to optimising the cost of the workstation, they make it possible to implement good practices in the fight against digital waste.

The MarS "Fighting against digital waste" indicator: a lever for cost reduction

In 2018, the Econocom Group deployed the MarS cockpit on its sites. The digital waste prevention indicator allows companies to set targets for reducing costs, both for application-related subscriptions and for computer leasing costs. It saves around 30 euros per year and per workstation, without affecting user comfort or work. For large groups, the MarS offer helps significantly reduce costs on IT equipment and applications

2.2.2. ECONOCOM ONE OF THE FRENCH COMPANIES THAT ARE MOST EFFICIENT IN GREEN IT

Econocom continues its actions to reduce its energy footprint, especially around its digital environment. In 2018, the Group particularly participated in the "WeGreenIT" study launched by the Green IT Club avec with WWF France. The Watt's Green team has been commissioned by the CSR and IT Departments to represent the Group in this project.

The aim of the WeGreenIT study is to evaluate the digital environmental footprint and the maturity of large French companies in this area. In March 2018, 24 companies from various sectors (Schneider, SNCF, Société Générale, La Poste, etc.) responded to the call launched in more than 150 French companies to participate in the study.

The results presented publicly in Paris last October allow companies to identify the sources of environmental impacts of their information systems and commit solutions and good practices to reduce them. As big digital consumers, companies have a key role to play in this area, demonstrating their leadership towards a low environmental footprint, interdependent and circular economy.

After several weeks of data collection and replies to questionnaires about its organisation, Econocom received results and obtained a **global maturity indicator of 72%[1].**

This places it among the top rated companies in this study. The main good practices identified by the analysts who gave this rating are:

- the various actions undertaken on its information system;
- mastery of equipment management at the end of the cycle;
- regular evaluation of its energy footprint;
- the definition and monitoring of GreenIT indicators aligned with the company's CSR strategy.

The engagement in this study also allowed the Watt's Green solution to complete the ongoing work it is doing for Econocom, and its other customers, notably through the analysis of the environmental footprint of digital equipment. But also to enrich its own solution with new axes and key GreenIT indicators.

Therefore, Econocom has the double satisfaction of participating in this project, which boosts its Responsible Digital approach.

(1) Average index of study participants: 59%.

2.3. Develop partnerships in a process of active listening to our customers

2.3.1. CUSTOMER PARTNERSHIPS ON MAJOR SUSTAINABLE DEVELOPMENT ISSUES

As part of its plan to involve stakeholders in its CSR strategy, Econocom aims to develop partnerships with its customers to address major social issues. The Group is convinced that this type of action helps form relationships built on trust and mutual respect between customers and suppliers, while bringing a more effective and relevant response to shared sustainable development issues.

Econocom and Schneider Electric are committed to supporting workers excluded from the professional world

In March 2014, Econocom and Schneider Electric signed a joint agreement with the organisation *Travailler et Apprendre Ensemble* (TAE) to support its work to integrate workers excluded from the corporate world. This agreement is based on a community support initiative, which will, in its initial phase, involve contributing computer equipment for refurbishment and resale.

TAE is a pilot project of **Mouvement ATD Quart Monde**, whose main objective is to rethink company organisation using workers who are totally excluded from the labour market. Its original approach is to bring together workers who have experienced extreme poverty and employees who have deliberately chosen to leave their professional position for a certain period, to contribute to building a more community-driven business model. With the firm belief that job security can help people get a fresh start to their professional, family and social life, the organisation's strength lies in systematically offering all its employees a permanent, full-time work contract following their support contracts.

The employees of TAE are therefore tasked with renovating and reselling used equipment based on the needs of the organisation's customers.

2.3.2. GUARANTEE SATISFACTION OF OUR CUSTOMERS

Econocom is convinced that CSR also means listening attentively to customers' needs : this is the conviction of Econocom. In 2018, Econocom launched an extensive survey programme for its customers as part of its "e for excellence" project.

This programme aims to support the Group's efforts towards excellence by listening more closely to the needs of our customers and implementing a means to measure the level of their satisfaction.

A representative sample within each business and country was identified and surveyed in order to highlight the key expectations of our customers.

These analyses were then shared with the businesses to bring out concrete solutions to advance these results and thus ensure a high level of satisfaction.

Key figures of the programme in 2018:

- 400 employees involved in building the methodology and corrective action plans;
- 1,000 customers surveyed in 5 countries;
- more than 70 short and long term actions identified across the Group.

3. Federate an ecosystem to create shared value

The Econocom Group believes in the positive impact of digital technology on lifelong learning. The new teaching and collaboration models introduced through digital technologies are important levers to create shared value and develop digital inclusion. With these convictions, the Group has made education one of the key pillars of its CSR strategy, as much through its partnerships and philanthropic actions as through support for the most innovative edtech start-ups.

3.1. Partnerships in the education and universitysector

3.1.1. COMMITMENT TO EDUCATION

Econocom is committed to promoting digital technology in school curricula in order to fight the digital divide and improve accessibility.

The French government has decided to encourage the use of digital technology in schools to make up for France's lag in the area. Econocom wants to take action in this movement by providing schools with solutions adapted to the needs of students, teachers, parents and public authorities.

Econocom's goal through its commitment to education is to play a role in the transformation of learning, to ingrain a love of learning in students, to encourage new teaching practices and to promote parental involvement in the education of children.

Two priorities have been set to encourage the integration of digital technology in education:

- **equipment:** the world is changing and giving digital technology an increasingly important role in people's professional and personal lives. Students must therefore be prepared to face the challenges of tomorrow. Digital technology must "physically" enter the classroom so that all students can develop skills in using this equipment;
- **support for teachers**: this is a key point, as it will allow teachers to develop new relationships with their students based on the digital solutions available to them. Econocom regularly organises meetings with teachers to identify their needs and expectations in order to bring the right responses.

In 2018, Econocom's investments in education were extended to higher education, through several activities:

- **extension of the ecosystem to edtechs** aimed at higher education and vocational training. The first encouraging POC (Proof Of Concept) were achieved, particularly in the areas of big data and AI;
- **the development of a "Campus" offer**, which includes, in particular, the "Green" offers of the Econocom Group, well adapted especially to a number of renovation and new campus opening projects, in France and abroad;
- **Econocom established a partnership with "Campus Managers",** the first results of which will be published in 2019. Campus Managers is the first French network of French universities and colleges committed to sustainable development. Econocom and Campus Managers share common objectives: facilitate the dissemination and sharing of good sustainable development practices, tools and resources for campuses;

- **the Econocom-ETU21 partnership:** ETU21 develops a range of services designed to support the success of first-year university students. Success in the first year of the Bachelor's degree is crucial for obtaining a university degree where less than 30% of students obtain their degree in 3 years and less than 40% in 4 years. Failures in the first year of the degree lead to high numbers of students dropping-out, which must be curbed;
- **Educapital:** finally, always with the aim of supporting young innovative companies that aspire to reinvent education, Econocom was the first player to invest in Educapital, the leading European venture capital fund dedicated to education and vocational training.
- **Econocom member of Impact IA:** in order to take part in the changes and debates on these issues, Econocom has been a member of Impact Intelligence Artificielle since 2018. Impact IA is a collective focused on reflection and actions with players involved in the area of artificial intelligence. The members share two main objectives: addressing the ethical and societal challenges of AI and supporting innovative and positive projects for the world of tomorrow. Econocom is a stakeholder in the “AI for Good” and Education action groups.

3.1.2. INVESTMENT IN EDUCATIONAL START-UPS

Magic Makers, a start-up specialising in developing and leading coding and creative programming workshops for children

Econocom has acquired a stake in the share capital of Magic Makers, a start-up founded in 2014 to work with experts from the education and digital sectors. It offers three types of workshops: weekly workshops, holiday workshops and events workshops. Magic Makers has developed its own method, which allows children starting at age 6 to learn coding concepts with trained facilitators and innovative tools. Today, more than 1,000 eager children attend Magic Makers coding classes or holiday workshops.

Magic Makers is also active in middle schools with initiatives designed to help struggling students. Coding courses for educators are available, mainly through the Class’Code project supported by INRIA and a number of partners, and backed by the French Investment for the Future programme coordinated by the *Caisse des Dépôts et Consignations*.

Children of Econocom employees are offered discounts for Magic Makers courses through the Group’s Share programme. A demonstration workshop has been held at Econocom’s registered office, with the participation of about 15 children.

Kartable, the first full, free learning and study platform

Three years ago, this start-up opened a platform allowing users to consult programmes, courses and exercises spanning all years of secondary school, free of charge. The idea for Kartable came from a widely shared observation that teenagers and young adults spend more time in front of their screens (computers, tablets and smartphones) than with a book in hand. With that in mind, Kartable set out to break down the barrier of the school textbook by giving young people a tool designed in an area they know and trust, digital technology.

3.1.3. A SOLID PARTNERSHIP WITH "*PASSERELLES NUMÉRIQUES*"

Econocom has been a partner to Passerelles Numériques since 2007. This organisation helps young people from underprivileged backgrounds in Cambodia, Vietnam and the Philippines to receive training and find skilled employment in the ICT sector. Since 2007, 375 students have been supported by the Group on the basis of promotions consisting of 50 students and for a period of 2 years per promotion.

The partnership established with Passerelles Numérique also works in skills sponsorship.

In 2018, four Group employees worked with the organisation to share their skills. Since 2007, 51 missions have been completed by 48 employees, who have volunteered for the organisation, representing over 115 weeks of voluntary work.

3.1.4. SPONSORSHIP PROGRAMMES IN EDUCATION

Joint action with *Fondation Croissance Responsable*

Econocom works with the *Fondation Croissance Responsable* in support of the *Prof en Entreprise* programme. Offered to middle and secondary school teachers in general and technological education, as well as guidance counsellors, the *Prof en Entreprise* programme is coordinated by the Fondation Croissance Responsable in partnership with the French Ministry of National Education through the French Centre for Studies and Research into Partnerships with Companies and Industries (CERPEP). This programme aims to support the professional integration of young people into the job market by improving teachers' knowledge about the reality of working at a company and what jobs entail. This workshop also serves as the starting point for partnerships between the host company, the teacher and the school (*e.g.*, a secondary school student does an internship, the company executive speaks to the class, the students visit the company, etc.). As part of this programme, Econocom regularly opens its doors to teachers so that they can learn more about what it is like to work at a company. Discussions are organised with the different Group functions so that they can better understand the company and how it operates.

Econocom, partner to *Double Horizon*

Econocom is a partner to the organisation *Double Horizon* which supports educational initiatives for 95 disadvantaged people. As part of this action, Econocom invites primary school children to its offices several times a year to introduce them to the business world and the digital solutions it provides for its customers.

In January 2019, Econocom and Microsoft allowed a dozen children, followed by the association in France-Paris, to discover technologies and high-tech spaces. Immersed in the heart of their "immersive class" at the Microsoft offices in Issy-les-Moulineaux, the children were able to enjoy a connected space, designed to welcome CE1 to secondary school students, to prepare them to become the players of a society transformed by the digital technology.

100,000 Entrepreneurs

To build bridges between schools and businesses, and to pass on the entrepreneurial drive to young people, Econocom supports the action of the organisation "100,000 Entrepreneurs".

This public-interest organisation arranges for entrepreneur volunteers to speak at establishments, from secondary schools to university-level institutions.

Led in close collaboration with the French Ministry of National Education and its academic representatives, these talks aim to raise students' awareness about entrepreneurship, provide them with concrete knowledge about the business world and show them the importance of subjects in their curriculum. More than 1,000 students have attended these talks since the beginning of our partnership.

Econocom, a founding member of the Femmes@numérique foundation

Whereas digital is an essential part of our daily lives, women tend to be underrepresented in digital activities: they made up 30% of employees in the 1980s, but only 15% today. To reverse the trend and encourage parity within digital channels, Econocom is one of the founding members of the Femmes@numérique foundation created in 2018. The purpose of this foundation is to finance the actions undertaken by the Femmes@Numérique collective body to enable them to move to the necessary scale throughout the country and to massively raise awareness among the general and private public organisations, public authorities, players in the area of training and education.

3.2. Become the partner of choice for innovative companies and integrate them into our offers

Econocom consistently works in an entrepreneurial spirit and enjoys supporting entrepreneurs, in line with three of its key values: boldness, responsiveness and good faith. Econocom therefore naturally encourages the development of start-ups, and more generally initiatives undertaken around entrepreneurship.

The start-up spirit at the heart of Econocom's organisation, with its "Satellite" SMEs

Econocom Group has put in place an original integration and governance model for some of these new acquisitions (called "satellites") so as to preserve their agility, boost their performance and competitiveness and generate synergies at Group level. The founding shareholders of these satellites have retained a non-controlling interest in the share capital and have a very broad level of managerial autonomy gestion (see page 36).

Ennov, Econocom's platform for innovation partners

Ennov' is Econocom's new platform for innovation partners. This internal tool for the Group's employees contributes to the construction of a single base and a qualified ecosystem of partners with which the various entities of the Group collaborate. Responding to the need for homogenisation, information sharing, methodology and responsiveness, Ennov' facilitates business with higher added value for our customers. In a few clicks, the Econocom employee can share a partner, project and/or look for information.

The Prix des Technologies Numériques

For the past three years, Econocom has partnered with Prix des Technologies Numériques, a digital technology organisation, driven by Télécom Paristech, made up of more than 300 leaders and decision-makers.

For the 2018 awards, the panel of the Prix des Technologies Numériques, including Véronique di Benedetto and other recognised figures from the digital industry, focused on Smart Mobility to spotlight entrepreneurs who have dedicated their talent and creativity to shape the transport and mobility of the future.

French entrepreneurship with Partech

Since joining the seed fund «Partech Entrepreneur in October 2013», Econocom has furthered its collaboration with the fund to support the development of digital entrepreneurship in France.

Open innovation has become a necessary component to support traditional R&D efforts of large companies, while start-ups need to be in contact with large companies to accelerate their business.

As a Corporate Innovation Partner for the fifth year running, among its other roles in this capacity, Econocom leads an annual calendar of business events on innovation with other organisations involved in Partech.

Paris-Saclay Fund

Econocom has invested in the Paris-Saclay Seed Fund, which seeks to support and promote innovation and entrepreneurship within the IT, Internet, digital and life sciences, and MedTech sectors. This new investment gives Econocom a lasting innovative edge in digital technology and changes in society to continue offering its customers the best solutions. Nearly 50 young, high-potential companies will benefit from support over the next three years. This position provides direct contact with tomorrow's talent that could one day be part of Econocom Group.

04

risk factors

1. Operational risks

1.1. Risks associated with services contracts

The Group offers three types of Services contracts:

- fixed-price contracts with a guaranteed result, whereby the Group undertakes to provide certain deliverables for a fixed price, irrespective of the timeframe. This type of contract may include financial penalties in the event of below-expectation performance, calculated according to the value of the contract and usually capped at a certain percentage of the annual amount of the contract. Econocom manages this risk by carrying out technical and financial monitoring of projects (measuring the achievement of contractual objectives, tracking the number of man-days used, estimating the remaining consultant time required, and measuring service quality and lead-time indicators, etc.). This monitoring enables the Group to measure and oversee the achievement of contractual obligations and, where applicable, anticipate any provisions for losses upon contract completion to be recognised in the financial statements. Contracts with a guaranteed result account for almost one-half of the Services business in terms of value;
- fixed-price contracts with service level agreements, whereby the Group undertakes to provide a given service, within a given timeframe, for a fixed price per time unit (usually per month). Econocom manages this risk by carrying out regular technical and financial monitoring of the projects, particularly by tracking the number of man-days spent;
- time-and-materials contracts, whereby the Group undertakes to provide technical skills and charges the client for the number of labour hours spent; Econocom manages these contracts by paying particular attention to the fee schedule and its consultants' fees.

Furthermore, Services contracts carry risks associated with termination notice periods. The Group ensures that this period allows sufficient lead time to adjust the workforce, particularly on large contracts. The Group plans in advance for contract terminations so that it may redeploy its staff and uses a measured level of sub-contracting to ensure flexibility.

1.2. Risk of sub-contractor default

For certain contracts, Econocom has performance obligations and sometimes calls upon the services of sub-contractors. Econocom's policy is to recover any penalties charged from its sub-contractors. Econocom may however be exposed to the risk of sub-contractor default, although no single sub-contractor is substantial enough to account for a material proportion of Econocom's business.

Econocom assesses the financial and operational capacities of its sub-contractors as and when required, and in particular when it uses sub-contractors that are new market entrants.

1.3. Risks associated with price fluctuations and hardware obsolescence

The Group is exposed to the risk of fluctuations in the future value of leased equipment within the scope of its Technology Management & Financing business. It deals with this risk by calculating the future value of equipment using the diminishing balance method, which is described in Note 4.1 to the consolidated financial statements. The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and prudent nature of the selected method.

For non-standard equipment, the Group ensures that the future value of leased equipment is estimated appropriately, namely by calling on independent experts.

For its Products & Solutions business, Econocom does not keep substantial surplus stock and as such limits its exposure to the risk of obsolescence.

For its data centre maintenance and outsourcing activity, the Group keeps dedicated stock. The components and levels of stock are constantly monitored to ensure that they are in line with the volume and type of equipment under maintenance, which addresses the risk of obsolescence.

1.4. Risks associated with competition

The ICT services market is competitive. In each country where it has operations and in each of its businesses, the Group faces competition from international, national or local players. However, Econocom stands out from the competition due to the diversity of its activities and, especially, its expertise in Technology Management & Financing and the international scope of its activities.

1.5. Employee-related risks

As far as Econocom Group Management is aware, the Group is not exposed to any employee-related risks other than those arising in the normal course of business for companies of a comparable size based in Europe. The majority of the workforce is employed in the Group's French, Belgian, Spanish, Italian, Moroccan and Brazilian subsidiaries.

At a time of accelerating change, management and employee support for the Econocom Group's strategy going forward is key to its development. In April 2017, the Group conducted an internal survey, “Face Reality”, to gauge its employees' commitment and direct its internal policies accordingly. Following the results of this survey, workshops were conducted in 2018 to identify the main actions to be taken and the strategy to be deployed within the Group.

1.6. Environmental risks

Econocom Group does not destroy the machines purchased from refinancing institutions at the term of the related leases. In accordance with the WEEE (Waste Electrical and Electronic Equipment) Directive, the Group collects all the equipment it owns from clients and arranges for all electrical and electronic waste to be processed and recycled. Since 2013, Econocom has been a client of Ecologic, an environmental organisation which collects and processes WEEE from businesses all over France, in compliance with environmental legislation.

1.7. Insurance against risk

The Group is covered against liability claims and property damage via insurance policies taken out with first-rate insurers. It has elected not to take out business interruption insurance and insurance against risk of fraud.

The Group reviews and evaluates its risks on an ongoing basis in conjunction with its insurers and experts so as to ensure optimal coverage in both the insurance and reinsurance markets.

1.8. Pledges, guarantees, collateral provided and borrowings

Real security interests provided as collateral for borrowings or financial liabilities by the Group chiefly consist of receivables offered as collateral for its short-term funding. The amount of pledged and mortgaged assets is disclosed in Note 20 to the consolidated financial statements.

1.9. Risks related to external growth

As part of its strategy, the Group continues to develop its business by seeking targeted acquisition opportunities.

Acquiring and integrating companies gives rise to certain risks, including higher-than-anticipated financial and operating expenses, failure of the operational integration, which can lead to loss of major clients or the departure of important members of the acquiree's staff and a decline in financial performance.

Integration of the acquired companies may also disrupt the Group's existing businesses and lead to insufficient resources, particularly in terms of management. The synergies expected from an acquisition may fall short of forecasts or take longer to achieve than initially announced, and the costs of implementing these synergies may exceed expectations. The above-mentioned factors may also have a negative impact on the goodwill recognised in the consolidated financial statements (see also Note 9 "Goodwill and impairment testing" to the consolidated financial statements).

Each year, Econocom undertakes external growth transactions as part of its mixed growth strategy. The Group boasts recognised integration experience. In 2018, Econocom Group pressed ahead with its acquisition policy in France and abroad taking control of four mid-sized companies specialising in varied and strategic sectors such as consulting in the field of cloud, provision of services in information, integration and digital safety, or even in the area of multi-channel marketing strategy development, etc.

Econocom Group has put in place an original integration and governance model for some of these new acquisitions (called "satellites") so as to preserve their agility, boost their performance and competitiveness and generate synergies at Group level. The founding shareholders of these satellites have retained a non-controlling interest in the share capital and have a very broad level of managerial autonomy. The related integration risk is mitigated by the fact that taken individually, these transactions are relatively small.

2. Regulatory risk

2.1. Legal risks

The Group operates as a service provider in various Western European countries and is therefore subject to numerous different laws as well as customs, tax and labour regulations. In order to limit its exposure to legal risks, the Group has set up subsidiaries in each country run by managers who are familiar with the applicable local laws and regulations, who work alongside the Group's Legal Counsels and external consultants.

Econocom monitors on an ongoing basis any litigation and one-off situations that could result in a financial risk. Any pending litigation is covered by provisions for appropriate amounts calculated by Group Management.

Disclosures concerning litigation or arbitration likely to have a substantial impact on Econocom Group's financial position, assets, business or the results of its operations at 31 December 2018, are presented in Note 16 to the consolidated financial statements.

2.2. Risks associated with tax inspections

The Group undergoes regular tax inspections in the various countries in which it operates. Although the outcome of these inspections is uncertain, the Group has estimated as accurately as possible the associated risks and has recognised the appropriate provisions for those risks in its financial statements. The outcome of these inspections could have a negative impact on the Group's consolidated financial statements. However, this impact is limited on account of the provisions recognised.

2.3. Risks associated with regulations applicable to lessors' leasing business

Certain countries have decided to implement stricter legislation for leasing companies by aligning it with the legislation governing financial institutions. The associated risk, which is common to all companies in the industry, concerns the increase in administrative costs.

2.4. Risks associated with regulations applicable to Technology Management & Financing clients

The new accounting standard on leases, IFRS 16, was published in January 2016. When the standard enters into force on 1 January 2019, entities' "lease liabilities"" must be presented on the statement of financial position within liabilities, except for small items with an insignificant unit value. In the Technology Management & Financing business, the risk of greater competition from clients choosing to finance their IT investments through corporate debt is limited due to the added value brought by the Group in its leases:

- upgrade management via leasing and in particular the Group's scalable offerings;
- asset management and expense management provided by Econocom's solutions (inventory tracking, telephone usage management, IT outsourcing for small and medium businesses, etc.), which give our clients optimal visibility and more effective management of their assets;
- better economic management of end-of-life assets;
- management of end-of-life assets in greater compliance with sustainable development commitments;
- smart and connected object (IoT) management capabilities.

3. Dependency risk

3.1. Dependence on refinancing institutions

In the course of its business, Econocom assigns most of its finance lease contracts to refinancing institutions.

These institutions generally focus on clearly-defined geographical areas or types of equipment. In addition, the Group strives to maintain a balanced portfolio of institutions in order to avoid being overdependent on one or more institutions.

Between 2017 and 2018, the proportion of the Group's five biggest funders was up slightly year-on-year to 66% of the total value of refinanced rents in 2018. The Group's main funder in 2018 represented approximately one-quarter of the total value of refinanced rents.

3.2. Customer dependency risk

The Group continually strives to broaden its client portfolio its development strategy to gain market share. At 31 December 2018, no single client represented over 5% of the Group's consolidated revenue.

3.3. Supplier dependency risk

Given the broad choice of potential suppliers and the fact that they are largely interchangeable, Econocom's dependence on suppliers is very limited.

For the Technology Management & Financing, Products & Solutions and Services activities, the choice of suppliers is ultimately made by our clients. For these activities, in the event of a supplier default, an alternative supplier is chosen.

At 31 December 2018, no supplier accounted for more than 15% of the Group's total purchases.

3.4. Technology dependency risk

For its Technology Management & Financing, Services and Products & Solutions activities, the Group develops partnerships with hardware manufacturers, telecoms operators, software vendors and solutions providers. However, it strives to remain independent from these companies in order to offer the best possible solution in terms of architecture, hardware and software.

4. Financial risk

The Group's activities are subject to certain financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group's overall financial risk management policy focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis in the Services and Products & Solutions businesses.

4.1. Market risk

Financial market risks (interest rate and currency risk) and liquidity risks are handled by Group Management.

4.1.1. CURRENCY RISK

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as North and South America, the Group may be exposed to currency risk on other currencies, namely sterling, the US and Canadian dollars, Moroccan dirham, Czech koruna, Swiss franc, Romanian leu, Polish zloty, Brazilian real and Mexican peso. Since the large majority of subsidiaries' purchases and sales are denominated in the same currency, this exposure is limited. Econocom Group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge risks on internal flows.

4.1.2. INTEREST RATE RISK

Econocom's operating income and cash flows are substantially independent of changes in interest rates. Sales of leases to refinancing institutions are systematically based on fixed rates. Income arising on these contracts is therefore set at the outset and only varies if the contract is amended.

The Group uses a combination of fixed rates and floating rates to hedge its interest rate exposure.

At 31 December 2018, the Group's floating-rate debt comprises short-term borrowings (credit lines, commercial paper and bridge loans), and short-term factoring agreements. There was no contract to cover open-rates as of 31 December 2018 for these floating-rate borrowings.

The Group's long-term debt is at fixed rates and comprises a euro private placement (Euro PP) for €101 million and a €150 million Schuldschein bond and a €200 million bond investment.

4.1.3. LIQUIDITY RISK

The Finance Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating cash flow forecasts on a monthly basis for the Group's 12 main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the Group's cash pooling system in order to offset cash surpluses and internal cash requirements.

In 2018, Econocom continued to optimise its diversified sources of financing with the aim of (i) reducing borrowing costs, (ii) extending the maturities of its borrowings and (iii) bank disintermediation.

In order to meet its short-term financing requirements, the Group now has new bank credit facilities at improved rates and with longer maturities. The Group mainly uses its commercial paper programme, capped at €450 million and with maturities of up to two years, of which €255 million was outstanding at 31 December 2018.

At that date, Econocom had €241 million in bilateral bank credit facilities of which €30 million committed for up to two years and €130 million committed for more than two years.

Econocom also has €97.2 million in bilateral bank loans to finance its leases at rates that remain fixed for the duration of the loans.

To finance its development, Econocom issued:

- in May 2015, a private placement on the Alternext market for €101 million, broken down into two tranches: €45.5 million maturing at five years and paying interest at 2.364%, and €55.5 million maturing at seven years and paying interest of 2.804%;
- in December 2016, a Schuldschein bond (German private placement) for a total amount of €150 million, with tranches maturing at five and seven years and paying interest at an average rate of 1.54%;
- in March 2018, the Group issued bonds convertible into new shares and/or exchangeable for existing shares (OCEANE). The issue was for a total of €200 million, maturing in 2023.

The Group intends to continue its policy of diversifying its sources of financing in order to optimise its borrowing costs and further reinforce its financial independence.

Other than the outstanding amounts on its commercial paper programme, Econocom does not have any material loans or borrowings falling due in 2019. In 2020, €45.5 million relating to EuroPP will mature.

4.2. Credit and counterparty risk

The Group has policies in place to ensure that goods and services are sold to clients whose credit standing has been analysed in depth. The Group's credit risk exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Products & Solutions and Services businesses, as well as non-recourse refinancing with bank subsidiaries and credit insurance in the Technology Management & Financing business.

For its Technology Management & Financing business, the Group nevertheless has the option of retaining the credit risk on certain strategic transactions. These relate primarily to Econocom Digital Finance Limited (EDFL), the Group’s internal refinancing unit with expertise in transaction security and non-standard contract financing. At 31 December 2018, contracts on which Econocom bears the credit risk represented €246 million or around 8.6% of total outstanding rentals for the Technology Management & Financing business (€260 million at end-2017).

The Group only invests with investment-grade counterparties, thus limiting its credit risk exposure.

4.3. Equity risk

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom Group as of 31 December 2018 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.

05

management report

Management Report of the Board of Directors on the financial statements

for the year ended 31 December 2018 presented to the Annual General Meeting of 21 May 2019

In accordance with prevailing legislation and the Company's bylaws, we submit to you for approval our report on the Company's operations and the financial statements for the year ended 31 December 2018, as well as the compensation report.

The definitions of the performance indicators are provided as an appendix to this report when they differ from the commonly accepted definitions.

The non-financial information required under articles 96 section 4 and 119 section 2 of the Belgian Companies Code (*Code des sociétés*) is reiterated in Chapter 3, "Corporate Social Responsibility".

1. Group's financial position and highlights

Econocom Group posted 2018 full-year revenue of €2,846 million, an 8.0% increase, 2.7% of which was organic.

Revenue for the Technology Management & Financing (TMF) business reached €1,356 million, a slight drop of 1.6%, after a strong increase in the two previous years (+9.5% organic growth a year). The group was selective with the contracts recognised on its balance sheet, focusing on generating cash.

Revenue for Services rose by 15.5% to €1,042 million. The 5.4% organic growth was driven by integration, mobility, and of security as well as outsourcing services, along with strict cost control.

Revenue for Products & Solutions stood at €448 million, a 26.8% increase, 9.5% of which organically. The business reaped the rewards of its packaged solutions combining design, equipment procurement, services and, in some cases, financing.

Recurring operating profit[1] stood at €114.6 million for 2018. Profitability for the business lines significantly improved in the second half thanks to growth and good cost control.

The group's net debt amounted to around €251.7 million at 31 December 2018, less than at the end of 2017 (€279 million) and considerably lower than at the end of June 2018 (€395 million). The net debt to EBITDA ratio is 1.6 over 12 months.

The strong generation of operational cash, combined with reduced working capital requirements across the group more than offset the investments made in the internal refinancing subsidiary, EDFL, the continuing M&A transactions and the shareholder return policy (repayment of share premiums and treasury share buy-backs).

The group aims to reach 2019 full-year recurring operating profit of €128 million.

(1) Before amortisation of intangible assets from acquisitions.

2018 was also shaped by several important events:

- Econocom Group's Board of Directors asked Jean-Louis Bouchard, founder and current Chairman of the Board of Directors to take on the Operating Management of the Group as CEO, in a segment context where the traditional services business is undergoing mutation. With the Board's approval, Robert Bouchard and David Krieff quit their operational functions within Econocom Group on 5 November 2018;
- at the same time, Jean-Philippe Roesch carries out support work for the Executive Committee;
- since March 2018, Julie Verlingue has been in charge of the Management and development of the Group's operations outside France. Her main responsibility will be to continue and accelerate the Group's profitable growth trajectory, by driving the implementation of the “e for excellence” strategic plan, with a focus on excellence of the solutions proposed and customer experience;
- the Group also proceeded to a refund of the issue premium, in the amount of €0.12 per share, paid to Shareholders on 1 August 2018.

1.1. Changes in the scope for the year

1.1.1. ACQUISITIONS

As in 2017, the Group focused its acquisition strategy on mid-sized companies operating in high-potential markets. The Group's investments in 2018 reinforce its presence in key sectors with strong growth potential, which are as follows:

Altabox: in the first quarter of 2018, the Group acquired a 60% stake in Spanish company Altabox, a specialist in digital marketing and the enrichment of the customer experience at points of sale. This acquisition offers many opportunities for synergies with Econocom's existing skills in the *retail* sector. Altabox reported revenue of €9 million in 2017.

BDF: in April 2018, Econocom acquired 100% of BDF, an Italian company specialising in managed services in the banking and insurance sector. BDF reported revenue of €44 million in 2017.

Upstream & Simstream: in October 2018, the Group acquired, *via* Helis SAS, all the shares of Upstream and its subsidiary Simstream, specialist in engineering and integration services related to audio and video streaming. Upstream reported revenue of €4.5 million in 2017.

Osones: in October 2018, the group acquired 100% of Osones *via* Alter Way. Osones is a specialist in private cloud solutions, infrastructure as a service, and container orchestration systems. The company reported revenue of €1.5 million in 2017.

1.1.2. CHANGES IN OWNERSHIP INTEREST

Aciernet: *via* its 90%-owned subsidiary Exaprobe, the Group signed an agreement with the minority shareholder in July 2018 providing for purchase of the remaining equity interest at a fixed price. The interest rate thus went to 100% at the level of Exaprobe, *i.e.* 90% at the level of Econocom.

ASP Server: the Group acquired the minority interest (20%) in October 2018, thereby increasing its interest to 100%.

Econocom Brazil: in the fourth quarter of 2018, Econocom acquired all the outstanding shares from the minority shareholder (*i.e.* 7.15% of the capital), thereby increasing its interest to 100%.

Caverin: Econocom Group SE acquired all the non-controlling interests (33.34% of the capital).

1.2. Principal investments

Other than the acquisitions and interests described above, the main investments made by the Group in 2018 in order to consolidate and transform its operations were related to creating new offers and recruiting for key positions and renewing teams.

1.3. Financing transactions

1.3.1. ISSUANCE OF A CONVERTIBLE BOND (OCEANE)

On 6 March 2018, Econocom Group issued OCEANE bonds in the amount of €200 million (€198.4 million after allocation of issue costs). Their main characteristics are detailed below:

- maturity: five years;
- annual coupon: 0.5%;
- issue price: €8.26.

If these bonds are not converted, they will be redeemed in cash on 6 March 2023 at the nominal price.

OCEANE bonds are compound instruments within the meaning of IAS 32. The characteristics of the OCEANE bonds provide for the possibility of conversion into a fixed number of shares for a fixed amount of cash. An equity component has been calculated by subtracting the debt component of the OCEANE, measured at the rate of the debt without a conversion option, in application of sections 29–30 of IAS 32, which define the "equity" component as residual. On initial recognition, and net of issue costs, the equity component amounted to €16.7 million and the debt component to €181.7 million.

1.3.2. SHARE BUYBACKS

Econocom also continued to buy back its own shares in 2018. The Group has bought back 9,478, 346 of its own shares, including those held in connection with the liquidity agreement. After taking into account sales of treasury shares under the liquidity agreement and shares awarded to management personnel eligible for share ownership plans, the Group held 13,978,631 of its own shares at 31 December 2018, *i.e.*, 5.70% of the Company's share capital (including liquidity agreements).

These transactions reflect the Group's commitment to limiting dilution for its shareholders and its confidence in its growth outlook going forward.

1.4. Research & Development

The Group places ever-greater emphasis on innovation and employees from its various business lines and countries therefore conduct research and development. R&D projects primarily cover the study of uses, the transformation of customers' information systems and the design and implementation of innovative digital solutions in the areas of security, web, mobile and vertical application development, Bigdata and virtual reality.

2. Profit for the year

2.1. Income statement

in € millions	2018	2017 adjusted[2]	Change
Revenue	2,845.9	2,634.3	8.0%
Technology Management & Financing (TMF)	*1,356.2*	*1,378.7*	*(1.6%)*
Services	*1,042.0*	*902.4*	*15.5%*
Products & Solutions	*447.7*	*353.2*	*26.7%*
Recurring operating profit[1]	**114.6**	**154.4**	**(25.8%)**
Recurring operating profit	110.4	150.2	(26.5%)
Other non-recurring operating income and expenses	(28.6)	(19.1)	50.3%
Operating profit	**81.8**	**131.1**	**(37.7%)**
Change in fair value of the "ORNANE" embedded derivative component	-	4.1	N/A
Other financial income and expenses	(16.0)	(12.5)	28.0%
Profit before tax	**65.8**	**122.7**	**(46.4%)**
Income tax expense	(21.2)	(32.0)	(33.7%)
Profit for the period	**44.6**	**90.7**	**(50.8%)**
Non-controlling interests	5.2	4.3	20.9%
Profit for the period attributable to owners of the parent	**39.4**	**86.4**	**(54.4%)**
Recurring profit attributable to owners of the parent[1]	**61.8**	**94.8**	**(34.8%)**

(1) Recurring operating profit before amortisation of intangible assets from acquisitions/Recurring profit attributable to owners of the parent: to facilitate the monitoring and comparability of its operating and financial performances, Econocom Group presents two key indicators, "recurring operating profit before amortisation of intangible assets from acquisitions" and "recurring profit attributable to owners of the parent". Their definition is given in the notes to the financial statements.
(2) Adjustments primarily related to the retrospective application of IFRS 15 (see chapiter 6 Section 1.1.1).

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Reconciliation of reported profit with recurring profit

in € millions	2018 Published	Amortisation of intangible assets from acquisitions	Other non-recurring items[1]	2018 Recurring	2017 Adjusted[1] Recurring
Revenue	**2,845.9**	**-**	**-**	**2,845.9**	**2,634.3**
Recurring operating profit	**110.4**	**4.2**	**-**	**114.6**	**154.4**
Other non-recurring operating income and expenses	(28.6)	-	28.6	-	
Operating profit	**81.8**	**4.2**	**28.6**	**114.6**	**154.4**
Change in fair value of the ORNANE embedded derivative component	-	-	-	-	-
Other financial income and expenses	(16.0)	-	-	(16.0)	(11.7)
Profit before tax	**65.8**	**4.2**	**28.6**	**98.6**	**142.7**
Income tax expense	(21.2)	(1.4)	(9.0)	(31.6)	(43.8)
Profit (loss) from discontinued operations		-	-	-	-
Share of profit (loss) of associates and joint ventures		-	-	-	-
Profit for the period	**44.6**	**2.8**	**19.6**	**67.0**	**98.9**
Non-controlling interests	**5.2**	**-**	**-**	**5.2**	**4.1**
Profit for the period attributable to owners of the parent	**39.4**	**2.8**	**19.6**	**61.8**	**94.8**

[1] Adjustments primarily related to the retrospective application of IFRS 15 (see chapter 6 Section 1.1.1), and to the change in the presentation of additional tax depreciation.

Net earnings per share attributable to owners of the parent

in €	2018	2017	Change
Net earnings per share	0.17	0.37	(54.8%)
Diluted net earnings per share	0.16	0.36	(55.1%)
Recurring earnings per share	**0.26**	**0.41**	**(35.4%)**

Number of shares outstanding (after share split)

	2018	2017
Average number of shares outstanding[1]	234,888,774	232,763,830
Total number of shares at year-end	245,140,430	245,140,430
Number of shares outstanding at end of period[1]	231,161,799	235,610,637
Share price at 31 December *(in €)*	2.91	5.96
Market capitalisation at 31 December *(in € millions)*	713	1,461

(1) Excl. treasury shares.

Comments on the Group's key figures

In 2018, Econocom Group posted consolidated revenue of €2,846 million, compared with €2,634 million in 2017, an increase of 8.0%, with organic growth of 2.7%.

Recurring operating profit before amortisation of intangible assets from acquisitions was €114.6 million, compared with €154.5 million in 2017, a decline of €39.8 million.

Group Operating profit was €81.8 million, compared with €131.1 million in 2017, a decline of 37.7%. Non-recurring expenses amounted to €28.6 million, compared with €19.1 million in 2017. These expenses notably reflect restructuring measures and the costs related to the acquisition and integration costs of new investments.

Other than non-recurring items related to the conversion of ORNANE bonds in 2017, net financial expense was up at €16.0 million compared with €11.7 million at the end of 2017. Two principal effects are to be highlighted: the issue of OCEANE in March 2018 which resulted in an interest expense of €3.8 million for the year and the increase in expenses related to commercial paper and factoring, each up by €0.4 million.

2.1.1. KEY FIGURES BY BUSINESS

Revenue and recurring operating profit[1] can be broken down by business as follows:

Revenue

in € millions	2018	2017 Adjusted[1]	Total growth	Like-for-like growth
Technology Management & Financing	1,356	1,379	(1.6%)	(1.3%)
Services	1,042	902	15.5%	5.4%
Products & Solutions	448	353	26.7%	9.4%
Total revenue	**2,846**	**2,634**	**8.0%**	**2.7%**

(1) Adjustments primarily related to the retrospective application of IFRS 15 (see chapter 6 Section 1.1.1).

(1) Before amortisation of intangible assets from acquisitions.

Recurring operating profit

in € millions	2018	2017 Adjusted[1]	Total growth	Profit (loss) from continuing operations *(in % of 2018 revenue)*	Profit (loss) from continuing operations *(in % of 2017 revenue)*
Technology Management & Financing	53.3	92.4	(42.3%)	3.9%	6.7%
Services	40.3	43.3	(6.9%)	3.9%	4.8%
Products & Solutions	21.0	18.6	(12.9%)	4.7%	5.3%
Total recurring operating profit[1]	**114.6**	**154.4**	**(25.8%)**	**4.0%**	**5.9%**

(1) Adjustments primarily related to the retrospective application of IFRS 15 (see chapter 6 Section 1.1.1).

At 31 December 2018, Technology Management & Financing revenue, amounting to €1,356 million, was lower than the 2017 revenue (€1,379 million), *i.e.* a decrease of 1.6%. This decline, given the high basis of comparison (growth of 9.5% in 2017), was due mainly to the lower contributions from structured financing operations and from the internal refinancing company Econocom Digital Finance Ltd. Group strategy was particularly selective and focused on cash generation, notably towards the end of the year. Recurring operating income came out at €53.3 million, compared with €92.4 million in 2017. This decrease was due to mainly to the decline in the structured finance business, a high basis of comparison with 2017 and one-off increase in provisions in 2018.

The Services business line reported revenue of €1,042 million in 2018, up 15.5% on the year- earlier level of €902 million. The 5.4% organic growth was driven by integration, mobility, security and outsourcing services, along with strict cost control. Recurring operating income from Services narrowed to €40.3 million euros from €43.3 million euros in 2017, due to the negative impact of costs incurred to change the offers and delivery on the Planet.

Lastly, Products & Solutions recorded revenue of €448 million in 2017, compared with €353 million in 2016, an increase of 26.7% (9.4% on an organic basis). The business reported excellent sales momentum with mixed growth, driven in particular by major multi-year contracts in public services in France. The business also reaped the rewards of its packaged solutions combining design, equipment procurement, services and in some cases, financing. This growth is reflected in recurring operating income of €21.0 million compared with €18.6 million in 2017.

2.1.2. KEY FIGURES BY GEOGRAPHICAL AREA

Revenue by geographical area can be broken down as follows:

in € millions	2018	2017 adjusted[(1)]	Change
France	1,406	1,370	2.6%
Benelux	337	286	17.8%
Southern Europe/Morocco	667	574	16.2%
Northern & Eastern Europe/Americas	436	405	7.6%
Total revenue	**2,846**	**2,634**	**8.0%**

(1) Adjustments primarily related to the retrospective application of IFRS 15 (see chapter 6 Section 1.1.1).

All geographical areas reported growth.

The slight increase in France stemmed from the good performance in the Services and the Products & Solutions business lines, which was however partially offset by the decline in Technology Management & Financing.

Growth in the Benelux area was driven mainly by Technology Management & Financing and the Poducts & Solutions business lines.

With double-digit revenue growth, the Souhthern Europe/Morocco area performed well, notably in Spain, where the Group's cross-functional offers have been successfully deployed.

Northern & Eastern Europe and the Americas also posted strong sales. Growth was particularly strong in the United States thanks to the Technology Management & Financing business.

2.2. Statement of financial position

in € millions	2018	2017 adjusted[(1)]
Goodwill	631.1	598.8
Other long-term assets	159.7	158.9
Residual interest in leased assets	163.8	141.4
Other non-current assets	49.0	33.7
Trade and other receivables	1,268.6	1,118.4
Other current assets	128.5	135.3
Cash and cash equivalents	608.4	237.9
Total assets	**3,009.2**	**2,424.4**

in € millions	2018	2017 adjusted[1]
Equity attributable to owners of the parent	396.4	377.6
Non-controlling interests	94.9	102.4
Total equity	**491.3**	**480.0**
Bonds	437.5	251.9
Financial liabilities	422.6	264.7
Provisions	88.8	88.0
Gross liability for purchases of leased assets	98.1	77.5
Trade and other payables	1,104.2	960.0
Other liabilities	366.6	302.3
Total equity and liabilities	**3,009.2**	**2,424.4**

(1) Change of accounting method resulting from the application of IFRS 9 and IFRS 15 (see chapter 6 Section 1.1.1).

Goodwill

Goodwill amounted to €631.1 million, up €32.3 million compared with the previous year. This increase is attributable to acquisitions made during the year. Goodwill of companies acquired in 2018 was calculated on the assumption of the acquisition of 100% of the companies' share capital (using the full goodwill method), even for companies of which Econocom acquired only a portion of the share capital.

Total equity

Total equity amounted to €491.3 million, an increase of €11.3 million compared to end of 2017 mainly due to the profit and impact of the issue of OCEANE bonds, which more than offset refund of issue premiums, movements of treasury shares and stock-options and the adjustment of put options.

At 31 December 2018, Econocom Group held 13,978,631 treasury shares valued at €40.7 million not recorded in its balance sheet (at the share price on 31 December 2018, *i.e.* €2.91).

The breakdown of equity attributable to owners of the parent and to non-controlling interests varies as a result of acquisitions. Accordingly, equity attributable to non-controlling interests stood at €94.9 million at 31 December 2017, compared with €102.4 million at the previous year-end, a decline of €7.5 million.

Net debt

At 31 December 2018, net debt stood at €251.7 million and broke down as follows:

in € millions	**2018**	**2017**
Cash and cash equivalents	608.4	237.9
Bank debt and commercial paper	(290.7)	(135.9)
Net cash at bank	**317.7**	**102.0**
Convertible bond debt (OCEANE)	(185.5)	-
Non-convertible bond debt (Euro PP)	(102.2)	(102.1)
Non-convertible bond debt (Schuldschein bond)	(149.8)	(149.7)
Finance lease liabilities	(6.1)	(4.7)
Contracts and receivables refinanced with recourse	(125.7)	(124.1)
Net debt	**(251.7)**	**(278.6)**

Net book debt narrowed by €27 million, representing less than 1.6 times EBITDA in 2018, while gearing (net debt to equity) eased to 51.2% from 58.1% at the end of 2017. Having its debt under control gives the Group the means to meet its future development ambitions, notably in the context of the launch of its "e for excellence" strategic plan.

Appendix - Definition of key performance indicators

Performance indicators not defined by accounting standards but used by Econocom Group to assist the reader in assessing the Group's economic and financial performance are as follows:

Recurring operating profit

Recurring operating profit includes all income and expenses directly related to the Group's operations, whether recurring or not. It excludes other non-current income and expenses.

Recurring operating profit before amortisation of intangible assets from acquisitions

Recurring operating profit before amortisation of intangible assets from acquisitions measures the level of operating performance after the amortisation of intangible assets acquired through business combinations. At 31 December 2018, the main acquisitions of intangible assets made by the Group and whose amortisation is not taken into account for the determination of this aggregate are the ECS customer portfolio and the Osiatis brand.

Econocom uses recurring operating profit before amortisation of intangible assets from acquisitions as the main indicator to monitor the operational performance of its businesses.

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses include items that, by their frequency, amount or nature, are liable to undermine the pertinence of the Group's operating performance as a performance indicator. Other non-recurring operating income and expenses include impairment losses on goodwill and other intangible assets, the results of significant disposals of fixed assets, restructuring expenses, costs relating to workforce adjustment measures, costs of relocating premises, changes in the value of acquisition-related liabilities (earn-out payments), as well as costs related to the various external growth transactions.

EBITDA (earnings before interest, tax, depreciation and amortisation)

The Group also uses an intermediate management balance known as EBITDA. This financial indicator corresponds to recurring operating profit adjusted for depreciation and amortisation, additions to and reversals of provisions for asset impairment and provisions for contingencies and losses, and net impairment losses on current and non-current assets recognised in recurring operating profit.

Recurring profit attributable to owners of the parent

Since the first half of 2016, recurring net profit attributable to owners of the parent has been the key performance indicator used by Econocom to assess its economic and financial performance. Recurring profit for the year attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, before the following items:

- amortisation of intangible assets from acquisitions (in the year ended 31 December 2018, amortisation of the ECS customer portfolio and the Osiatis brand), net of tax effects;
- adjustment of the fair value of the ORNANE embedded derivative component;
- other non-recurring operating income and expenses, net of tax effects;
- non-recurring financial income and expense, net of tax effects;
- profit (loss) from discontinued operations, net of tax effects.

Net and gross debt

The definition of net debt used by the Group (see Note 14.3 to the consolidated financial statements) is gross debt less gross cash and cash equivalents. It does not include the Group's gross liability for purchases of leased assets or its residual interest in leased assets.

Gross debt includes all interest-bearing debt and debt incurred by receiving financial instruments.

2.3. Parent company financial statements of Econocom Group SE

Econocom Group SE, as the Group's holding company, manages a portfolio of securities, receives dividends from its subsidiaries and oversees the Group's development.

It also provides services to the Group's subsidiaries in the areas of management, IT, cash, guarantees, provision of staff, consulting, communication and marketing. These services are billed according to normal market terms.

The revenue stated hereafter refers to Econocom Group SE's parent company financial statements, prepared in accordance with Belgian legislation.

2.3.1. INCOME STATEMENT OF ECONOCOM GROUP SE

The cost of services rendered to the Group's subsidiaries during the year totalled €24.8 million, compared with €21.9 million in the previous year.

Operating profit for the year amounted to €5.1 million, compared with €2.8 million in 2017.

Recurring financial income totalled €14.3 million, compared with €8.8 million in 2017. It consists mainly of dividends received from subsidiaries in the amount of €19.0 million (compared with €10.3 million in 2017), income net of interest and guarantee commissions invoiced to the subsidiaries in the amount of €11.2 million (compared with €7.7 million in 2017), and the cost of external debt in the amount of €10.2 million (compared with €6.8 million in 2017) and the capital gains or losses on sale of treasury shares representing a net expense of €5.7 million this year (compared with a net expense of €2.2 million in the previous year).

Non-recurring financial expense totalled €21.4 million, compared with €6.6 million in 2017. It includes mainly the impairment on treasury shares in the amount of €22.6 million.

Income tax expense came to €0.3 million.

Net loss totalled €2.3 million, compared with a profit of €4.9 million in 2017.

2.3.2. BALANCE SHEET OF ECONOCOM GROUP SE

Econocom Group SE's equity stood at €394.8 million, compared with €408.7 million at end-2017. This change can be ascribed to the refund of the issue premium in August 2018 in the amount of €28.3 million and to the profit for the year (-€2.3 million), of which the negative impact on shareholders' equity was greater than the positive effect of the increase in issue premiums of €16.7 million related to the equity component of the OCEANE convertible bond issued in 2018.

Financial liabilities (non-Group) totalling a gross amount of €694.3 million correspond to the EURO PP of €102.5 million (issued in May 2015 with maturities of five and seven years), the Schuldschein note of €150.2 million (issued in November 2016 with maturities of five and seven years), the OCEANE worth €186.8 million issued in May 2018 with maturities of five years) and the commercial paper programme worth €254.9 million (with short-term maturities of between one and three months).

Receivables and investments in related companies increased by €235.4 million to €926.7 million due to new equity investments in August 2018 for the amount of €86.2 million (net of impairment see below) and long-term loans granted to Group subsidiaries.

2.3.3. SHARE CAPITAL

At 31 December 2018, Econocom Group's share capital totalled €23,489,757.67, divided into 245,140,430 shares with no stated par value.

Changes in capital since 2009 have consisted of (i) capital increases in connection with the exercise of stock options by the Group's managers and (ii) capital increases either as part of external growth transactions to fund a portion of the acquisition price or as a result of the conversion of bonds.

The only items that could have an influence on Econocom Group's share capital corresponding to the 2014 and 2017 stock option plans and the OCEANE convertible bond issued on 1 March 2018.

In December 2014, the Board of Directors approved a stock option plan ("2014 Stock Option Plan") and decided to issue, with cancellation of shareholders' pre-emptive subscription rights, 2,500,000 stock subscription rights entitling the holders to subscribe, under certain conditions, to a new Econocom Group share. The Compensation Committee had two years to determine the beneficiaries of the 2014 Stock Option Plan.

A total of 2,480,000 stock options were granted to approximately 20 of the Group's managers under the 2014 Stock Option Plan. At 31 December 2018, taking into account the options lapsed due to departures and failure to meet performance conditions, a total of 2,236,500 of the 2014 stock options were still exercisable, which correspond to the maximum issue of 4,473,000 new shares, each option entitling holders to two Econocom Group shares following the two-for-one split that took place in June 2017.

In June 2017, the Board of Directors approved a stock option plan ("2017 Stock Option Plan") and decided to issue, with cancellation of shareholders' pre-emptive subscription rights, 2,000,000 stock subscription rights entitling the holders to subscribe, under certain conditions, to a new Econocom Group share. The Compensation Committee had until 31 December 2019 to determine the beneficiaries of this plan. At 31 December 2018, taking into account the options forfeited by beneficiaries, the number of 2017 stock options allocated amounted to 90,000 corresponding to a maximum issue of 90,000 new shares.

On 1 March 2018, Econocom launched the issuance of bonds convertible and/or exchangeable for new and/or existing shares (OCEANE) with a par value of €200 million, maturing in 2023. The holders of Bonds will have a right to the award of Shares that they may exercise at any time from the Issue Date (*i.e.* 6 March 2018) and until the 8th business day (inclusive) preceding the normal or early redemption date on the basis of a conversion or exchange ratio of one Econocom Share per Bond and subject to any subsequent adjustments. In the event of request of conversion of Bonds, the Bond holders will receive, at Econocom's discretion, new and/or existing shares of Econocom. To date, the number of bonds outstanding is 24,213,075. If all the bonds were converted (if the conversion price of €8.26 was reached) into new shares, according to the current conversion ratio of 1 share for 1 bond, 24,213,075 new shares would be issued.

Furthermore, the Extraordinary General Meeting of 19 May 2015 renewed for a five-year period the authorisation given to the Board of Directors, in accordance with articles 603 and 604 of the Belgian Companies Code (Code des sociétés), to carry out one or more capital increases of up to a maximum total amount of €21,563,999.86 (excluding issue premiums). At 31 December 2018, unused authorised capital (excluding issue premiums) amounted to €19,052,787.28, following the Board of Directors' decision to approve the issuance of the OCEANE bond of March 2018.

The Company's ownership structure is described in section 5, "Corporate governance statement".

Treasury shares

Econocom Group has a treasury share buyback programme, which allows it to:

- deliver shares to avoid potential dilution of shareholders' interests due to the exercise of options;

- pay for any external growth transactions;
- cancel shares acquired.

The Extraordinary General Meeting of 20 May 2014 renewed for a five-year period the authorisation given to the Board of Directors to buy back treasury shares. The minimum purchase price was set at the equivalent of €2 and the maximum unit price at €10.

The maximum number of shares to be purchased throughout the five-year period is 49,028,086. Since the beginning of the buyback programme, 34,112,169 shares have been acquired at 31 December 2018.

Lastly, the Extraordinary and Special General Meeting of 20 May 2014 authorised the Board of Directors, for a period of five years, to pledge the Company's treasury shares as security, in accordance with article 630 of the Belgian Companies Code, for up to 20% of the share capital, as provided for under article 620 of the Belgian Companies Code.

In 2018, the following treasury share movements took place, excluding liquidity agreements:

- Econocom Group acquired 5,926,529 Econocom Group shares, for an acquisition price of €16.4 million;
- Econocom Group transferred 160,000 treasury shares to cover the maturing tranche of the free share plan approved in 2016;
- Econocom Group delivered 1,250,000 treasury shares to cover the exercise of stock options of a plan granted in 2013 to 3 beneficiaries.

In addition, during the 2018 financial year, the Group entrusted Rothschild bank with the management of its security under a liquidity agreement.

At 31 December 2018, Econocom Group held 13,854,631 treasury shares as part of the share buyback programme, and 124,000 Econocom Group shares as part of the liquidity agreement representing a total of 13,978,631 Econocom Group shares representing 5.70% of the total number of shares issued.

The voting rights associated with the shares held by the Company have been suspended. The shares held by the Company do not give entitlement to dividends.

Econocom Group's distributable reserves (statutory data) stood at €226.5 million, in addition to retained earnings in the amount of €101.8 million.

Econocom Group's non-distributable reserves stood at €40.7 million.

2.3.4. BUSINESS OVERVIEW

2.3.4.1. Acquisitions, additional investments and formations of subsidiaries

In 2018, Econocom Group made investments focused on mid-sized companies specialising in strategic growth sectors: digital solutions.

Therefore, Econocom Group took a major stake (60%) in the Spanish company Altabox, specialist in digital marketing services aiming to enhance customer experience at points of sale.

Moreover, as part of the management of its subsidiaries and the Group organisation chart:

- Econocom Group acquired 100% of Econocom Morocco from Econocom-Osiatis France as well as Infeeny shares in order to streamline the Group's legal organisation chart. Following the latter transaction, Econocom Group directly holds 86.1% of Infeeny's capital. Likewise, Econocom Group acquired 32% of Econocom Finance's stocks from its subsidiary Econocom Managed Services, the Group's central treasury department, in which it now directly holds 73.6% of the capital;

- Econocom also subscribed to the capital increases carried out by its subsidiary Econocom International Italia to refinance the acquisition of BDF made in 2018;
- finally, the Group launched the digital transformation consulting business. In this context, Econocom Group created Fifty Eight Group SA to become the parent company of the Group's consulting operations in Europe.

2.3.4.2. Legal reorganisation

As is the case each year, Econocom Group implemented measures to streamline and simplify its legal organisation.

Measures performed in 2018 were aimed at combining companies with similar activities in the same country. In France, Alter Way merged its operating subsidiaries into Alter Way Makers.

In addition, in order to streamline and simplify its organisation chart, the Group closed down certain non-operating subsidiaries in France and Belgium.

As a result of the reorganisations carried out in 2018, the number of legal entities within the Group was reduced by four, thereby streamlining the Company organisation.

3. Risk factors and litigation

Risk factors did not change significantly in 2018. They are described in Note 19.

4. Outlook for 2019 and shareholders' compensation

In January, Econocom group's management announced a target for recurring operating profit[1] of €128 million in 2019 on a like-for-like basis.

The management team will be paying particular attention to generating cash and maintaining rigorous cost management.

As a result of the Group’s strong financial position, the Board of Directors will recommend to the General Shareholders' Meeting to proceed with a refund of the issue premium, considered as paid-in capital, in the amount of €0.12 per share.

This refund represents stability over a year and a 20% increase over two years.

In addition, the Group plans to continue to buy back treasury shares, in particular to cover the Group’s commitments under its stock option plans.

(1) Before amortisation of intangible assets from acquisitions.

5. Corporate governance statement

5.1. Applicable corporate governance code

Econocom Group confirms that it adheres to the principles of the Belgian Corporate Governance Code that came into force in 2009 (the "2009 Code"). This code is available at:

www.corporategovernancecommittee.be

Econocom publishes the various Internal Rules (in French only) that comprise its Corporate Governance Charter on its website:

www.econocom.com
under Investors/Governance/Board of Directors and Executive Committee.

During its meeting of 22 November 2012, the Board of Directors formally renewed its commitment to the Corporate Governance Code and updated the Group's Corporate Governance Charter, in particular the Internal Rules of the Board and Committees, to include the new provisions in force. The transformation of Econocom Group into a European Company (*Societas Europaea*) on 18 December 2015 prompted the Board of Directors to change the Internal Rules of the Board Directors and the Executive Committee on 19 May 2016. The Executive Committee's Internal Rules again changed on 7 September 2016, and the Committee was renamed the Executive Committee at that time.

5.2. Exemptions from the 2009 Code

Econocom Group applies the recommendations of the 2009 Code, except for those which the Board has deemed ill-suited to Econocom Group's size, or that it intends to implement over the long term. The principles with which Econocom Group does not comply, in whole or in part, are described below.

The Group currently only partially applies the recommendations of Principle 1 of the Code.

Jean-Louis Bouchard combines the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Executive Committee. As such, the Group does not fully adhere to the principle of segregating the Board of Directors' powers of control and executive powers. At 31 December 2017, Jean-Louis Bouchard indirectly held 36.44% of Econocom Group's capital. Such a system meets the characteristics of Econocom Group's shareholdings and is aimed at ensuring management stability as Econocom implements its long-term strategy.

Moreover, the Board of Directors has to date decided against appointing a Secretary to advise it on governance and report to it on compliance with the applicable procedures and rules. This role is informally fulfilled by Galliane Touze, Econocom Group's Company Secretary.

Since 23 November 2017, one-third of the members of Econocom Group's Board have been women, pursuant to the conditions set out in article 518 *bis* of the Belgian Companies Code. At 31 December 2017, the Board had four women members: Véronique di Benedetto, whose term was renewed in 2017, and Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet, appointed in 2016.

Following the entry into force of the European Market Abuse Regulation, on 18 May 2017 the Board of Directors modified the provisions of its Internal Rules laying down procedures for controlling market transactions.

Econocom Group does not currently apply the recommendations in Principle 4 of the 2009 Code, which state that the Board should draw up nomination procedures and selection criteria for Board members and that a nomination committee should recommend suitable directorship candidates. This principle also recommends a periodic assessment of each Director and of the Board of Directors and its Committees, in accordance with procedures set by the Board.

To date, the Board of Directors has not set up a nomination committee or implemented any formal procedures for nominating members of the Board of Directors or the Executive Committee. Management considers that this recommendation of the Code is not suitable for Econocom Group in view of its size.

Although the Group has no specific formal procedures for assessing the Board of Directors and its members and Committees or the members of the Executive Committee, such assessments take place on an ongoing basis.

In 2004, the Board of Directors of Econocom Group established an Audit Committee. At 31 December 2018, its composition was not compliant with the 2009 Code, which requires that a majority of members of such committees be independent. The Committee comprises three Non-executive Directors selected by the Board for their recognised accounting skills, but two of whom (Jean-Philippe Roesch, Gaspard Dürrleman and Rafi Kouyoumdjian) are not independent.

The Chairman of the Board of Directors does not systematically attend Annual General Meetings as recommended by Principle 8 of the 2009 Code, but he ensures that the Board of Directors is always represented by at least one Chief Executive Officer.

Information about the main shareholders of Econocom Group and their relationship with each other and the Company, are not published in the Corporate Governance Charter, but in the Management Report and updated each year.

5.3. Description of internal control and risk management procedures in the context of the preparation of the financial information

The financial information communicated by the Group refers to its consolidated financial statements and to the management accounting aspects of the financial statements published in compliance with IFRS as adopted by the European Union and approved by the Board of Directors.

This financial information is, at every reporting date, presented to the Group's Audit Committee, and explained to all the Directors.

5.3.1. FINANCIAL ORGANISATION

The Group's financial organisation is both local and global. The Group is organised by business line and country, and the financial processes are implemented by finance teams, finance directors and financial controllers in each entity, all of whom report to the Group Chief Financial Controller. Business and country Financial Controllers ensure that the reporting rules and practices are applied consistently across the busines lines, irrespective of the country.

Furthermore, in the interests of maintaining their independence from the operational teams, the finance teams report hierarchically to the Group Finance Department. This organisation does not apply to the Satellite companies in which the founding shareholders have maintained a non-controlling interest; the Finance Manager continues to report to the subsidiary's Senior Management in these companies.

5.3.2. COORDINATION OF REPORTING AND CONSOLIDATION

The accounts are consolidated by a dedicated team on a quarterly basis. The consolidated companies send their detailed financial statements *via* the consolidation tool for inclusion in the consolidated financial statements.

Each entity (*i.e.*, company or business unit) draws up a budget. Profit forecasts are adjusted several times during the year and are monitored on a monthly basis based on the activity reports provided to Group Management. These reports are drafted jointly by the entity's operational manager and Financial Controller.

The Group's Financial Controlling draws up schedules and specific instructions for the various budgets, reports and the items needed for the purpose of consolidation.

5.3.3. ACCOUNTING STANDARDS

The Group's accounting principles are set out in an accounting principles manual which is used as the basis for preparing financial information. This manual describes the method for recording transactions and presenting financial information.

The team in charge of consolidation is also responsible for keeping abreast of changes to IFRSs.

5.3.4. IT SYSTEMS

The Information Systems Department oversees the various information systems used by the Group. It ensures the gradual harmonisation of the solutions implemented and the continuity of operations. In the preparation of financial information, information flows from IT tools specific to the various businesses are centralised in a single accounting management and reporting solution.

5.3.5. RISK FACTORS, SURVEILLANCE AND MONITORING

The monthly reports enable the various operational and financial managers and the Group's Management to verify that the Group's results are accurate and consistent with the targets set. At the end of each quarter, they contain a comparison between the management data and the Group's consolidated financial statements in order to ensure that the financial information is reliable.

The Group's Internal Audit Department completes the risk organisation, and is in charge inter alia of drawing up a risk map. It also reviews the subsidiaries' financial statements in order to ensure that they comply with Group rules, and verifies that the reports are accurate and that risks are adequately covered. The Group's Internal Audit Department reports directly to the Audit Committee.

When identifying risks that may impact the achievement of financial reporting objectives, Group Management takes into account the possibility of misrepresentations and fraud, and undertakes the required actions to strengthen internal control, if necessary. The internal audit conducts specific audits, on the basis of the assessment of potential fraud risks, in order to avoid and prevent fraud. Any findings are systematically reported to the audit committee.

5.3.5.1. Risks associated with accounting systems

Risks associated with accounting systems are assessed on a regular basis with a view to implementing improvement plans.

The accounting systems used within the Group have now been harmonised, and are shared by all business lines and subsidiaries except the Satellite companies in which the Group has acquired stakes, some of which still use software other than that used elsewhere in the Group, more adapted to their size.

The various business line IT systems are interfaced with the accounting system in order to ensure that information on transactions is traceable, comprehensive and reliable.

The consolidation system is a standard tool.

5.3.5.2. Risks associated with accounting standards

The Consolidation Department, in conjunction with the Group Financial Controlling Department and the Business and Country Financial Controllers, monitors changes in IFRSs and adapts the Group's accounting principles accordingly. It also organises training for finance staff whenever necessary.

5.3.5.3. Main transaction control procedures

In order to ensure the reliability of the financial information on transactions, the Financial Control team verifies each month that the revenue and costs reported are in line with the flows expected at the time the transactions were approved.

The Group Financial Controlling draws up regular statistical analyses to ensure that the assumptions made when the lease contracts were recorded are prudent and appropriate.

The subsidiaries' Financial Controlling teams also carry out monthly verifications for each business line.

5.3.6. PERSONS RESPONSIBLE FOR THE PREPARATION OF FINANCIAL INFORMATION

The financial information is prepared under the supervision and responsibility of the Board of Directors, which, since 2004, has had an Audit Committee, the role of which is set out in section 5.5.3 below.

5.4. Ownership structure and limits on shareholder rights

At 31 December 2018, Econocom Group's share capital consisted of 245,140,430 shares, held as indicated below:

	2018	2017
Companies controlled by Jean-Louis Bouchard	36.44%	36.44%
Public shareholders	57.86%	59.68%
Treasury shares	5.70%	3.89%
Total	**100%**	**100%**

Econocom Group was notified that, at 31 December 2017, two shareholders (other than the companies controlled by Jean-Louis Bouchard) – Butler Industries Benelux (and, indirectly, WB Finance and Walter Butler) and US-based Kabouter Management, LLC – had exceeded the 5% share ownership threshold.

There are no shareholders with special controlling rights.

Each Econocom Group share gives its holder the right to cast a vote at Annual General Meetings. Article 10 of the Company's bylaws provides that the exercise of the voting rights and other rights attached to shares held in co-ownership or in which the usufruct and the bare ownership have been separated, or which are pledged, shall be suspended until such time as a sole representative has been appointed to exercise the rights attached to the shares in question. Treasury shares (5.70%) and shares held by the Belgian Caisse des Dépôts et Consignations (0.45% belonging to bearer shareholders who did not come forward when the Belgian Stock Market converted to electronic shares) also have no voting rights. There are no other particular legal or statutory restrictions with respect to voting rights.

Similarly, with the exception of the provisions limiting purchases and sales by Econocom Group of its treasury shares, the Company's bylaws do not impose any restrictions on the transfer of its shares.

5.5. The composition and functioning of the administrative bodies and committees

5.5.1. COMPOSITION OF THE BOARD OF DIRECTORS

At 31 December 2018, the Board of Directors had 13 members:

Jean-Louis Bouchard

(term of office expires at the May 2020 Annual General Meeting)

1 Avenue de Montmorency, Villa Montmorency, 75016 Paris (France)

Chairman of the Board of Directors and Chief Executive Officer of Econocom Group,

Chairman of Econocom International BV

Robert Bouchard

(term of office expires at the May 2021 Annual General Meeting)

23 Avenue de Boufflers, 75016 Paris (France)

Vice-Chairman of the Board of Directors and of Econocom Group

Bruno Grossi

(term of office expires at the May 2019 Annual General Meeting)

13 Rue Molitor, 75016 Paris (France)

Chief Executive Officer of Econocom Group

Véronique di Benedetto

(term of office expires at the May 2021 Annual General Meeting)

86 Rue Miromesnil, 75008 Paris (France)

Non-executive Director of Econocom Group

Gaspard Dürrleman

(term of office expires at the May 2021 Annual General Meeting)

50 Avenue Bosquet, 75007 Paris (France)

Non-executive Director of Econocom Group

Rafi Kouyoumdjian

(term of office expires at the May 2019 Annual General Meeting)

4 Avenue de la Bourdonnais, 75007 Paris (France)

Non-executive Director of Econocom Group

Jean-Philippe Roesch

(term of office expires at the May 2020 Annual General Meeting)

21 Avenue de la Criolla, 92150 Suresnes (France)

Non-executive Director of Econocom Group

Walter Butler

(term of office expires at the May 2019 Annual General Meeting)

30 Cours Albert 1er, 75008 Paris (France)

Independent Director of Econocom Group

Philippe Capron

(term of office expires at the May 2020 Annual General Meeting)

8, rue Berlioz, 75116 Paris (France)

Independent Director of Econocom Group

Adeline Challon-Kemoun

(term of office expires at the May 2020 Annual General Meeting)

32 Avenue Duquesne, 75007 Paris (France)

Independent Director of Econocom Group

Anne Lange

(term of office expires at the May 2020 Annual General Meeting)

4 Avenue de Villiers, 75017 Paris (France)

Independent Director of Econocom Group

Marie-Christine Levet

(term of office expires at the May 2020 Annual General Meeting)

91 Rue du Cherche-Midi, 75006 Paris (France)

Independent Director of Econocom Group

Jean Mounet

(term of office expires at the May 2021 Annual General Meeting)

60 Quai du Parc, 94100 Saint-Maur-des-Fossés (France)

Independent Director of Econocom Group

At 31 December 2018, the Board accordingly comprised:

- an Executive Chairman, Jean-Louis Bouchard, appointed by the Board from among the Vice-Chairs. He is tasked with managing the Board of Directors and ensuring its efficient running, by monitoring its size and members and those of its Committees, and ensuring good communication with the Executive Committee to guarantee effective decision-making. The Committee appoints the Chairman from among the Vice-Chairs;
- a Vice-Chairman, Robert Bouchard. The Annual General Meeting of 19 May, 2015, voted to establish a mandate for the Vice-Chairman of the Board, and on 21 May, 2015 the Board of Directors appointed Mr. Robert Bouchard Vice-Chairman of the Board until the end of his term of office. The Board appoints one or more Vice-Chairs from its members. In the event that the Chairman is unable to attend, the Vice-Chair chairs the Board meetings;
- two Chief Executive Officers in charge of the day-to-day management of Econocom Group, Jean-Louis Bouchard (appointed on 2 March 2004) and Bruno Grossi (appointed at the Board meeting of 4 November 2015, with effect from 18 December 2015);

- four Non-executive Directors, Véronique di Benedetto, Robert Bouchard, Rafi Kouyoumdjian and Gaspard Dürrleman.. Véronique di Benedetto exercised åuoperational functions within Econocom Group companies at 31 December 2017. However, she is not considered to be an Executive Director, as this status is reserved for Directors holding executive positions at Econocom Group itself, in accordance with a decision of the Board of Directors dated 24 November 2016;
- lastly, six Independent Directors within the meaning of article 526 ter of the Belgian Companies Code, Walter Butler, Philippe Capron, Adeline Challon-Kemoun, Anne Lange, Marie-Christine Levet and Jean Mounet.

In fiscal year 2018, Mr. Robert Bouchard stepped down as Chief Executive Officer in charge of the day-to-day management of Econocom Group and as Chief Executive Officer of the Econocom Group. On 5 November, 2018, the Board of Directors appointed Mr. Jean-Louis Bouchard Chief Executive Officer in charge of the day-to-day management of Econocom Group and Chief Executive Officer of the Econocom Group.

Mr. Jean-Philippe Roesch, via Orionisa Consulting, of which he is chairman and shareholder, accepted in November 2018 a consulting and support mission for the Executive Committee. He is therefore considered executive director for the duration of this mission. In view of this, he resigned as a member and Chairman of the Audit Committee. On 5 November, 2018, the Board of Directors appointed Mr. Gaspard Dürrleman to serve as non-executive director and member and Chairman of the Audit Committee.

The bylaws do not stipulate any specific rules with respect to the appointment of Directors or the renewal of their term of office nor do they stipulate any age limit for Board membership.

Pursuant to a decision of the Extraordinary and Special General Meeting on 18 December 2015, the term of office for Directors has been reduced from six to four years in order to comply with the recommendations of the 2009 Code.

Other than their office on the Board of Directors of Econocom Group, certain Directors have other offices, as set out below.

The Chairman of the Board of Directors has controlling interests in a number of companies outside Econocom Group and serves as Legal Manager or Chairman within them. Jean-Louis Bouchard is Chairman of Econocom International BV, Matignon Finance and Château Fontainebleau du Var, and Legal Manager of SCI Orphée, SCI de Dion Bouton, SARL Écurie Jean Louis Bouchard, SCI JMB, SCI LBB, SNC Fontainebleau International and SCI 1 Montmorency.

In addition to serving on the Board of Econocom Group and its subsidiaries, Bruno Grossi is Legal Manager of Vilnaranda and Vilnaranda II and Director of Norcod Solutions Santé.

Robert Bouchard is the permanent representative of GMPC, the legal entity that chairs APL France. He also serves as Chairman of Ecofinance SAS, Legal Manager of GMPC and Co-manager of SCI Maillot Pergolèse.

Véronique di Benedetto is Chairwoman of SAS Numeya. She is also an Independent Director of Maisons France Confort, and serves on the boards of a number of associations including Syntec Numérique (French professional federation of members of the digital industry) and Pascaline, an association created by Syntec.

Gaspard Dürrleman does not serve on any other boards outside those of Econocom Group.

Rafi Kouyoumdjian is Chairman of RKO Management & Investment BV, and a Director of RKO Edith Grove Ltd.

Jean-Philippe Roesch is Legal Manager of La Criolla and Chairman of Orionisa Consulting and member of the Supervisory Board of Linkfluence SAS.

Walter Butler is Chairman and Chief Managing Director of Butler Industries, Butler Capital Partners and WB Debt Partners, Legal Manager of SCI 30 Albert 1er, Chairman of Amstar Entreprises and FBT Développement, Nexis Fiber Holding, Eden Innovations and Doc, Chairman of the Board of Directors of NXO Expansion, Chairman of the Supervisory Board of NXO France, member of the Supervisory Board of Groupe Partouche and Corum Asset Management, Director of Butler Industries Benelux, NXO Experts and NXO Sécurité, and Director of Butler Investment Managers Limited, Butler Management Limited, Almas Industries Ltd and Almas Industries UK. Walter Butler is also the permanent representative of Butler Capital Partners in his capacity as member of the Supervisory Boards of Access Industries and Colfilm, and as Director of Holding Sports et Evenements.

Philippe Capron is a member of the Supervisor Board and Chairman of the Audit Committee of Virbac.

Adeline Challon-Kemoun is a Director of Bourbon Corporation.

Anne Lange is a Director of Orange, Imprimerie Nationale and Pernod Ricard and FFP.

Marie-Christine Levet is a Director of Iliad, Mercialys, Maisons du Monde, HI-PAY and AFP.

Jean Mounet is a Director of Sopra Banking Software and Horizontal Software. He is Chairman and Director of SAS Trigone. He is also a Director of the Fondation Telecom and ESCPE, Chairman and Director of the Fondation CPE Lyon Monde Nouveau and Chairman of the Statutory Committee of Syntec Numérique.

5.5.2. FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors meets as often as it deems necessary.

In 2018, the Board held ten meetings, including four by conference call and a "technical" meeting in the presence of a notary. The two meetings convened to approve the half-yearly and annual financial statements were held in February and September 2018, respectively, in Brussels.

The table below sets out the attendance of each Director at meetings of the Board and the various Committees in 2018:

	Board of Directors	Audit Committee	Compensation Committee
Jean-Louis Bouchard	9	-	-
Robert Bouchard	9		-
Bruno Grossi	8	-	-
Véronique di Benedetto	8	-	-
Gaspard Dürrleman	9	9	-
Rafi Kouyoumdjian	9	9	3
Jean-Philippe Roesch	9	7	-
Walter Butler	6	-	-
Philippe Capron	9	-	-
Adeline Challon-Kemoun	4	-	-
Anne Lange	9	-	2
Marie-Christine Levet	8	9	-
Jean Mounet	9	-	3
Total number of meetings	**10**	**9**	**3**

The Board of Directors is responsible for approving the Company's overall strategy proposed by the Chairman, authorising significant projects and ensuring that there are adequate resources to attain its objectives. It is entrusted with decision-making outside the scope of day-to-day management.

The Board of Directors entrusts the Company's operational management to the Executive Committee, within the limits of the powers stipulated in the Internal Rules of the Executive Committee. It also entrusts the day-to-day management to the Chief Executive Officers or, if applicable, the Managing Directors.

The Board appoints the members of the Executive Committee, the Audit and Compensation Committees and the Chief Executive Officer(s), and generally ensures that a clear and effective management structure is implemented.

It also oversees the quality of the management duties performed and ensures that they are consistent with the Group's strategic objectives. To that end, it receives information every quarter including the budget and revisions thereto, a consolidated summary of the quarterly report and any other information it deems useful.

The Board may only validly debate and take decisions if at least half of its members are present or represented. A Director may represent one or more other members of the Board. Decisions are adopted on the basis of a majority of votes. In the event of a split decision, the person chairing the meeting has the deciding vote. In exceptional circumstances, when urgency and the best interests of the Company so dictate, decisions may be adopted pursuant to the unanimous consent of the Directors, expressed in writing. However, this procedure may not apply in relation to the approval of seperate financial statements financial statements and the issuance of authorised capital.

5.5.3. COMMITTEES CREATED BY THE BOARD OF DIRECTORS

Pursuant to the Bylaws, the Board of Directors is authorised to set up specific committees and to determine their tasks and operating rules.

5.5.3.1. Executive Committee

The Board of Directors has set up a Executive Committee, whose creation was ratified by shareholders at the Extraordinary General Meeting of 18 May 2004.

Following the transformation of Econocom Group into a European Company, the Board of Directors revised the Internal Rules of the Chairman's Council on 19 May 2016 and 7 September 2016.

The Board entrusted the Executive Committee with Econocom's operational management, in accordance with Article 898 of the Belgian Companies Code and Article 21 of the Bylaws.

The role of the Executive Committee is to recommend strategic guidelines for the Group, implement the strategy chosen by the Chairman and approved by the Board of Directors, approve the budgets accordingly, manage the Group's operational departments (within the scope of the powers of their governing bodies) and monitor their financial and operating performance.

The composition of the Executive Committee was modified several times during the year. On 26 February, 2018, the Board of Directors appointed Mr. David Krieff (Managing Director of Finance) and Mrs. Julie Verlingue (International Executive Director) members of the Executive Committee. Mrs. Verlingue's appointement went into effect on 5 March, 2008. Then, on 5 November, 2018, the Board of Directors appointed Mr. Jean-Louis Bouchard Chairman of the Executive Committee and CEO, and Mrs. Galliane Touze (Company Secretary of the Group) and Mr. Éric Bazile (Group Financial Controller) members of the Executive Committee; the Board also acknowledged the resignation of Mr. Robert Bouchard from his executive duties and the departure of Mr. David Krieff. As of 31 December, 2018, the Executive Committee comprises Mr. Jean-Louis Bouchard (Chairman), Mrs. Julie Verlingue, Mrs. Galliane Touze, and Messrs. Bruno Grossi and Éric Bazile. Jean-Louis Bouchard and Bruno Grossi also serve as Chief Executive Officers.

The Executive Commitee meets at least ten times a year.

5.5.3.2. Compensation Committee

On 31 August 2011, the Board of Directors set up a Compensation Committee.

The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy. It is also charged with implementing plans for granting financial instruments (free shares, stock options, etc.). It drafts the compensation report, in accordance with Article 96, section 3 of the Belgian Companies Code, which is subsequently appended to the corporate governance statement. One of its members will comment on the report at the Ordinary General Meeting.

The Board of Directors has also granted the Compensation Committee, in accordance with Article 21 of the Bylaws, decision-making powers on behalf of the Board of Directors with respect to stock option plans or any other plans for granting financial instruments. In this respect, the Compensation Committee replaces the stock option committee set up in February 2003.

The Committee currently has three members appointed by the Board of Directors for three-year terms that cannot exceed their term as Directors. At its meeting of 7 September 2016, the Board of Directors renewed Jean Mounet's term as a member of the Committee and entrusted him with the Chairmanship of the Compensation Committee. RafiK ouyoumdjian was appointed by the Board of Directors at its meeting of 29 August 2014, and Anne Lange by the Board of Directors at its meeting of 7 September 2016 with effect from 4 November 2016, when her appointment as Director of Econocom Group became effective.

The Committee met thrice in 2018.

5.5.3.3. Audit Committee

The Audit Committee was created by the Board of Directors on 18 May 2004.

As of 31 December 2018, two of its members are non-Executive Directors and one is an Independent Director. The Board of Directors, at its meeting of 5 November, 2018 took note of Mr. Jean-Philippe Roesch's resignation as Audit Committee member and Chairman due to the loss of his non-executive director status. On the same day, the Board appointed Mr. Gaspard Dürrleman Chairman of the Audit Committee.

The term of office is three years, provided that it does not exceed the holder's term of office as Director.

The Audit Committee meets as often as required. It met nine times in 2018, with all members in attendance (as stated in section 5.5.2 above), an Executive Director, Galliane Touze, Company Secretary, Éric Bazile, Financial Controller, and Stéphane Pailler, head of Internal Audit. The members of the Audit Committee invite the Statutory Auditor and any other person deemed useful by the Committee as required by the agenda.

The Audit Committee is responsible for helping the Board of Directors perform its duty of controlling Econocom Group's operations. In particular, it examines the quality and relevance of internal and external audit engagements, monitors internal control and risk management procedures, ensures that the accounting policies used are appropriate, and that the Group's financial data are complete and accurate.

Article 96 of the Belgian Companies Code stipulates that companies must be able to demonstrate the independence and audit and accounting expertise of at least one of the members of the Audit Committee. Econocom complies with this requirement.

5.5.4. DAY-TO-DAY MANAGEMENT

The Board of Directors has entrusted the day-to-day management of the Econocom Group to the Chief Executive Officers, in accordance with articles 898 and 525 of the Belgian Companies Code.

All major decisions regarding the subsidiaries are made by the relevant body, with the assent of the Chief Executive Officer in charge of the issue or activity in question. The subsidiaries generally do not have any major decision-making powers other than those concerning day-to-day management. The powers of Group subsidiaries' managers and the limits to these powers are set out in an internal reference document.

The Executive Committee is in charge of operational management.

5.5.5. IMPLEMENTATION OF PROVISIONS GOVERNING CONFLICTS OF INTERESTS

Article 523 of the Belgian Companies Code provides for a specific procedure within the Board of Directors to address conflicts of interest involving one or more Directors when it makes decisions or concludes transactions.

At its meeting of 22 November 2012, the Board of Directors also adopted a procedure governing transactions or other contractual relationships between Econocom Group and the Directors and members of the Executive Commitee when such transactions or other contractual relationships are not covered by the provisions of article 523 of the Belgian Companies Code.

Articles 523 and 524 of the Belgian Company Code were not applied in 2018, nor was the Group's conflict of interest procedure.

5.5.6. IMPLEMENTATION OF THE DIVERSITY POLICY

Econocom's commitments, objectives and actions in respect of diversity, as well as the results of this policy, are described in paragraph 1.1.4 of Chapter 3, "Corporate Social Responsibility". They mainly concern gender equality and support for people from disadvantaged backgrounds and people with disabilities.

Since 23 November 2017, one-third of the members of Econocom Group's Board have been women, pursuant to the conditions set out in article 518 *bis* of the Belgian Companies Code. At 31 December 2018, the Board had four women members: Véronique di Benedetto, Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet. Women also sit on each of the various committees created by the Board of Directors, namely the Executive Committee (Julie Verlingue et Galliane Touze), the Audit Committee (Marie-Christine Levet) and the Compensation Committee (Anne Lange).

Econocom's policy in favour of people from disadvantaged backgrounds is by nature deemed not to be designed for the Group's senior staff. Despite having made particular efforts in this regard, Econocom has not yet hired a senior manager with a disability.

5.6. Composition of advisory bodies

Econocom Group's Statutory Auditor is PricewaterhouseCoopers Réviseurs d'Entreprises SCRL (Woluwe Garden, Woluwedal, 18 1932 Saint Stevens Woluwe [Belgium]). Its term was renewed at the May 2016 Annual General Meeting and expires at the May 2019 Annual General Meeting.

Econocom Group's Statutory Auditor is represented by Alexis Van Vavel, company auditor, who replaced Damien Walgrave on 14 April 2015 as Statutory Auditor on behalf of SCRL PwC Réviseurs d'Entreprises.

5.7. 2018 Compensation report

This report was drafted in accordance with the provisions of articles 526 quater and 96 section 3 of the Belgian Companies Code. Its purpose is to describe in detail the policy for compensating Directors (in charge of day-to-day management, Executive and Non-executive), as well as members of the Executive Committee (formerly the Executive Committee) of Econocom Group.

5.7.1. COMPENSATION POLICY FOR DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE

5.7.1.1. Procedure adopted to define compensation for Directors and members of the Executive Committeeand set their individual compensation

On 31 August 2011, the Board of Directors set up a Compensation Committee. The Committee comprises three Non-executive Directors, two of whom are independent as defined in article 526 *ter* of the Belgian Companies Code. The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy. It is also charged with implementing plans for granting financial instruments (free shares, stock options, etc.).

More specifically, the Compensation Committee is in charge of:

1°) upon recommendations of the Chairman and Chief Executive Officer:

a) making proposals and recommendations to the Board of Directors with respect to the policy for compensating Directors and members of the Executive Committee and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval,

b) making proposals and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Executive Committee, including the variable portion and long-term bonuses (long-term share incentives) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval,

c) making proposals and recommendations to the Board of Directors about setting and assessing performance targets linked to the individual compensation of Directors and Executive Committee members;

2°) drafting the compensation report, in accordance with article 96 section 3 of the Belgian Companies Code, which is subsequently added to the corporate governance statement;

3°) commenting on the compensation report during the Ordinary General Meeting;

4°) submitting recommendations to the Board of Directors with respect to the procedure and conditions concerning the Directors' and Chairman's Council members' employment or other contracts;

5°) generally carrying out all the tasks assigned by the Board of Directors with respect to compensation.

In accordance with article 21 of the Bylaws, the Board of Directors also grants the Compensation Committee the power to implement Board decisions with respect to stock option plans or any other existing or future plans for granting financial instruments such as warrants or free shares, *i.e.*, issuing stock options or other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Committee is accountable.

The Compensation Committee met thrice in 2018.

5.7.1.2. 2017 compensation policy

Board of Directors

The Bylaws provide for attendance fees for Directors.

The Extraordinary General Meeting of 18 December 2015 decided to increase the compensation of Non-executive Directors from €3,000 to €5,000 per Board meeting from January 2016, subject to actual attendance at meetings.

At its meeting of 24 November 2016, the Board of Directors sought to clarify the status of Executive Director, excluding from the concept Directors having an operational function within subsidiaries but not holding executive positions at Econocom Group. People in this position are considered to be Non-executive Directors. However, they do not receive attendance fees and their compensation results from their contractual relationship with one or more Group companies or, where appropriate, the offices they serve in any of them.

Directors not exercising any operational function do not receive any compensation other than the above-mentioned attendance fees. Lastly, Executive Directors receive no compensation for their directorship with Econocom Group. Their compensation is derived from contractual relationships or their offices in one or more Group companies.

A summary of the nature of the compensation paid to Directors is as follows:

	Terms of office at 31/12/2018	Nature of compensation
Jean-Louis Bouchard	Chairman Chief Executive Officer	No direct compensation services provided to the holding company EIBV
Robert Bouchard	Vice-Chairman Non-executive Director	Attendance fees
Bruno Grossi	Chief Executive Officer	Compensation received as an employee
Jean-Philippe Roesch	Executive Director	Consultancy provided to the company Orianisa Consulting
Véronique di Benedetto	Non-executive Director	Compensation received as an employee
Gaspard Dürrleman	Non-executive Director	Attendance fees
Rafi Kouyoumdjian	Non-executive Director	Attendance fees
Walter Butler	Independent Director	Attendance fees
Philippe Capron	Independent Director	Attendance fees
Adeline Challon-Kemoun	Independent Director	Attendance fees
Anne Lange	Independent Director	Attendance fees
Marie-Christine Levet	Independent Director	Attendance fees
Jean Mounet	Independent Director	Attendance fees

Committees

At the Extraordinary General Meeting of 18 December 2015, the compensation of Chairs and members of the Audit and Compensation Committees was increased from €2,000 to €3,000 per meeting from January 2016, subject to actual attendance.

Executive Directors, Non-executive Directors with operational functions and members of the Executive Committee

The compensation of Executive Directors and members of the Executive Committee is set by the Chairman and Chief Executive Officer, based on advice from the Compensation Committee.

The compensation of Executive Directors and members of the Executive Committee includes a significant variable portion, which accounts for between 20% and 50% of the total compensation. At the Extraordinary General Meeting of 28 September 2011, the Board of Directors was granted an exemption from article 520 *ter*, paragraph 2 of the Belgian Companies Code pertaining to the rules governing the distribution of the variable portion of compensation for 2011 and 2012. At the Annual General Meeting of 21 May 2013, this exemption was renewed indefinitely. The variable portion of compensation paid to Executive Directors and Executive Committee members was set in 2018 based on annual performance criteria.

Variable compensation paid to Executive Directors and members of the Executive Committee 2018 was subject to the achievement of objectives, both qualitative and quantitative. A significant proportion of compensation paid to members of the Executive Committee was subject to the achievement of a joint quantitative objectives relating to the Group's budget targets, and in particular recurring profit, revenue and the net debt of the group andor areas of responsability specific to each manager. The other qualitative and quantitative objectives are specific to each Executive Committee member and Executive Director, and depend on the scope of their duties and responsibilities.

As is the case with all Econocom Group employees, the Executive Directors and Chairman's Council members who are employees of the Group are assessed on a continuous basis throughout the year by their managers and at the annual appraisal, which is held in the first quarter of the following year.

The compensation of Non-executive Directors with operational functions is set by the Chairman or a member of the Executive Officer Committee.

The compensation policy for 2019 is consistent with the compensation policy for 2018. Compensation includes a variable component of at least 30% of total compensation. The variable compensation of Executive Directors, Non-executive Directors with operational functions and Executive Committee members is subject to the achievement of qualitative and quantitative objectives specific to each person, based on their duties and responsibilities. These objectives concern the results (revenue and profit before tax) of the Group and of the activity for which they are responsible, revenue targets or development targets in strategic market segments or offers for the Group, targets relating to productivity and compliance with financial ratios, including working capital requirements and net debt, and lastly, qualitative objectives, based in particular on quality indicators.

The Board of Directors did not deem it necessary, given the reliability of the Group's financial information, to implement a system for retrieving variable compensation granted on the basis of incorrect financial information.

5.7.2. COMPENSATION PAID IN 2018

5.7.2.1. Non-executive Directors

This section sets out the individual compensation and benefits paid directly or indirectly to Non-executive Directors by Econocom Group or any of the Group's other companies in 2018.

Compensation paid in 2018, including payroll costs

in €	
Walter Butler	10,000
Philippe Capron	25,000
Adeline Challon-Kemoun	15,000
Gaspard Dürrleman	52,000
Rafi Kouyoumdjian	61,000
Anne Lange	36,000
Marie-Christine Levet	47,000
Jean Mounet	34,000
Jean-Philippe Roesch	41,000
Robert Bouchard	5,000
Total	**326,000**

5.7.2.2. Compensation paid to the Chairman of the Board of Directors

Jean-Louis Bouchard performs the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Executive Committee. He receives no compensation whatsoever for these duties, and does not benefit from any special pension or insurance, or any other benefits paid either directly or indirectly by either Econocom Group or any companies in the scope of consolidation. Econocom International BV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group and its subsidiaries for managing and coordinating the Group. These fees amounted to €2.7 million in 2018, compared with €3.2 million in 2017.

Three-quarters of this amount is composed of employee benefits expenses and the remainder of chargebacks of costs incurred by EIBV on behalf of Econocom (management seminars, etc.).

5.7.2.3. Total compensation paid to the Executive Directors of the Board, Non-executive Directors with operational functions and Executive Committee members in 2018

This section sets out the overall compensation and benefits paid directly or indirectly to Executive Directors of the Board, Non-executive Directors with operational functions and Chairman's Council members by Econocom Group or any of the Group's other companies in 2018.

Total compensation paid in 2018, including payroll costs

in €	
Fixed portion(1)	2,738,203
Variable portion(2)	1,015,573
Pensions and other compensation, including benefits in kind	665,612
Payroll costs(3)	1,090,190
Attendance fees	0
Total	**5,509,577**

(1) Of which €935,000 in respect of 2017 and prior years and paid in 2018.
(2) Of which €300,000 in respect of 2017 and prior years and paid in 2018.
(3) Of which €344,000 in respect of 2017 and prior years and paid in 2018.

Total compensation allocated with respect to 2018, including payroll costs

in €	
Fixed portion[1]	2,896,984
Variable portion[2]	1,416,001
Pensions and other compensation, including benefits in kind[3; 4]	520,190
Payroll costs[5]	1,282,526
Attendance fees	0
Total	**6,115,701**

(1) Of which €158,000 in respect of 2018 and paid in 2019.
(2) Of which €1,335,000 yet to be paid in 2018.
(3) Of which €218,000 yet to be paid in 2018.
(4) Of which €140,000 in respect of departure transactions.
(5) Of which €435;000 yet to paid in 2019.

This information refers to compensation including payroll costs paid to Executive Directors and Executive Committee members in office in 2017, namely Julie Verlingue, Martine Bayens, Galliane Touze, Robert Bouchard, Bruno Grossi, Jean-Philippe Roesch, David Krieff and Éric Bazile, as well as compensation paid to Non-executive Directors with operational functions, namely Véronique di Benedetto.

Seven of the nine Executive Directors, Chairman's Council members and Non-executive Directors with operational functions were compensated under their employment contract as employees of Econocom Group's companies. Four Non-executive Directors with operational functions indirectly received compensation through a company controlled by Econocom Group, as a corporate officer of an Econocom Group company and/or as a service provider. This lump-sum compensation is included in the summary table above.

Lastly, the compensation paid to Jean-Louis Bouchard, Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Executive Committee, is set out in section 5.7.2.2.

Three of the Executive Directors, Executive Committee members and Non-executive Directors with operational functions have a company car.

5.7.2.4. Stock options and free shares granted

Some of the Executive Directors, Executive Committee members and Non-executive Directors with operational functions benefit from stock option and/or performance share plans.

Moreover, the Annual General Meeting of 17 May 2016 approved the terms of a free share plan for 1,125,000 shares (or 2,250,000 shares after share split), and the Board of Directors, at its meeting of 19 May 2016, granted 220,000 (440,000 after the share split) of these free shares to an Executive Director and Executive Committee member, of which 70,000 (140,000 after the share split) were transferred to him permanently in 2017 and 80,000 (160,000 after the share split) in 2018.

During the 2018 fiscal year, four of the Group officers mentioned above were granted performance shares entitling them to a total of 1,115,000 Econocom Group shares with final acquisition spread over four years.

At 31 December 2018, the Executive Directors, Executive Committee members and non-executive Directors held 425 000 stock options entitling them to 850,000 Econocom Group shares (after the share split) at a total subscription price of €2.5 million, as well as 1,150,000 (1,185,000 after split) Econocom Group performance shares.

5.7.2.5. Termination benefits and other contractual obligations

The employment contracts of the Executive Directors, Executive Directors members and Non-executive Directors with operational functions in office at 31 December 2018 contain standard clauses, in particular as regards notice period. They contain no specific clause with respect to pension benefits. One of the members of the Executive Committee is eligible for termination benefits equal to 12 months of total gross average compensation (under certain conditions).

5.8. Appropriation of profit and dividend policy

At the Annual General Meeting to be held on 21 May 2019, the Board of Directors will recommend that shareholders receive a refund of the issue premium, considered as paid-in capital, in the amount of €0.12 per share.

This refund represents stability in the gross shareholder compensation per share over one year and a 20% increase over two years.

In addition, the Group will also continue its share buyback policy.

5.9. Relations with major shareholders

On 8 January 2018, Econocom Group received joint notification of a threshold crossing from Econocom International BV, SCI de Dion Bouton and Econocom Group stating that they held a combined total of 37.39% of the Company's capital. This downward crossing of the 40% threshold occurred following a sale of shares by Econocom International BV to Mr. Robert Bouchard in the context of his taking up office as Chief Operating Officer of Econocom Group SE.

On 20 December 20, Econocom Group received joint notification of a threshold crossing from Econocom International BV, SCI de Dion Bouton and Econocom Group stating that they held a combined total of 42.09% of the Company's capital. This downward crossing of the 40% threshold resulted from the retroactive cancellation of the sale of securities that had been agreed between Econocom International BV, controlled by Jean-Louis Bouchard, and Robert Bouchard.

At 31 December 2018, the number of shares issued by Econocom Group totalled 245,140,430, of which Jean-Louis Bouchard held 36.44% *via* Econocom International BV and SCI de Dion Bouton. Shares held in treasury by Econocom Group do not carry voting rights, meaning that, at 31 December 2018, Jean-Louis Bouchard held 38.62% of the Company's voting rights, directly and indirectly (excluding treasury shares held under the liquidity agreement).

Relations with the majority shareholder, Econocom International BV, correspond to the provision of standard services on arm's-length terms. In addition, the Econocom group signed lease agreements in France with companies controlled by Jean-Louis Bouchard: SCI Maillot Pergolèse, SCI of Dion Bouton and SCI JMB. These leases were signed on arm's length terms.

5.10. Econocom Group employee share ownership

The Group has set up several incentive plans for its personnel, employees, managers and executives. Three stock option plans set up in 2013, 2014 and 2017 are still in progress and have given rise to awards each year since 2013 and a free share allocation plan approved by the General Meeting in May 2016 has given rise to awards in 2016 and 2018.

During the year, 160,000 free shares were transferred to the beneficiaries of this plan and 625,000 options relating to the 2013 stock option plan were exercised by their beneficiaries, resulting in the transfer to beneficiaries of 1,410,000 treasury shares.

At its meeting of 22 November 2018 the Board of Directors decided to extend the 2013 and 2014 stock option plans by two years.

In addition, in February and December 2018, the Board of Directors awarded free shares as part of the free share plan by the Annual General Meeting on 17 May 2016.

An updated summary of the Group's commitments in respect of these plans at 31 December 2018 is provided below:

Plan	Grant year	Number of stock options and free shares	Number of corresponding shares[1]	Expiry date	Exercise price *(in € per option)*	Exercise price *(in € thousands)*
Options	2013	250,000	500,000	December 2020	5.96	1,490
	2014	1,784,000	3,568,000	December 2021	5.52	9,848
2014 subscription options	2015	237,500	475,000	December 2022	7.74	1,838
		120,000	240,000	December 2022	7.61	
	2016	50,000	100,000	December 2023	9.57	479
		45,000	90,000	December 2023	13.60	612
2017 subscription options	2017	90,000	90,000	December 2023	6.04	544
Free shares	2016	140,000	140,000	May 2019	-	-
	2018	15,000	15,000	February 2019	-	-
		402,500	402,500	March 2020	-	-
		342,500	342,500	March 2021	-	-
		342,500	342,500	March 2022	-	-
		342,500	342,500	March 2023	-	-
Total	**–**	**–**	**6,648,000**	**–**	**–**	**15,723,000**

(1) The options granted prior to the two-for-one share split (in June 2017) each entitle the holder to two Econocom Group shares.

These plans cover Econocom Group shares listed on the Euronext Brussels stock exchange. They are granted with a view to involving employees, managers and executives more closely in the Group's operations and business development.

The granting of some of the stock options and free shares, comprising between 50% and 100% of the stock options and shares allocated, is contingent on their beneficiaries achieving individual, collective, internal and external performance goals. The exercise price is set in accordance with current legislation.

The options may not be transferred and Econocom Group does not hedge its exposure to decreases in the share price.

The options awarded in 2013 were and will be covered by existing shares.

The stock options granted in 2014, 2015 and 2016 are part of a stock option plan approved by the Board of Directors on 17 December 2014. If exercised, these options will result in the issuance of new shares.

The free share plan issued in 2016 was approved by the Annual General Meeting of 17 May 2016. The different awards made as part of this plan were approved by the Board of Directors meetings dated 19 May 2016, 26 February 2018 and 27 December 2018. The vesting of free shares by the beneficiary will result in delivery of existing shares.

The stock options granted in 2017 are part of a stock option plan approved by the Board of Directors on 22 June 2017. If exercised, these options will result in the issuance of new shares.

At 31 December 2018, unexercised free shares and options entitling their holders to a total of 6,648,000 Econocom Group shares, including 4,563,000 shares yet to be issued and 2,085,000 existing shares. They represented 2.71% of the number of shares outstanding at the end of the year. Lastly, of the total number of shares corresponding to stock options and free shares granted and not yet exercised, 31,71% were subject to the achievement of quantitative and/or qualitative, and individual and/or collective performance conditions.

The exercise of all these options would result in an equity increase of €15.7 million.

5.11. Statutory auditor's fees

in €	31 Dec. 2018	31 Dec. 2017
Statutory Auditor’s fees for auditing the consolidated financial statements	430,848	410,888
Fees for audit-related engagements or similar assignments performed in the Group by individuals related to the Statutory Auditor	874,400	826,030
Fees for non audit-related engagements or specific assessments carried out by the Statutory Auditor for Econocom Group	–	–
Non-audit certification engagements		15,500
Tax advisory work	–	–
Other		10,000
Fees for non audit-related engagements or specific assessments carried out for Econocom Group by persons related to the Statutory Auditor(s)	–	–
Non-audit certification engagements	0	0
Tax advisory work	252,401	485,216
Other	0	0

5.12. Treasury shares

See section 2.3.3 above.

6. Subsequent events

At the time of completing this report, there have been no significant events since the close of the 2018 financial year.

06

consolidated financial statements

1. Consolidated income statement and earnings per share

For the years ended 31 December 2018 and 31 December 2017

in € millions	Notes	2018	2017 adjusted*
Revenue from continuing operations	**4.1**	**2,845.9**	**2,634.3**
Operating expenses		**(2,735.5)**	**(2,484.1)**
Cost of sales		(1,862.4)	(1,693.1)
Personnel costs	4.2	(602.5)	(560.7)
External expenses	4.4	(216.8)	(194.5)
Depreciation, amortisation and provisions	4.5	(33.0)	(27.7)
Net impairment losses on current and non-current assets	4.6	(15.3)	(6.4)
Taxes (other than income taxes)		(13.1)	(11.9)
Other operating income and expenses	4.7	6.3	9.3
Financial income – operating activities	4.8	1.4	0.9
Recurring operating profit before amortisation of intangible assets from acquisitions		**114.6**	**154.4**
Recurring operating profit		**110.4**	**150.2**
Other non-recurring operating income and expenses	5	(28.6)	(19.1)
Operating profit		**81.8**	**131.1**
Change in the fair value of ORNANE bond	6	-	4.1
Financial income and expenses	6	(16.0)	(12.5)
Profit before tax		**65.8**	**122.7**
Income tax expense	7	(21.2)	(32.0)
Profit from continuing operations		**44.6**	**90.7**
Share of profit (loss) of associates and joint ventures		-	-
Profit (loss) from discontinued operations	2.2.5	-	-
Profit for the period		**44.6**	**90.7**
Non-controlling interests		5.2	4.3
Profit for the period attributable to owners of the parent		39.4	86.4
Recurring profit attributable to owners of the parent(1)		**61.8**	**94.8**

* Change of accounting method resulting from the retrospective application of IFRS 15 (cf. § 1.1.1).

Earnings per share attributable to owners of the parent *(in €)*	**Notes**	**2018**	**2017**
Basic earnings per share – continuing operations		0.17	0.37
Basic earnings per share – discontinued operations		-	-
Basic earnings per share	**8**	**0.17**	**0.37**
Diluted earnings per share – continuing operations		0.16	0.36
Diluted earnings per share – discontinued operations		-	-
Diluted earnings per share	**8**	**0.16**	**0.36**
Recurring earnings per share[1]	**8**	**0.26**	**0.41**

[1] Since the end of H1 2016, recurring net profit attributable to owners of the parent has been the key performance indicator used by Econocom to assess its economic and financial performance. It excludes:
- amortisation of intangible assets from acquisitions, net of tax effects;
- other non-current income and expenses, net of tax effects;
- adjustments to the fair value of the ORNANE embedded derivative component;
- other non-recurring financial income and expenses, net of tax effects;
- profit (loss) from discontinued operations, net of tax effects.

A table showing the reconciliation of profit attributable to owners of the parent with recurring profit attributable to owners of the parent is included in section 2.1 of the management report.

Consolidated statement of comprehensive income

For the years ended 31 December 2018 and 31 December 2017

in € millions	**2018**	**2017**
Profit for the period	44.6	90.7
Items that will not be reclassified to profit or loss	**1.4**	**(0.3)**
Remeasurements of the net liability (asset) for defined benefit plans	1.9	0.3
Deferred taxes on remeasurement of the net liability (asset) for defined benefit plans	(0.5)	(0.6)
Items that may be reclassified to profit or loss	**(0.8)**	**(1.3)**
Change in value of cash flow hedges	(0.9)	0.5
Deferred taxes arising on change in value of cash flow hedges	0.3	(0.2)
Foreign currency translation adjustments	(0.2)	(1.6)
Other comprehensive income (expense)	**0.6**	**(1.6)**
Total comprehensive income for the period	**45.2**	**89.1**
Attributable to non-controlling interests	5.1	4.1
Attributable to owners of the parent	40.1	85.0

2. Consolidated statement of financial position

Assets

in € millions	Notes	31 December 2018	1 January 2018*
Non-current assets			
Intangible assets	10.1	83.4	79.6
Goodwill	9	631.1	598.8
Property, plant and equipment	10.2	48.6	48.4
Long-term financial assets	10.3	27.7	30.9
Residual interest in leased assets	11.1	122.4	105.5
Other long-term receivables	10.4	15.2	12.5
Deferred tax assets	7.2	33.8	21.2
Total non-current assets		**962.3**	**896.9**
Current assets			
Inventories	12.1	52.1	49.1
Trade and other receivables	12.2	1,268.6	1,118.4
Residual interest in leased assets	11.1	41.4	35.9
Current tax assets		10.2	9.2
Cost of performance and obtaining of contract recognised as an asset	12.2	31.3	37.7
Other current assets	12.2	34.9	39.3
Cash and cash equivalents	14.1	608.4	237.9
Total current assets		**2,046.9**	**1,527.5**
Assets held for sale		-	-
Total assets		**3,009.2**	**2,424.4**

* Change of accounting method resulting from the application of IFRS 9 and IFRS 15. (Cf. § 1.1.1).

Equity and liabilities

in € millions	Notes	31 December 2018	1 January 2018*
Share capital		23.5	23.5
Additional paid-in capital and reserves		333.5	267.7
Profit for the period attributable to owners of the parent		39.4	86.4
Equity attributable to owners of the parent	**15**	**396.4**	**377.6**
Non-controlling interests	15.4	94.9	102.4
Total equity		**491.3**	**480.0**
Non-current liabilities			
Bonds	14.2	431.1	246.6
Financial liabilities	14.2	73.0	93.5
Gross liability for purchases of leased assets	11.2	73.0	59.6
Provisions	16	2.1	1.1
Provisions for pensions and other post-employment benefit obligations	17	45.1	45.7
Other non-current liabilities	12.5	69.9	99.1
Deferred tax liabilities	7.2	6.6	9.5
Total non-current liabilities		**700.8**	**555.1**
Current liabilities			
Bonds	14.2	6.4	5.3
Financial liabilities	14.2	349.6	171.2
Gross liability for purchases of leased assets	11.2	25.1	17.9
Provisions	16	41.6	41.2
Current tax liabilities		14.9	17.1
Trade and other payables	12.3	1,104.2	960.0
Contract liabilities	12.4	85.8	66.6
Other current liabilities	12.4	189.3	110.0
Total current liabilities		**1,817.1**	**1,389.3**
Liabilities related to assets held for sale		-	-
Total equity and liabilities		**3,009.2**	**2,424.4**

* Change of accounting method resulting from the application of IFRS 9 and IFRS 15 (cf. § 1.1.1).

3. Statement of changes in consolidated equity

For the years ended 31 December 2018 and 31 December 2017

in € millions	Number of shares	Share capital	Additional paid-in capital	Treasury shares
Balance at 1 January 2017 (reported)	**225,038,574**	**21.6**	**169.4**	**(50.5)**
Profit for the year	-	-	-	
Other comprehensive income (expense), net of tax	-	-	-	-
Total comprehensive income for 2017	**-**	**-**	**-**	
Share-based payments	-	-	-	
Refund of issue premiums/Payments to shareholders	-	-	(24.5)	
ORNANE bond conversion	20,101,856	1.9	108.1	
Sales of treasury shares backing ORNANE bond redemptions	-	-	-	18.7
Treasury share transactions	-	-	-	(26.3)
Put and call options on non-controlling interests change in fair value	-	-	-	
Put and call options on non-controlling interests	-	-	-	
Other transactions and transactions with an impact on non-controlling interests (see Note 15)	-	-	-	
Balance at 31 December 2017	**245,140,430**	**23.5**	**253.0**	**(58.1)**

in € millions	Number of shares	Share capital	Additional paid-in capital	Treasury shares
Balance at 31 December 2017 (reported)	**245,140,430**	**23.5**	**253.0**	**(58.1)**
Impact of IFRS 9 on impairment of receivables	-	-	-	-
Balance at 1 January 2018 (adjusted)[1]	**245,140,430**	**23.5**	**253.0**	**(58.1)**
Profit for the year	-	-	-	-
Other comprehensive income (expense), net of tax	-	-	-	-
Total comprehensive income for 2018	**-**	**-**	**-**	**-**
Share-based payments	-	-	-	-
Refund of issue premiums/Payments to shareholders	-	-	(29.4)	-
OCEANE equity component	-	-	16.7	-
Treasury share transactions	-	-	-	(6.5)
Put and call options on non-controlling interests – change in fair value	-	-		-
Put and call options on non-controlling interests	-	-	-	-
Other transactions and transactions with an impact on non-controlling interests (see Note 15)	-	-	-	-
Balance at 31 December 2018	**245,140,430**	**23.5**	**240.3**	**(64.6)**

(1) Change of accounting method resulting from the application of IFRS 9 (cf. § 1.1.1).

	Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
	68.0	**(7.1)**	**201.4**	**77.6**	**279.0**
	86.4	-	86.4	4.3	90.7
	-	(1.4)	(1.4)	(0.2)	(1.6)
	86.4	**(1.4)**	**85.0**	**4.1**	**89.1**
	0.9	-	0.9	-	0.9
	0.8	-	(23.7)	(0.4)	(24.1)
	29.4	-	139.4	-	139.4
	17.6	-	36.3	-	36.3
	(1.1)	-	(27.4)	-	(27.4)
	1.3	-	1.3	-	1.3
	(20.6)	-	(20.6)	20.3	(0.3)
	(11.7)	(0.1)	(11.8)	0.8	(11.0)
	171.0	**(8.6)**	**380.8**	**102.4**	**483.2**

	Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
	171.0	**(8.6)**	**380.8**	**102.4**	**483.2**
	(3.2)	-	(3.2)	-	(3.2)
	167.8	**(8.6)**	**377.6**	**102.4**	**480.0**
	39.4	-	39.4	5.2	44.6
	-	0.6	0.6	-	0.6
	39.4	**0.6**	**40.0**	**5.2**	**45.2**
	1.1	-	1.1	-	1.1
	1.1	-	(28.3)	-	(28.3)
	-	-	16.7	-	16.7
	(5.9)	-	(12.4)	-	(12.4)
	(10.3)	-	(10.3)	-	(10.3)
	(10.3)	-	(10.3)	10.3	-
	22.3	-	22.3	(23.0)	(0.7)
	205.2	**(8.0)**	**396.4**	**94.9**	**491.3**

4. Consolidated statement of cash flow

in € millions	Notes	2018	2017
Profit for the period		44.6	90.7
Elimination of share of profit (loss) of associates and joint ventures	18.1.1	-	-
Provisions, depreciation, amortisation and impairment	18.1.1	42.6	32.2
Change in fair value of the ORNANE embedded derivative component	18.1.1	-	(4.1)
Elimination of the impact of residual interest in leased assets	18.1.1	(17.9)	(31.8)
Other non-cash expenses (income)	18.1.1	0.3	0.8
Cash flows from operating activities after cost of net debt and income tax		**69.6**	**87.8**
Income tax expense	7	21.2	32.0
Cost of net debt	18.1.2	12.9	10.8
Cash flows from operating activities before cost of net debt and income tax (a)		**103.6**	**130.6**
Change in working capital (b), o/w:	18.1.3	49.6	(144.4)
Investments in self-funded TMF[1] contracts		(39.0)	(55.9)
Other changes in working capital		88.6	(88.5)
Tax paid before tax credits (c)		(28.1)	(41.3)
Net cash from (used in) operating activities (a + b + c = d)	**18.1**	**125.2**	**(55.2)**
o/w related to discontinued operations	-	-	-
Acquisition of property, plant and equipment and intangible assets		(51.1)	(44.2)
Disposal of property, plant and equipment and intangible assets		12.2	-
Acquisition of long-term financial assets		(5.1)	(2.7)
Disposal of long-term financial assets		2.0	0.5
Acquisition of companies and businesses, net of cash acquired		(13.1)	(60.5)
Disposal of companies and businesses, net of cash acquired		-	-
Net cash from (used in) investing activities (e)	**18.2**	**(55.1)**	**(106.9)**
o/w related to discontinued operations		-	-

(1) Technology Management & Financing.

in € millions	Notes	2018	2017
Issue of convertible bonds (OCEANE)		183.3	-
OCEANE equity component		16.7	
Exercise of stock options		3.7	-
Redemption of ORNANE convertible bonds		-	(38.8)
Sales of treasury shares backing ORNANE bond redemptions		-	36.5
Other purchases of treasury shares (net of sales)		(15.6)	(27.3)
Payments to shareholders during the period		(28.4)	(23.6)
Change in refinancing liabilities on lease contracts and liabilities on self-funded contracts		(11.6)	42.8
Increase in financial liabilities		207.7	81.9
Decrease in financial liabilities		(40.3)	(10.4)
Interest paid		(14.5)	(13.7)
Net cash from (used in) financing activities (f)	**18.3**	**301.1**	**47.4**
o/w related to discontinued operations		**-**	**-**
Impact of exchange rates on cash and cash equivalents (g)		0.8	(1.0)
Impact of discontinued operations on the opening net cash position (h)		-	-
Change in net cash and cash equivalents (d + e + f + g + h)		**372.0**	**(115.6)**
Net cash and cash equivalents at beginning of period[1]	**14.1/18**	**232.9**	**348.5**
Change in cash and cash equivalents		**372.0**	**(115.6)**
Net cash and cash equivalents at end of period[1]	**14.1/18**	**604.8**	**232.9**

(1) Net of bank overdrafts: €3.6 million at 31 December 2018 and €5.1 million at 31 December 2017.

Key movements in the consolidated statement of cash flow are explained in note 18.

5. Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements of Econocom Group ("the Group") for the year ended 31 December 2018 include:

- the Financial statements of Econocom Group SE;
- the Financial statements of its subsidiaries;
- the share of the net assets and profit (loss) of equity-accounted companies (joint ventures and associates).

Econocom is an independent group that designs, finances and oversees companies' digital transformation.

Econocom Group SE, the Group's parent company, is a European company (societas Europaea) with its registered office at Place du Champ de Mars, 5, 1050 Brussels.

The Company is registered with the Brussels companies registry under number 0422 646 816 and is listed on Euronext Brussels.

The Board of Directors' meeting of 14 March 2019 adopted and authorised the publication of the consolidated financial statements for the year ended 31 December 2018. These financial statements will only be deemed final once they have been approved by the shareholders at the Annual General Meeting on 21 May 2019.

1.1. Accounting policies

As required by European Commission Regulation no. 1606/2002/EC dated 19 July 2002, the Group's consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and adopted by the European Union as at that date.

The accounting principles applied at 31 December 2018 are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2017, except for the new standards and interpretations applicable as of 1 January 2018 (cf 1.1.1.).

These financial statements do not take into account any draft standards or interpretations which, at the end of the reporting period, were being developed as exposure drafts by the IASB (International Accounting Standards Board) or IFRIC (International Financial Reporting Interpretations Committee).

All the standards adopted by the European Union are available on the European Commission website at the following address:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr#overview

1.1.1. NEW IFRS STANDARDS MANDATORILY APPLICABLE FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2018

The standards, amendments to standards and interpretations, published by the IASB and presented below are mandatory since 1 January 2018.

The standards that have an impact on the Group's financial statements are as follows:

- IFRS 9 "Financial Instruments: Classification, Measurements and Amendments";
- IFRS 15 "Revenue from Contracts with Customers";
- clarifications of IFRS 15 "Revenue from Contracts with Customers";

The following standards did not have a material impact on the Group's financial statements:

- annual improvements to IFRS "Cycle 2014-2016" for Amendments to IAS 28 and IFRS 1";
- amendments to IFRS 4 "Application of IFRS 9 and IFRS 4";
- amendments to IFRS 2 "Classification and Valuation of Share-Based Transactions;
- IAS 40 "Transfers of Investment Property";
- IFRIC 22 Interpretation - "Foreign Currency Transactions and Advance Consideration".

1.1.1.1. IFRS 9 – Financial instruments

IFRS 9 supersedes IAS 39 and has been effective since 1 January 2018. It modifies the classification and measurement of financial assets and introduces a new impairment model based on expected losses.

The application of this standard impacts the Group's receivable impairment methodology. It has no impact in terms of the classification of financial assets or of hedge accounting.

The Econocom Group has chosen to adopt a simplified approach whereby the new model applied primarily impacts the valuation of trade receivables, by taking into account future losses.

For purposes of simplification, lease receivables transferred to factoring companies will continue to be measured at their amortised cost. Their fair value is not materially different from their amortised cost since they are short-term receivables.

Accounting rules and methods have been updated accordingly.

1.1.1.2. IFRS 15 – Revenue from contracts with customers

IFRS 15 has been effective since 1 January 2018. It supersedes IAS 11, IAS 18 and the related IFRIC and SIC interpretations. IFRS 15 deals with the recognition of revenue and introduces a new model for accounting for such revenue. It is based on the general principle that revenue is recognised when control of a good or service is transferred to the customer.

The analysis by business carried out by the Group in preparation for the application of the new standard is described in Note 1.1.2.2 to the 2017 consolidated financial statements. This analysis:

- confirms that Econocom's current revenue recognition policy remains valid;
- supports Econocom's conclusion that it acts as an agent rather than a principal for certain commercial transactions in the Products & Solutions and Services businesses.

Accounting rules and methods have been updated accordingly (cf. 4.1.1).

1.1.1.3. Presentation of the impacts of the application of IFRS 9 and IFRS 15 on the financial statements

1.1.1.3.1. IFRS 9

The financial asset impairment model based on expected losses gave rise to an increase in impairment to be charged against both the TMF and Services businesses.

Econocom has adopted the modified retrospective method for its application of IFRS 9, whereby only equity and the offsetting entries in the statement of financial position will be restated at 1 January 2018 to take into account the increase in impairment provisions. The corresponding impacts on the statement of financial position are described in 1.1.1.3.3.

1.1.1.3.2. IFRS 15

Econocom has adopted the full retrospective method for the application of IFRS 15.

Impact on the income statement for 31 December 2017

in € millions	2017 reported	Impact of IFRS 15 – agent *versus* principal	2017 restated
Revenue from continuing operations	2,979.7	(345.4)	2,634.3
Cost of sales	(2,038.5)	345.4	(1,693.1)
Other items of recurring operating profit	(791.0)		(791.0)
Recurring operating profit before amortisation of intangible assets from acquisitions	**154.4**	**-**	**154.4**
Recurring operating profit	150.2	-	150.2

Impact on segment information for 31 December 2017

Segment information presented in the management report and in the note below will be affected:

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2017 revenue (reported)	**1,378.7**	**1,006.6**	**594.4**	**2,979.7**
Impact of IFRS 15 – agent *versus* principal	-	(104.2)	(241.2)	(345.4)
2017 revenue (restated)	**1,378.7**	**902.4**	**353.2**	**2,634.3**
Internal operating revenue	20.6	95.2	81.5	197.3
Total – Revenue from operating segments (restated)	**1,399.3**	**997.7**	**434.7**	**2,831.6**

in € millions	2017 reported	Impact of IFRS 15 – agent *versus* principal	2017 restated
France	1,595.9	(225.6)	1,370.3
Benelux	346.9	(61.3)	285.6
Southern Europe and Morocco	589.5	(15.9)	573.6
Northern & Eastern Europe/Americas	447.4	(42.6)	404.8
Total	**2,979.7**	**(345.4)**	**2,634.3**

The corresponding impacts on the statement of financial position are described in 1.1.1.3.3.

1.1.1.3.3. Presentation of the impact of IFRS 9 and IFRS 15 on the statement of financial position

For simplicity purposes, the "1 January 2018" column of the consolidated statement of financial position presents the reclassifications made following the application of IFRS 9 using the modified retrospective method (even where such reclassifications are effective as from 1 January 2018) as well as those relating to the application of IFRS 15 using the full retrospective method.

The adjusted statement of financial position at 1 January 2018 is therefore as follows:

Assets

in € millions	31 Dec. 2017 reported	IFRS 15 reclassification	31 Dec. 2017 adjusted	Impact of IFRS 9	1 January 2018
Total non-current assets	**895.9**	**-**	**895.9**	**1.0**(2)	**896.9**
Inventories	63.9	(14.8)(1)	49.1	-	49.1
Trade and other receivables	1,122.6	-	1,122.6	(4.2)(3)	1,118.4
Residual interest in leased assets	35.9	-	35.9	-	35.9
Current tax assets	9.2	-	9.2	-	9.2
Other current assets	62.2	14.8(1)	77.0	-	77.0
Cash and cash equivalents	237.9	-	237.9	-	237.9
Total current assets	**1,531.8**	**-**	**1,531.8**	**(4.2)**	**1,527.5**
Total assets	**2,427.7**	**-**	**2,427.7**	**(3.2)**	**2,424.4**

(1) Reclassification of inventory in transit and work in progress assigned to contracts from "Contract performance costs" to "Other current assets".
(2) Deferred tax asset impact of the IFRS 9 adjustment of the impairment of trade receivables.
(3) IFRS 9 adjustment of the impairment of trade receivables.

Equity and liabilities

in € millions	31 Dec. 2017 reported	IFRS 15 reclass-ification	31 Dec. 2017 Adjusted	IFRS 9 impact	1 January 2018
Total equity	**483.2**	**-**	**483.2**	**(3.2)**	**480.0**
Total non-current liabilities	**555.1**	**-**	**555.1**	**-**	**555.1**
Bonds	5.3	-	5.3	-	5.3
Financial liabilities	171.2	-	171.2	-	171.2
Gross liability for purchases of leased assets	17.9	-	17.9	-	17.9
Provisions	41.2	-	41.2	-	41.2
Current tax liabilities	17.2	-	17.2	-	17.1
Trade and other payables	961.1	(1.1)[1]	960.0	-	960.0
Other current liabilities	175.5	1.1[1]	176.6	-	176.6
Total current liabilities	**1,389.3**	**-**	**1,389.3**	**-**	**1,389.3**
Total equity and liabilities	**2,427.7**	**-**	**2,427.7**	**(3.2)**	**2,424.4**

(1) Advances received are reclassified under “Contract liabilities”. This item is classified in “Other current liabilities”.

1.1.2. NEW IFRS STANDARDS AND INTERPRETATIONS ADOPTED BY THE IASB APPLICABLE FOR ACCOUNTING BEGINNING AFTER 1 JANUARY 2018 AND NOT APPLIED EARLY

The Group did not adopt any of the following standards in advance:

- IFRS 16 "Leases"
- Interpretation of IFRIC 23 "Uncertainty Relating to Tax Treatment"
- Amendments to IFRS 9 "Early Redemption Clause Providing Negative Compensation"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
- Annual Improvements to IFRS "2015-2017 Cycle"
- Amendments to IAS 19 "Employee Benefits"

1.1.2.1. IFRS 16 – Leases (applicable as of 1 January 2019)

IFRS 16 replaces IAS 17 and the related IFRIC and SIC interpretations and introduces new rules of accounting for leases. Econocom is concerned by this standard as:

- lessor, for its TMF business;
- lessee.

Econocom acting as a lessor

Virtually all of Econocom's lease transactions involving the Group as lessor relate to finance leases, under which Econocom acts as lessor-distributor. In such cases, no changes are expected to the Group's accounting policies.

Some sale and leaseback-type transactions will be accounted for:

- in accordance with IFRS 9 (to which IFRS 16 refers) when the conditions for recognising a sale within the meaning of IFRS 15 between the lessee and Econocom are not met;
- in accordance with IFRS 16 (direct finance lease) if the transfer of the asset to Econocom by the lessee meets the criteria set out in IFRS 15.

In both cases, Econocom will recognise a financial asset. Revenue will not be recognised at the transaction date and financial income relating to operating activities will be recognised over the entire lease term based on the interest rate implicit in the lease.

In the case of a sale without recourse to a refinancing institution of a sale and leaseback agreement, only the corresponding margin will be recognised at the date of sale.

The main impact therefore relates to certain non-recourse sale & leaseback transactions for which the margin will be spread over the term of the agreement.

The application of IFRS 16 as of 2018 would have reduced Group revenue by approximately €70 million and recurring operating income by €2 million.

Econocom acting as a lessee

The Group is the tenant of its offices in most of the cities where it operates. Leases that fall within the scope of IFRS 16 also concern vehicles and large computer equipment.

Previously, each lease was qualified as either a finance lease or a simple lease with a specific accounting treatment for each category. Pursuant to IFRS 16, all leases will now be recognised on the assets side with the recognition of a right of use and on the liability side with a liability corresponding to the discounted value of future payments.

The lease term will be defined contract by contract and will correspond to the fixed period of the commitment taking into account the optional periods that will be reasonably certainly exercised with the exception of vehicles for which Econocom will retain the portfolio approach, through simplification, if the contracts are relatively similar regardless of the country.

For vehicles, the assumptions and valuation methods of this “portfolio” approach will be as follows: an assessment will be made at each closing to update the lease liability and right of use; depreciation and financial charges will then be determined on a flat-rate basis depending on the average duration of use of the vehicles (depreciation) and the rents actually paid under expenses for the difference.

The impacts will be as follows:

- in the consolidated income statement, the rental expense will be neutralised by the amortisation of the right of use in operating income and financial expenses in financial income;
- in the consolidated statement of financial position, the right of use will be identified under fixed assets and lease obligations as will be recognised as liabilities, for an amount comprised between €65 million and €80 million;
- the statement of cash flow will present rent payments as a repayment of the lease liability.

1.1.2.2. IFRIC 23 – Uncertainty over Income Tax Treatments (applicable as of 1 January 2019)

IFRIC 23 clarifies the application of the provisions set out in IAS 12 – Income Taxes in terms of recognition and measurement when there are uncertainties over income tax treatments:

- professional judgement should be used to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together;
- the most likely amount or the expected value of the tax treatment should be used for accounting purposes.

No impact is expected.

1.2. Basis for preparation and presentation of the consolidated financial statements

All amounts in the consolidated financial statements are presented in millions of euros, unless otherwise specified. The fact that figures have been rounded off to the nearest decimal point may, in certain cases, result in minor discrepancies in the totals and sub-totals in the tables and/or in the calculation of percentage changes.

1.2.1. BASIS FOR REPORTING

These accounting policies set out below have been consistently applied to all the years presented in the financial statements.

The consolidated financial statements were prepared on a historical cost basis, with the exception of:

- certain financial assets and liabilities which are measured at fair value;
- non-current assets held for sale, which are recognised and measured at the lower of carrying amount and fair value less costs to sell as soon as their sale is deemed highly probable. They are no longer amortised once they are classified as assets (or a group of assets) held for sale.

1.2.2. CHANGES IN PRESENTATION AND ACCOUNTING POLICIES

Apart from adjustments under IFRS 9 – financial instruments and IFRS 15 – recognition of income, the Group also changed the presentation of additional depreciation (Superammortamento) in Italy. The chosen approach consists in booking this tax reduction as recurring operating profit while its retrocession to clients decreases revenue. the Group has not made any other changes in accounting methods or presentation.

1.2.3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Econocom Group's consolidated financial statements requires the use of estimates and assumptions by Management which may affect the carrying amount of certain items in assets and liabilities, income and expenses, and the information disclosed in the notes to the consolidated financial statements. These concern (i) the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, goodwill and contingent consideration, provisions for risks and other provisions associated with the business, and (ii) the assumptions used for calculating obligations relating to employee benefits, share-based payments, deferred taxes and financial instruments. The Group uses discount rate assumptions (based on market data) to estimate assets and liabilities.

Group Management regularly reviews its estimates and assumptions in order to ensure that they accurately reflect both past experience and the current economic situation.

Depending on how these assumptions change, the items in future financial statements may differ materially from the current estimates. The impact of changes in accounting estimates is recognised in the period in which the change occurred and all future affected periods.

The main assumptions used by the Group are set out in the relevant sections in the notes to the financial statements and in particular in the following notes:

- note 2 – Basis and scope of consolidation;
- note 4.3 – Government grants;
- note 7 – Income tax;
- note 9.3 – Impairment tests and impairment of goodwill;
- note 11 – Residual interest in leased assets and gross liability for purchases of leased assets;
- note 13 – Financial Instruments;
- note 15.3.1 – Share-based payments;
- note 16 – Provisions;
- note 17 – Provisions for pensions and other post-employment benefits.

The main accounting methods that require the use of estimates are described in note 24 – Assessments made by Management and sources of uncertainty.

2. Basis and scope of consolidation

2.1. Accounting principles related to the scope of consolidation

2.1.1. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of Econocom Group SE and all the subsidiaries it controls.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following:

- power over the investee, *i.e.*, the ability to direct the activities that significantly affect the investee's returns;
- exposure to the investee's variable returns, which may be positive, in the form of a dividend or any other economic or negative benefit; and
- the investor's returns can be only positive (*e.g.*, dividends or any other economic benefits), only negative or both positive and negative.

The ability to use its power over the investee to affect the amount of the investor's returns. The assets, liabilities, income and expenses of subsidiaries are fully consolidated in the consolidated financial statements and the share of equity and profit attributable to non-controlling interests is presented separately under non-controlling interests in the consolidated statement of financial position and income statement.

All intra-group assets, liabilities, equity, income, expenses and cash flows arising from transactions between entities within the Group are fully eliminated on consolidation.

Investments in associates and joint ventures are consolidated using the equity method. Under this method the investment is initially recognised at cost and adjusted to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income. If the Group's share in an associate's losses is greater than its investment in that associate, the Group ceases to recognise its share in future losses. Additional losses are only recognised if the Group is under a legal or constructive obligation to do so or if it has made payments on behalf of the associate.

2.1.2. BUSINESS COMBINATIONS (AND GOODWILL)

Acquisitions of businesses are accounted for using the acquisition method, in accordance with IFRS 3. The cost of a business combination (or “consideration transferred”) is calculated as the aggregate of the acquisition-date fair values of:

- the assets transferred by the Group;
- the liabilities acquired by the Group from the former owners of the acquiree; and
- the equity interests issued by the Group in exchange for control of the acquiree.

The Group may choose whether to measure non-controlling interests at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related expenses are expensed as incurred.

Measuring business combinations (or goodwill)

The difference between the consideration transferred and the acquirer's share in the fair value of the identifiable assets and liabilities and contingent liabilities at the acquisition date is recognised in goodwill on a separate line in the financial statements. These items may be adjusted within 12 months of the acquisition date (measurement period). Any contingent consideration due is recognised at its acquisition-date fair value and included in the cost of the combination. Subsequent changes in the fair value of contingent consideration are taken to profit or loss.

Acquisitions carried out on favourable terms

If, after remeasurement, the net of the acquisition-date amounts of the identifiable assets acquired and the financial liabilities assumed in a business combination exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Measuring non-controlling (minority) interests

Non-controlling interests entitle the holders to a proportionate share of the entity's net assets in the event of liquidation. Consequently, for each business combination, non-controlling interests can be initially measured:

- at fair value, resulting in the recognition of additional goodwill (the "full goodwill" method); or
- at the non-controlling interest's proportionate share in the recognised amounts of the acquiree's net identifiable assets (the "partial goodwill" method).

Changes in ownership interest

The recognition of subsequent changes in ownership interest (through acquisitions of additional interests or disposals) depends on the definition of the impact on the control of the entity in question.

If control is not affected by the change in ownership interest, the transaction is regarded as between shareholders. The difference between the purchase (or sale) value and the carrying amount of the interest acquired (or sold) is recognised in equity.

If control is affected (as is the case, for example, for business combinations achieved in stages), the interest held by the Group in the acquiree before the business combination is remeasured at fair value through profit or loss.

Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, determined in accordance with the method described in Note 9.3.

Goodwill impairment losses are recorded under "Non-recurring operating income and expenses" within operating profit in the consolidated income statement.

2.1.3. TRANSLATION OF FOREIGN CURRENCIES

2.1.3.1. Functional currency and presentation currency

The items in the financial statements of each Group entity are measured using the currency of the primary economic environment (or "functional currency") in which the entity operates.

The consolidated financial statements presented in this report were prepared in euros, which is the Group's presentation currency.

2.1.3.2. Recognition of foreign currency transactions

For the purpose of preparing the financial statements of each entity, foreign currency transactions of subsidiaries (*i.e.*, currencies other than the entity's functional currency) are recorded using the exchange rates prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the end of each reporting period at the year-end rate. Foreign exchange gains and losses resulting from this translation at year-end exchange rates, or arising on the settlement of these monetary items, are recognised in the income statement for the period in which they occur.

Non-monetary items denominated in foreign currencies and recognised at fair value are translated using the exchange rate prevailing at the date the fair value was determined. Non-monetary items denominated in foreign currencies and measured at historical cost are not remeasured.

When a gain or loss on a non-monetary item is recognised directly in equity, the "currency" component of this gain or loss is also recognised in equity. Otherwise, this component is recognised in profit or loss for the period.

2.1.3.3. Translation of the financial statements of foreign entities

The results and financial positions of the Group's entities with functional currencies other than the presentation currency are translated into euros as follows:

- statement of financial position items other than equity are translated at the year-end exchange rate;
- income statement and statement of cash flow items are translated at the average exchange rate for the year;
- all resulting exchange differences are recognised under "Foreign currency translation adjustments" within other comprehensive income.

2.1.4. LIABILITIES UNDER PUT AND CALL OPTIONS ON NON-CONTROLLING INTERESTS

The Group may grant put options to non-controlling shareholders of some of its subsidiaries. The exercise price of these options is generally measured based on future performance and profitability.

The Group initially recognises a liability in respect of put options granted to non-controlling shareholders of the entities concerned. The difference between the Group's liability under put options and the carrying amount of the non-controlling interests is recognised as a deduction from equity attributable to owners of the parent. Put options are remeasured each year; any subsequent changes in the option relating to changes in estimates or to the unwinding of the discount on the option are also recognised in equity. Changes in the liability under put options on non-controlling interests are accounted for in line with the treatment applied upon the acquisition of non-controlling interests.

2.1.5. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations requires a specific accounting treatment and presentation of assets (or group of assets) held for sale and discontinued operations (corresponding to operations that have been disposed of or classified as held for sale).

A non-current asset (or disposal group) is classified as "held for sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Management must be committed to the sale and the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

These assets (or disposal group) are measured at the lower of their carrying amount and estimated sale price less costs to sell. They are no longer amortised once they are classified as assets (or a group of assets) held for sale and are presented separately in the consolidated statement of financial position, without restatement of prior periods.

An operation discontinued, sold, or held for sale is defined as a component of an entity with cash flows that can be clearly distinguished from the rest of the entity and which represents a major, separate line of business or area of operations. For all published periods, income and expense relating to discontinued operations are presented separately in the income statement under "Profit (loss) from discontinued operations" and are restated in the statement of cash flows.

Profit from discontinued operations

A discontinued operation is a component which the Group has either disposed of or has classified as held for sale, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit from discontinued operations includes:

- the post-tax profit or loss of discontinued operations generated up until the disposal date, or until the end of the reporting period if the business was not disposed of by the year-end;
- the post-tax gain or loss recognised on the disposal of continued operations that have been disposed of by the year-end.

2.2. Changes in the scope of consolidation

Econocom Group's scope of consolidation is presented in Note 2.3 – Main consolidated companies.

2.2.1. ACQUISITIONS DURING THE YEAR

The Group's investments in 2018 reinforce its presence in key sectors with strong growth potential.

The companies which entered the scope of consolidation are presented below by business.

For all these transactions, goodwill is determined on a provisional basis, in accordance with the revised IFRS 3. The Group has completed its preliminary purchase accounting (PPA) and where necessary, expects to finalise the purchase price allocation within 12 months of each acquisition date. All transactions in 2018 where the Group did not acquire the entire share capital have been accounted for using the full goodwill method.

The price of the net equity acquired in all of these transactions was €26.6 million, including a portion relating to contingent consideration based on revenue and/or profitability. Disbursements related to these acquisitions totalled €23.3 million (see Note 18.2).

Put and call options were set up with non-controlling shareholders on the remaining capital of certain companies that were acquired in 2018 for a total amount of €12 million (see Note 2.4). A liability was recognised against equity for each of these options and priced on the basis of the business plans and forecast future profitability.

The total amount of goodwill recognised in the year in respect of these acquisitions was €32.7 million (see Note 9).

The cumulative statement of financial position impacts resulting from acquisitions that were not material taken individually are presented below:

in € millions	Notes	Cumulative fair value of assets acquired and liabilities assumed	Acquisition cost[1]	Full goodwill	Impact of acquisitions
Goodwill	**9**	**-**	**-**	**32.7**	**32.7**
Non-current assets		1.6	-	-	1.6
Current assets[2]		28.8	-	-	28.8
Assets of acquired companies		**30.4**	**-**	**-**	**30.4**
Non-current liabilities		4.2	-	-	4.2
Current liabilities[2]		22.0	-	-	22.0
Liabilities of acquired companies		**26.2**	**-**	**-**	**26.2**
Net equity acquired		**4.2**	**-**	**-**	**4.2**
Profit for the year attributable to owners of the parent		4.0	(26.6)	22.6	-
Non-controlling interests	15.4	0.2		10.1	10.3

(1) See Note 18.2.
(2) Of which net cash and cash equivalents acquired: €11.7 million.

Services

Altabox

In the first quarter of 2018, the Group acquired a 60% stake in Spanish company Altabox, a specialist in digital marketing and the enrichment of the customer experience at points of sale. This acquisition offers many opportunities for synergies with Econocom's existing skills in the retail sector. Altabox reported revenue of €9 million in 2017.

BDF

In April 2018, Econocom acquired 100% of BDF, an Italian company specialising in managed services in the banking and insurance sector. BDF reported revenue of €44 million in 2017.

Upstream & Simstream

In October 2018, the Group acquired, via Hélis SAS, all the shares of Upstream and its subsidiary Simstream, specialist in engineering and integration services related to audio and video streaming. The company reported revenue of €4.5 million in 2017.

Osones

In October 2018, the group acquired 100% of Osones through Alter Way. Osones is a specialist in private cloud solutions, infrastructure as a service, and container orchestration system. The company achieved a turnover of €1.5 million in 2017.

2.2.3. CHANGES IN OWNERSHIP INTEREST

Aciernet: through its 90%-owned subsidiary Exaprobe, the Group signed an agreement with the minority shareholders in July 2018 providing for a fixed price for the balance equity interests. The interest rate thus went to 100% at the level of Exaprobe, *i.e.* 90% at the level of Econocom.

ASP Serveur: the Group acquired the minority interest (20%) in October 2018, thereby increasing its interest to 100%.

Econocom Brazil: in the fourth quarter of 2018, Econocom signed an agreement with the non-controlling Shareholder to acquire its balance shares (*i.e.* 7.15% of the share capital) taking its interest to 100%.

Caverin: Econocom Group SE acquired all the non-controlling shares following the exercise of the put option granted (*i.e.* 33.34% of the share capital).

2.2.4. COMPANIES CREATED

No material companies were created in 2018.

2.2.5. SOLD OR DISCONTINUED OPERATIONS

There were no material sold or discontinued operations.

2.2.6. ADJUSTMENTS TO ACQUISITIONS MADE IN THE PREVIOUS FINANCIAL YEAR

No material adjustments were made to acquisitions made in the previous financial year.

2.2.7. DISPOSALS FOR THE FINANCIAL YEAR

No material companies were sold during the period.

2.3. Main consolidated companies

The Group's main fully consolidated subsidiaries in 2018 and 2017 were as follows:

Country	Company	2018		2017	
		% interest	% control	% interest	% control
Technology Management & Financing					
Germany	Econocom Deutschland GmbH	100.00%	100.00%	100.00%	100.00%
Belgium	Atlance SA/NV	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Lease SA/NV	100.00%	100.00%	100.00%	100.00%
Spain	Econocom SA (Spain)(1)	100.00%	100.00%	100.00%	100.00%
USA	Econocom Corporation	100.00%	100.00%	100.00%	100.00%
France	Atlance SAS	100.00%	100.00%	100.00%	100.00%
France	Cineolia SAS	60.00%	60.00%	60.00%	60.00%
France	Econocom France SAS	100.00%	100.00%	100.00%	100.00%
Ireland	Econocom Digital Finance Limited	100.00%	100.00%	100.00%	100.00%
Italy	Econocom International Italia SpA(1)	100.00%	100.00%	100.00%	100.00%
Netherlands	Econocom Nederland BV	100.00%	100.00%	100.00%	100.00%
Netherlands	Econocom Public BV	100.00%	100.00%	100.00%	100.00%
Poland	Econocom Polska SP z.o.o	100.00%	100.00%	100.00%	100.00%
United Kingdom	Econocom Ltd	100.00%	100.00%	100.00%	100.00%
Products & Solutions					
Germany	Energy Net	80.00%	100.00%	80.00%	80.00%
Belgium	Econocom Products & Solutions Belux SA/NV	100.00%	100.00%	100.00%	100.00%
Spain	Caverin(2)	100.00%	100.00%	66.66%	66.66%
France	Econocom Products & Solutions SAS	100.00%	100.00%	100.00%	100.00%
Luxembourg	Econocom PSF SA	100.00%	100.00%	100.00%	100.00%
Netherlands, Belgium	BIS group	100.00%	100.00%	100.00%	100.00%

Country	Company	2018		2017	
		% interest	% control	% interest	% control
Services					
Austria	Econocom Austria GmbH (formerly Osiatis Compute Services)	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Managed Services SA/NV	100.00%	100.00%	100.00%	100.00%
Brazil	Econocom Brazil group (Interadapt)(2)	100.00%	100.00%	92.85%	92.85%
Spain	Com 2002 SL Nexica	100.00%	100.00%	100.00%	100.00%
Spain	Econocom Servicios (formerly Econocom Osiatis SA)	96.51%	96.51%	96.51%	96.51%
Spain	Altabox	60.02%	60.02%	N/A	N/A
Spain, Brazil, Mexico	Gigigo group	69.99%	69.99%	69.99%	69.99%
France/US/ Canada	Groupe Aciernet(2)	90.00%	100.00%	45.90%	51.00%
France	Alter Way group	61.34%	61.34%	64.45%	64.45%
France	Aragon eRH	100.00%	100.00%	100.00%	100.00%
France	ASP Serveur SAS(2)	100.00%	100.00%	80.00%	80.00%
France	Digital Dimension SAS	100.00%	100.00%	100.00%	100.00%
France	Econocom Digital Security SAS	65.50%	65.50%	65.50%	65.50%
France	ESR SAS	100.00%	100.00%	100.00%	100.00%
France	Exaprobe SAS	90.00%	90.00%	90.00%	90.00%
France	Helis SAS	63.02%	63.02%	65.00%	65.00%
France	Infeeny group (formerly MCNext)	86.02%	86.02%	85.04%	85.04%
France	Mobis SAS group (Rayonnance)	85.00%	85.00%	85.00%	85.00%
France	Econocom-Osiatis France SAS	100.00%	100.00%	100.00%	100.00%
France	Econocom-Osiatis Ingénierie SAS	100.00%	100.00%	100.00%	100.00%
Luxembourg, France, Germany, Romania, US/Italy/Spain	SynerTrade group	90.00%	90.00%	90.00%	90.00%
Italy/Poland	Bizmatica group	70.00%	70.00%	70.00%	70.00%
Italy	Asystel Italia	51.00%	51.00%	51.00%	51.00%
Italy	BDF	100.00%	100.00%	NC	NC
United Kingdom	NTIL group (Jade)	85.00%	85.00%	85.00%	85.00%
Holding companies					
Belgium	Econocom Finance SNC	100.00%	100.00%	100.00%	100.00%
France	Econocom SAS	100.00%	100.00%	100.00%	100.00%

(1) Econocom International Italia SpA also operates in the Services and Products & Solutions businesses, while Econocom SA (Spain) also has the Services operations.
(2) Change in interest and control rates: see Section 2.2.3.

2.4. Acquisition-related liabilities

Acquisition-related liabilities include options on non-controlling interests, contingent price consideration and deferred payments.

At the end of 2018, the Group has call options (and non-controlling shareholders have put options) on the remaining shares it does not already own, allowing it to acquire all or part of the share capital of the following entities: Altabox, Alterway, Asystel Italia, Bizmatica, Cineolia, Econocom Digital Security, Energy Net, Exaprobe, Gigigo, Helis, JTRS, NTIL (Jade), Mobis (Rayonnance), Infeeny (formerly MCNext) and SynerTrade. Under these options, Econocom agreed to acquire the shares and also has the right to be sold the shares by the non-controlling shareholders.

The table below shows changes in acquisition-related liabilities over the year.

in € millions	Put and call options on non-controlling interests	Contingent consi-deration	Deferred payments	Total acqui-sition related liabilities	Current portion	Non-current portion
31 December 2017	**99.8**	**1.0**	**1.0**	**101.8**	**13.2**	**88.6**
Increases against equity or goodwill	12.0	1.6	-	13.5		
Disbursements	(0.2)	-	(0.6)	(0.8)		
Change in fair value through equity	10.3	-	-	10.3		
Reclassification	(21.6)	6.4	15.2	-		
Change in fair value through non-recurring profit or loss[1]	-	(0.8)	-	(0.8)		
Change in fair value through recurring profit or loss[2]	0.1	-	-	0.1		
31 December 2018	**100.5**	**8.2**	**15.5**	**124.1**	**58.9**	**65.2**

(1) The offsetting entry for these changes in fair value is recorded within non-recurring operating income and expenses.
(2) The offsetting entry for these changes in fair value is included in recurring operating profit.

Put options on non-controlling interests are classified in "Other liabilities", with changes in fair value recognised in equity. Put options are measured based on the estimated future performance of the entities concerned (*e.g.* EBIT multiples, expected future cash flows, etc.).

Contingent consideration and deferred payments are classified within financial liabilities (see Note 13.3).

3. Segment reporting

The segment information presented in accordance with IFRS 8 has been prepared on the basis of internal management data disclosed to the Chairman's Committee, the Group's primary operating decision-maker with respect to allocating resources and assessing performance. The Group's operating activities are organised into three strategic operating business segments: Technology Management & Financing, Products & Solutions, and Services, breaking down as follows:

Combined strategic operating business segments	Description	Countries
Technology Management & Financing	Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business's ICT and digital assets.	Belgium, Canada, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Mexico, Morocco, Netherlands, Poland, Romania, Spain, Switzerland, United Kingdom, United States.
Products & Solutions	Services ranging from the design to rollout of solutions, and from the sale of hardware and software (PCs, tablets, servers, printers, licences, digital devices, etc.) to systems integration.	Belgium, France, Italy, Germany, Luxembourg, Netherlands, Spain.
Services	Assisting businesses in the transition to the new digital world by applying the Group's expertise in consultancy, infrastructure management, application development and digital solution integration.	Austria, Belgium, Brazil, France, Italy, Luxembourg, Mexico, Morocco, Netherlands, Spain, Switzerland, United States.

Each segment has a specific profitability profile and has its own characteristics; segments are managed depending on the type of products and services sold in their economic and geographical environments.

Sales and transfers between segments are carried out on arm's-length terms and are eliminated according to standard consolidation principles.

3.1. Reporting by operating business segment

The following table presents the contribution of each operating business segment to the Group's results:

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2018 Revenue				
Revenue from external clients	1,356.2	1,042.0	447.7	2,845.9
Internal operating revenue	10.6	99.5	141.9	252.0
Total – Revenue from operating segments	**1,366.8**	**1,141.5**	**589.6**	**3,097.9**
Recurring operating profit from ordinary activities[(1)]	**53.3**	**40.3**	**21.0**	**114.6**
Amortisation of intangible assets from acquisitions	(2.0)	(2.2)	-	(4.2)
Recurring operating profit from ordinary activities	**51.3**	**38.2**	**21.0**	**110.4**

(1) Before amortisation of intangible assets from acquisitions.

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2017 revenue (adjusted)*				
Revenue from external clients	1,378.7	902.4	353.2	2,634.3
Internal operating revenue	20.6	95.2	81.5	197.3
Total – Revenue from operating segments	**1,399.3**	**997.7**	**434.7**	**2,831.6**
Recurring operating profit from ordinary activities[(1)]	**92.4**	**43.4**	**18.6**	**154.4**
Amortisation of intangible assets from acquisitions	(2.0)	(2.2)	-	(4.2)
Recurring operating profit from ordinary activities	**90.4**	**41.2**	**18.6**	**150.2**

(1) Before amortisation of intangible assets from acquisitions

* Change of accounting method resulting from the application of IFRS 15. (see Section 1.1.1).

Internal transactions include:

- sales of goods and services: the Group ensures that these transactions are performed at arm's length and that it does not carry any significant internal margins;
- cross-charging of overheads and personnel costs.

The Group's segment profit corresponds to "Recurring operating profit from ordinary activities". This corresponds to operating profit before non-recurring operating income and expenses and amortisation of intangible assets from acquisitions.

3.2. Breakdown of revenue by geographical area

in € millions	Revenue by geographical area (origin)	
	2018	2017 adjusted*
France	1,405.7	1,370.3
Benelux	337.1	285.6
Southern Europe and Morocco	666.7	573.6
Northern & Eastern Europe & Americas	436.4	404.7
Total	**2,845.9**	**2,634.3**

* Change of accounting method resulting from the application of IFRS 15. (see Section 1.1.1).

4. Recurring operating profit

Operating profit includes all income and expenses that arise directly from the Group's business, both recurring items and items resulting from one-off decisions or transactions.

Recurring operating profit, representing operating profit restated for other non-recurring income and expenses, is an analytical line item intended to facilitate the understanding of the Group's operating performance.

4.1. Revenue from continuing operations

Revenue from contracts with customers by business line breaks down as follows:

in € millions	2018	2017 adjusted*
Technology Management & Financing	1,356.2	1,378.7
Services	1,042.0	902.4
Products & Solutions	447.7	353.2
Total revenue from continuing operations	**2,845.9**	**2,634.3**

* Change of accounting method resulting from the application of IFRS 15. (Cf. § 1.1.1).

4.1.1. REVENUE RECOGNITION: ACCOUNTING PRINCIPLES

Revenue recognition

The revenue recognition method varies depending on the nature of the performance obligations of the contract binding Group entities and their respective customers. Performance obligations are the goods or services promised in the contract.

The performance obligation is the unit of account for revenue recognition: the price of the contract is allocated to each individual performance obligation, and a pattern of revenue recognition is determined for each such obligation.

Econocom recognises revenue when it has satisfied (or as it satisfies) a performance obligation by providing the customer with the promised good or service.

A performance obligation is satisfied when control of the good or service is transferred to the customer. This transfer may take place at a point in time or over time. Revenue is recognised:

- over time when one of the following conditions is fulfilled;
  - the customer receives the benefits of the service as the entity performs such services,
  - the customer obtains control of the asset as the asset is created,
  - the final asset has no alternative use for the entity and the entity has an enforceable right to payment for performance completed to date;
- in full at a point in time, namely at completion, in all other cases.

Application to the Group's various businesses

Sales of goods (mainly Products & Solutions)

Revenue is recognised when the goods are delivered and ownership is transferred, when the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Finance lease sales (Technology Management & Financing)

In accordance with IAS 17, the revenue recognition rules differ depending on the type of contract (see Note 4.1.2 to the 2017 consolidated financial statements). These methods will not be changed until the effective date of IFRS 16, namely 1 January 2019.

Sales of services (mainly Services)

The following types of contracts and activities are covered:

- *outsourcing contracts:* these contracts are split into a "build" phase and a "run" phase when the deliverables are distinct; revenue from the two phases is recognised as and when control is transferred. For the "build" phase to be deemed distinct, it must be representative of a service from which the customer can benefit distinctly from the delivery of the "run" phase. If this is not the case, the revenue may only be recognised as the recurring services are performed, and the costs of the "Build" phase must be capitalised if they create a resource that will be used for the future delivery of services;
- *maintenance activities operated by Econocom:* revenue is recognised on a percentage-of-completion basis;
- *activities involving the loan of employees under time-and-materials contracts:* revenue is recognised on a time-spent basis;
- *development of applications under fixed-price contracts:* revenue is recognised on a percentage of completion basis as control is transferred;
- *infrastructure installation projects:* the percentage-of-completion method still applies insofar as the transfer of control takes place over time.

For certain fixed-price contracts providing for a number of different service obligations, the transaction price may sometimes be reallocated to the various performance obligations on a case-by-case basis in order to reflect the economic value of the services rendered (which may differ from their contractual value).

For contracts separated into stages, revenue and margin are recognised depending on the stage of completion in accordance with the method that best reflects the transfer of goods and services to the customer. This results in the recognition of revenue accruals or deferred income when invoicing does not reflect the stage of completion of the work. A contingency provision for the expected loss on a project is recognised if the cost of the project is greater than the expected revenue.

"Principal" versus "agent" considerations

In the course of its business, the Group may be required to resell equipment, software and services purchased from third parties. For the supply of these goods and services, Econocom may act as either principal or agent.

Econocom is a principal if its "performance obligation" requires it to provide the goods or services directly. This implies that Econocom controls the good or service before it is transferred to the customer.

Econocom is an agent if its "performance obligation" requires it to arrange for a third party to provide the customer with the goods or services. In this case, Econocom does not control the goods and services before they are transferred to the customer.

Management has made a significant judgement related to principal versus agent considerations. The impact on the presentation of reported revenue is as follows:

- on a gross basis when Econocom is a principal;

- net of the cost of sales when Econocom is an agent.

Presentation in the statement of financial position

Services in progress at the end of the reporting period are recognised in revenue accruals and are estimated based on the sale price. If accrued revenue constitutes an unconditional right to a consideration, *i.e.*, if the passage of time is sufficient for payment of the consideration to fall due, the accrued revenue will constitute a receivable. In all other cases, it constitutes the contract assets. Revenue accruals are classified in “Trade and other receivables”.

Advance payments received from customers and prepaid income are the contract liabilities. They are classified in “Other current liabilities”.

Contract performance costs are costs that are directly assigned to a customer contract and have not yet been rebilled. For example, they may include dedicated inventories in transit, costs allocated to service obligations, transition fees in outsourcing contracts or marginal costs from obtaining contracts (*i.e.*, costs that Econocom would not have incurred if it had not won the contract). These costs are capitalised if Econocom expects to recover them. They are then classified in “Other current assets”.

4.1.2. LEASE ACCOUNTING

Virtually all leases entered into by the Technology Management & Financing business as lessor are finance leases, although operating leases may also occasionally be contracted.

4.1.2.1. Finance leases

The Group identifies finance leases based on the definitions set out in paragraphs 7 to 12 of IAS 17. A lease is classified as a finance lease (rather than an operating lease) if it transfers substantially all the risks and rewards incidental to ownership. When determining whether a lease transfers substantially all the risks and rewards incidental to ownership and should therefore be classified as a finance lease, the Group generally uses (i) the fair value criterion (*i.e.*, the lease is a finance lease if, at inception, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset), and then (ii) the economic life criterion (*i.e.*, the lease is a finance lease if the lease term is for the major part of the economic life of the asset even if title is not transferred). At the beginning of the lease, the discounted value of the minimum lease payments must be equal to almost the entire fair value of the leased asset. The thresholds applied are based on those of ASC 840 under US GAAP, *i.e.*, 85%, of the fair value of the leased asset and 75% of the asset's economic life. In practice, as it is the Group's policy not to use its equity to fund leases and to limit its risk on residual value, operating leases are fairly rare.

Finance leases where the Group is lessor are mainly refinanced contracts in which:

- the lease contracts and equipment are sold to refinancing institutions at an all-inclusive price representing the present value of future minimum lease payments receivable and the residual financial value of the equipment;
- residual financial value represents the amount for which the Group undertakes to repurchase the equipment upon expiry of the lease;

- lease payments due by lessees are paid directly to the refinancing institutions on a non-recourse basis, which means that the Group transfers the risk of payment default.

From a legal standpoint, the Group relinquishes ownership of the equipment on the date of sale to the refinancing institution and recovers ownership at the end of the lease term by repurchasing the equipment. In some cases, the Group asks the refinancing institutions to grant it invoicing and payment agency on their behalf. This does not alter the transfer of the risk of payment default from the lessees to the refinancing institutions.

Econocom acts as a dealer lessor and therefore recognises a margin as from the inception of the lease in accordance with the principle set out in paragraphs 42-46 of IAS 17. Revenue, cost of sales and the residual interest in leased assets are recognised progressively as assets are delivered, *pro rata* to the amount of each delivery.

IAS 17 states that initial recognition of a lease must take place at the commencement of the lease term, *i.e.*, the date from which the lessee is entitled to exercise its right to use the leased asset. The provisions of the Group's General Lease Conditions define this date as the date on which the leased asset is delivered, which is officially confirmed when the Statement of Acceptance is signed.

Refinanced contracts are accounted for as follows:

In the statement of financial position

For each lease, the Group's residual interest in the leased assets (see Note 11.1) is recognised in assets and the gross liability for purchases of leased assets (defined in Note 11.2) is recognised in liabilities.

In the income statement

Revenue on these contracts corresponds to the present value of future minimum lease payments (corresponding to the payments that the lessee is required to make throughout the realisation period and the lease term).

Financial income not yet acquired from lease payments is recognised in the income statement when the contracts are refinanced.

The impacts of discounting only concern the "Gross liability for purchases of leased assets" (see Note 11.2) and the "Residual interest in leased assets" (see Note 11.1) items.

The cost of sales represents the purchase cost of the asset.

The Group's residual interest in the leased assets is deducted from the cost of sales based on its present value.

4.1.2.2. Operating leases

The Group retains all the risks relating to operating leases as the significant risks and rewards incidental to ownership of the assets concerned are not transferred.

In the statement of financial position

The leased equipment is recorded as an asset in the statement of financial position and depreciated on a straight-line basis over the duration of the contract to write it down to its residual value, which represents the Company's residual interest in the asset at the end of the lease term.

In the income statement

Income statement entries are made on a periodic basis with the invoiced lease payments recorded as revenue and the depreciation described above recorded as an expense.

4.1.2.3. Lease extensions

Revenue is recognised on lease extensions in line with the initial classification of the lease, *i.e.*:

- if the initial contract was classified as an operating lease, revenue from the extension of the lease will be deferred over the period of the lease extension;
- if the initial contract was classified as a finance lease, revenue from the extension of the lease will be recognised in full on the last day of the initial contract.

4.2. Personnel costs

The following table presents a breakdown of personnel costs:

in € millions	2018	2017
Wages and salaries	(438.5)	(402.1)
Payroll costs	(152.7)	(148.1)
Other	(11.3)	(10.5)
Total	**(602.5)**	**(560.7)**

Expenses relating to defined benefit pension plans and included in other personnel costs concern the Group's subsidiaries in France, Italy, Belgium and Austria. The characteristics of these plans are set out in Note 17.

4.3. Government grants

Government grants are recognised as a deduction from costs (*e.g.*, wages and salaries), or within other operating income and expenses, as appropriate.

Government grants are only recognised when the Group is certain to collect them. In accordance with IAS 20, the Group applies different accounting treatment for grants related to assets (or investment subsidies) and grants related to income.

Grants related to assets are recognised in profit or loss over the periods in which the Group expenses the costs that the grants are intended to compensate. In practice, they are recognised over the periods and in the proportions in which depreciation expense is recognised on the depreciable asset covered by the grant, with the deferred income recognised in liabilities. Grants related to income are recognised to offset the costs that they are intended to cover.

Tax credits treated as research grants and competitive and employment (CICE) tax credits

Tax credits are accounted for depending on the tax treatment applicable in each country:

- if the tax credit is only calculated based on specific expenses, does not adjust the calculation of the subsidiary's taxable profit, is not limited by the tax liability of the subsidiary, and may be refunded in cash, it is treated as a grant within the meaning of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance and included within operating profit;
- in all other cases it is recognised within income tax.

The French research tax credits (CIR) and employment and competitiveness tax credits (CICE) are accounted for as government grants.

4.4. External expenses

The following table presents a breakdown of external expenses:

in € millions	2018	2017
Fees paid to intermediaries and other professionals	(68.1)	(56.6)
External services (rent, maintenance, insurance, etc.)	(42.8)	(37.5)
Agents' commissions	(34.5)	(27.1)
Other external expenses (subcontracting, public relations, transport, etc.)	(71.4)	(73.3)
Total	**(216.8)**	**(194.5)**

4.5. Additions to and reversals of depreciation, amortisation and provisions

Additions to and reversals of depreciation, amortisation and provisions break down as follows:

in € millions	2018	2017
Intangible assets – franchises, patents, licences, business assets, etc.[1]	(19.3)	(14.2)
Property, plant and equipment (leased assets)	(0.8)	(0.6)
Property, plant and equipment: other non-current assets	(12.9)	(11.5)
Depreciation and amortisation[1]	**(33.0)**	**(26.3)**
Movements in provisions for operating contingencies and expenses	**-**	**(1.4)**
Total	**(33.0)**	**(27.7)**

(1) Including €4.2 million (in both 2017 and 2018) in amortisation of intangible assets from acquisitions.

4.6. Net impairment losses on current and non-current assets

in € millions	2018	2017
Impairment of inventories	(5.5)	(6.3)
Reversals of impairment of inventories	4.3	4.0
Net impairment losses/gains – inventories	**(1.2)**	**(2.2)**
impairment of doubtful receivables	(17.1)	(8.7)
Reversals of impairment of doubtful receivables	13.7	7.0
Gains and losses on receivables	(7.5)	0.6
Net impairment losses/gains – trade receivables	**(10.9)**	**(1.1)**
Losses/gains on other asset realisations	**(3.2)**	**(3.2)**
Total	**(15.3)**	**(6.4)**

4.7. Other recurring operating income and expenses

Other recurring operating income and expenses break down as follows:

in € millions	2018	2017
Cross-charging and indemnities received	8.7	13.1
Capital losses on sales of property, plant and equipment and intangible assets – recurring operating activities	(0.6)	(0.5)
Cross-charging and indemnities paid	(1.8)	(3.3)
Total	**6.3**	**9.3**

4.8. Financial income – operating activities

The following table breaks down financial income and expense relating to operating activities by type of income/expense:

in € millions	2018	2017
Financial income related to Technology Management & Financing operations	20.1	12.6
Miscellaneous financial income from operating activities	1.3	0.9
Total financial income – operating activities	**21.4**	**13.5**
Financial expenses related to Technology Management & Financing operations	(15.6)	(9.5)
Financial expenses related to miscellaneous operating activities	(2.8)	(1.7)
Exchange losses	(1.7)	(1.4)
Total financial expenses – operating activities	**(20.1)**	**(12.6)**
Total	**1.4**	**0.9**

Financial income and expenses relating to Technology Management and Financing operations reflect the unwinding of the discount during the year on the gross liability for purchases of leased assets, the Group's residual interest in leased assets and lease payments outstanding.

Net exchange losses recorded in the income statement result mainly from fluctuations in the pound sterling and US dollar.

5. Other non-recurring operating income and expenses

Non-recurring operating income and expenses mainly include:

- income and expenses that are deemed unusual in terms of their frequency, nature or amount;
- goodwill impairment losses;
- material gains and losses on disposals of property, plant and equipment and intangible assets, or of operating assets and investments;
- restructuring costs and costs associated with downsizing plans;
- costs relating to acquisitions (acquisition fees);
- the costs of relocating premises;
- changes in the fair value of acquisition-related liabilities (contingent consideration); changes in the fair value of put and call options on non-controlling interests are recognised directly in equity.

in € millions	2018	2017 adjusted*
Reorganisation costs	(21.5)	(17.3)
Acquisition costs	(1.3)	(2.2)
Other expenses	(5.9)	(3.1)
Other operating expenses	**(28.7)**	**(22.6)**
Other income	0.1	3.6
Other operating income	**0.1**	**3.6**
Total	**(28.6)**	**(19.1)**

* Adjusments linked to the change in presentation of additional depreciation in Italy (see Section 1.2.2).

Restructuring costs relate to performance improvement plans implemented during the year. Acquisition costs relate to the various acquisitions carried out by the Group.

Non-recurring operating income and expenses include the following movements in provisions:

in € millions	2018	2017
Additions to provisions for contingencies	(8.8)	(2.8)
Additions to provisions for impairment	(2.7)	(0.9)
Reversals of provisions for contingencies	7.2	5.2
Reversals of provisions for impairment	2.0	0.7
Total	**(2.3)**	**2.2**

6. Net financial expense

in € millions	2018	2017
Other financial income	0.2	0.2
Financial income	**0.2**	**0.2**
Financial expenses on bonds	(9.5)	(6.5)
Loss on redemption of ORNANE bonds	-	(0.3)
Accelerated amortisation of bond issue costs	-	(0.5)
Expenses on non-current liabilities	(0.4)	(0.3)
Interest cost of retirement benefits and other post-employment benefits	(0.7)	(0.7)
Interest on short-term financing	(1.8)	(1.4)
Financial expenses on factoring	(3.1)	(2.8)
Other financial expenses	(0.7)	(0.2)
Financial expenses	**(16.2)**	**(12.7)**
Other financial income and expenses	**(16.0)**	**(12.5)**
Adjustment of the fair value of the ORNANE embedded derivative component	-	4.1
Net financial expense	**(16.0)**	**(8.4)**

7. Income tax

Income tax expense for the year includes current taxes and deferred taxes.

Current tax is (i) the estimated amount of tax due in respect of taxable profit for a given period, as determined using tax rates that have been enacted or substantively enacted at the end of the reporting period, (ii) any adjustments to the amount of current tax in previous periods, and (iii) any other tax calculated on a net amount of income and expenses.

Deferred taxes are accounted for using the liability method for all temporary differences between the carrying amount recorded in the consolidated statement of financial position and the tax bases of assets and liabilities, except for non-tax-deductible goodwill. Deferred taxes are determined based on the way in which the Group expects to recover or settle the carrying amount of the assets and liabilities using the tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are not discounted and are offset when they relate to the same tax entity. They are classified in the statement of financial position as non-current assets and liabilities.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or tax losses and tax credit carryforwards can be utilised.

7.1. Recognition of current and deferred taxes

in € millions	Notes	2018	2017 ajusted*
Current tax		(26.5)	(35.4)
Movements in tax provisions	16	1.7	1.1
Deferred tax	7.2	3.5	2.3
Total		**(21.2)**	**(32.0)**

* Adjusments linked to the change in presentation of additional depreciation (see Section 1.2.2).

Effective tax rate

in € millions	2018	2017 ajusted*
Profit before tax	65.8	122.7
Income tax	(21.2)	(32.0)
Effective tax rate as a percentage of profit before tax	32.3%	26.1%
Effective tax rate as a percentage of profit before tax (restated)	24.4%	25.6%

* Adjusments linked to the change in presentation of additional depreciation (see Section 1.2.2).

The income tax expense amounted to €15.7 million, plus €5.5 million from tax on value added in France and from the IRAP tax (Imposta Regionale sulle Attività Produttive) in Italy, for a total of €21.2 million.

Considering a reported pre-tax income of €65.8 million, the effective tax rate reported reached 32.3% (adjusted to 26.1% at end 2017); restated for amortisation of assets (ECS customer portfolio and Osiatis brand) and tax on added value/IRAP, the effective tax rate restated was 24.4% in 2018 (adjusted to 25.6% in 2017).

Reconciliation between theoretical tax expense and effective tax expense

in € millions	2018	2017 ajusted*
Profit before tax	65.8	122.7
Theoretical tax expense calculated at the Belgian standard tax rate (29.58% in 2018 and 33.99% in 2017)	(19.5)	(41.7)

* Adjusments linked to the change in presentation of additional depreciation (see Section 1.2.2).

Reconciliation

in € millions	2018	2017 ajusted*
Impacts of changes in the fair value of the ORNANE embedded derivative component	-	1.4
Impact of ORNANE bond redemption	-	3.1
Unrecognised tax losses arising in the year	(3.4)	(2.0)
Previously unrecognised tax losses used in the year	1.2	1.0
De-recognition of previously recognised tax deficits	(0.3)	0.3
Adjustment to current and deferred tax	1.2	(0.2)
Effect of taxes other than on income[1]	(5.5)	(6.6)
Effect of foreign income tax rates and changes in foreign income tax rates	(1.8)	7.4
Tax credits and other	3.8	5.5
Other permanent differences	3.1	(0.3)
Total differences	**(1.7)**	**9.7**
Effective income tax expense	**(21.2)**	**(32.0)**

(1) Taxes other than on income relate to taxes assessed on value added that meet the requirements of IAS 12. For Econocom, this caption relates to the tax on value added in France (net of income tax) and to the IRAP tax (Imposta Regionale sulle Attività Produttive) in Italy.
* Adjusments linked to the change in presentation of additional depreciation (see Section 1.2.2).

7.2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities

in € millions	1 January 2018*	Income/ expense for the year (income statement)	Other compre-hensive income (equity)	Reclass-ifications	Changes in scope of consoli-dation	31 December 2018
Pension obligations	10.6	0.1	(0.5)	-	-	10.2
Temporary differences arising on provisions	3.8	0.5	-	(0.6)	1.1	4.8
Other assets and liabilities	9.6	10.3	0.3	(0.7)	0.4	19.8
Tax loss carryforwards	11.9	6.1	-	0.1	-	18.0
Impact of netting DTA/DTL	(14.7)	-	-	(4.2)	-	(18.9)
Total deferred tax assets	**21.2**	**16.9**	**(0.2)**	**(5.5)**	**1.5**	**33.8**
Deferred tax on TMF business	(15.8)	(2.2)	-	0.3	-	(17.7)
Amortisable intangible assets	(8.8)	0.3	-	0.3	-	(8.2)
Other assets and liabilities	0.4	(0.7)	-	0.8	-	0.4
Impact of netting DTA/DTL	14.7	-	-	4.2	-	18.9
Total deferred tax liabilities	**(9.5)**	**(2.6)**	**-**	**5.5**	**-**	**(6.6)**
Net deferred tax assets (liabilities)	**11.7**	**14.3**	**(0.2)**	**-**	**1.5**	**27.2**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

in € millions	31 December 2018	1 January 2018*
Recoverable within 12 months, before netting, by tax jurisdiction	9.2	5.3
Recoverable after 12 months, before netting, by tax jurisdiction	18.0	6.4
Net deferred tax assets (liabilities)	**27.2**	**11.7**

* Change of accounting method resulting from the application of IFRS 15 (cf. § 1.1.1).

Tax loss carryforwards

At 31 December 2018, the Group's tax loss carryforwards amounted to €139.7 million, versus €106.0 million at 31 December 2017.

The increase in tax loss carryforwards primarily concerns Econocom International Italia, Econocom Deutschland Holding, Exaprobe, Econocom Managed Services and Synertrade USA.

Unrecognised deferred tax assets on tax loss carryforwards totalled €18.4 million versus €16.5 million at 31 December 2017. This increase is related to the increase in unrecognised losses in fiscal year 2018.

8. Basic earnings per share

Basic earnings per share is calculated by dividing attributable profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares on a *pro rata* basis.

Diluted earnings per share is calculated by taking into account all financial instruments carrying deferred rights to the parent company's capital, issued either by the parent company itself or by any one of its subsidiaries. Dilution is calculated separately for each instrument, based on the conditions prevailing at the end of the reporting period and excluding anti-dilutive instruments.

Basic earnings per share

in € millions, except for per share data and number of shares	2018	2017
Profit for the year attributable to owners of the parent	39.4	86.4
Recurring profit attributable to owners of the parent(1)	61.8	94.8
Average number of shares outstanding	234,888,774	232,763,830
Earnings per share attributable to owners of the parent (in €)	0.168	0.371
Recurring earnings per share attributable to owners of the parent(1) (in €)	0.263	0.407

(1) Recurring profit for the year attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, before the following items:
- amortisation of intangible assets from acquisitions, net of tax effects;
- other non-recurring operating income and expenses, net of tax effects;
- other non-recurring financial income and expenses, net of tax effects;
- profit (loss) from discontinued operations, net of tax effects.

Diluted earnings per share

in € millions, except for per share data and number of shares	2018	2017
Diluted profit attributable to owners of the parent	42.1	86.4
Average number of shares outstanding	234,888,774	232,763,830
Impact of stock options	1,809,082	3,830,772
Impact of free shares	273,274	359,943
Impact of ORNANE convertible bonds	20,177,563	-
Diluted average number of shares outstanding	257,148,693	236,954,545
Diluted earnings per share attributable to owners of the parent (in €)	0.164	0.365
Diluted recurring net earnings attributable to owners of the parent (in €)	0.251	0.400

In accordance with IFRS, the stock option expense recognised in the income statement was not restated.

9. Goodwill and impairment testing

9.1. Definition of cash-generating units

The growing proportion of international customers and the pooling of resources among business lines have led the Group to redefine the scope of its cash-generating units (CGUs) as representing its three business segments: Technology Management & Financing, Services and Products & Solutions.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

9.2. Goodwill allocation

For the purposes of the impairment tests carried out at 31 December each year, goodwill is allocated to cash generating units.

In 2018, goodwill arising on companies acquired by the Group was allocated to the Services CGU (Altabox, BDF, Simstream and Osones).

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2018				
Goodwill at 1 January 2018	**114.6**	**446.9**	**37.3**	**598.8**
Adjustments to acquisition costs	-	0.1	-	0.1
Acquisitions	-	32.7	-	32.7
Disposals	-	-	-	-
Foreign currency translation adjustments	-	(0.5)	-	(0.5)
Impairment	-	-	-	-
Goodwill at 31 December 2018	**114.6**	**479.2**	**37.3**	**631.1**
Of which gross amount	**114.6**	**483.5**	**37.3**	**635.4**
Of which accumulated impairment	**-**	**(4.3)**	**-**	**(4.3)**

In 2017, goodwill arising on companies acquired by the Group was allocated to the Services CGU (LP Digital Agency, Jade, Aciernet, Biboard) and to the Products & Solutions CGU (BIS and Energynet).

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2017				
Goodwill at 1 January 2017	**114.6**	**405.7**	**18.8**	**539.1**
Adjustments to acquisition costs	-	0.5	-	0.5
Acquisitions	-	41.5	18.5	60.0
Disposals	-	-	-	-
Foreign currency translation adjustments	-	(0.8)	-	(0.8)
Impairment	-	-	-	-
Goodwill at 31 December 2017	**114.6**	**446.9**	**37.3**	**598.8**
Of which gross amount	**114.6**	**451.2**	**37.3**	**603.1**
Of which accumulated impairment	**-**	**(4.3)**	**-**	**(4.3)**

9.3. Impairment tests and impairment of goodwill

Impairment testing involves determining whether the recoverable amount of an asset, CGU or group of CGUs is lower than its carrying amount.

The recoverable amount is the higher of fair value less the costs of disposal and value in use.

Value in use is determined based on estimated future cash flows and a terminal value, taking into account the time value of money and the risks associated with the business and the specific environment in which the CGU or group of CGUs operates.

Cash flow projections are based on the budgets and on business plans covering a period of no more than five years. The terminal value is calculated by discounting normalised annual cash flows to perpetuity.

Fair value is the amount that could be obtained from the sale of the tested assets in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal. These amounts are calculated based on market information.

When the recoverable value of the assets of a CGU or group of CGUs is lower than its carrying amount, an impairment loss is recognised.

Impairment losses are recorded first as a reduction of the carrying amount of goodwill allocated to a CGU and then charged against the assets of the CGU, *pro rata* to the carrying amount of each of the components of the CGU. Impairment losses are recorded under "Non-recurring operating income and expenses" in the income statement.

Impairment losses recognised for property, plant and equipment and intangible assets other than goodwill may be reversed in subsequent periods if the asset's recoverable amount becomes greater than its carrying amount.

Impairment losses recognised for goodwill may not be reversed.

When a relevant CGU is disposed of, the resulting goodwill is taken into account for the determination of the net proceeds of the disposal.

Results of impairment tests

Based on the impairment tests conducted, no impairment needs to be charged against goodwill.

Key assumptions

The value in use of the Group's CGUs is sensitive to the following assumptions:

- discount rate applied to future cash flows;
- growth rate of cash flows beyond the forecast period;
- business plan (revenue and margin).

	2018		2017	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Technology Management & Financing	8.00%	1.00%	8.00%	1.00%
Services	8.00%	1.50%	8.00%	1.50%
Products & Solutions	8.00%	1.00%	8.00%	1.00%

The growth rate and weighted average cost of capital assumptions were reviewed in light of global market data.

The post-tax discount rate used corresponds to the weighted average cost of capital ("WACC"). The perpetuity growth rate applied by the Group does not exceed the growth rate for the industry. Applying a pre-tax discount rate to pre-tax cash flows would have resulted in a similar value for the CGUs.

The business plan was determined based on the expected growth of markets for the CGU concerned, taking account of growth levers identified by Management. Margins are determined based on the historical margins observed in the years preceding the start of the budget period. They also take account of expected efficiency gains as well as events of which management is aware and that could impact the profitability of the activity.

Sensitivity to changes in assumptions

The table below shows the sensitivity of enterprise values to the assumptions used:

in € millions	Sensitivity to rates				Sensitivity to cash flows
	Discount rate		Perpetuity growth rate		
	+1.0%	**(1.0%)**	**+0.5%**	**(0.5%)**	**(5%)**
Technology Management & Financing	(44)	80	38	(33)	(69)
Services	(95)	129	45	(39)	(88)
Products & Solutions	(28)	37	13	(11)	(14)

The sensitivity of impairment tests to adverse, feasible changes in assumptions is set out below:

- reasonable sensitivity to changes in the discount rate: a simulated increase of up to 1 percentage point in the discount rate used would not change the findings of the Group's analysis;

- reasonable sensitivity to changes in the long-term growth rate: in a pessimistic scenario where the long-term growth rate is reduced by 0.5 percentage points, the value in use of each CGU would still exceed its carrying amount;
- reasonable sensitivity to changes in the business plan: a 5% reduction in the revenue forecast contained in the business plan, with variable costs adjusted accordingly, would not change the conclusions of the Group's analysis.

Consequently, none of the sensitivity tests reduced the value in use of any of the CGUs to below their carrying amount.

10. Intangible assets, property, plant and equipment and long-term financial assets

10.1. Intangible assets

Separately acquired intangible assets

Separately acquired intangible assets are initially measured at cost, which corresponds to their acquisition cost or their acquisition-date fair value for intangible assets acquired in a business combination.

After initial recognition, they are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their economic useful life. The useful life of concessions, patents and licences is estimated at between three and seven years.

Intangible assets with indefinite useful lives are not amortised.

Internally generated intangible assets

The Group carries out IT development projects. Expenses incurred in relation to these operations can be included in the cost of intangible assets. An internally generated intangible asset resulting from development (or from the development phase of an internal IT project) is only recognised if the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development. The initial cost of an internally generated intangible asset is equal to the sum of expenditure incurred from the date on which the intangible asset first meets the above-mentioned recognition criteria. If no internally generated intangible asset can be recognised, development costs are recognised in profit or loss for the year in which they are incurred.

After initial recognition, internally generated intangible assets are carried at cost less any accumulated amortisation and impairment losses, in accordance with the same method as that used for separately acquired intangible assets.

The useful life of information systems is estimated at between three and seven years.

Intangible assets acquired in business combinations

Intangible assets acquired by the Group in business combinations are measured at their acquisition cost less any accumulated amortisation and impairment losses. They mainly comprise operating licences and software and are amortised on a straight-line basis over their useful lives.

The customer portfolio acquired from the ECS group was valued using the MEEM method (Multi-period Excess Earnings Method) at €40 million and is being amortised over 20 years.

The Osiatis brand was valued using the royalty relief method, based on percentages of forecast revenue and EBIT in line with comparable market equivalents.

Useful life	In years
Amortisable business assets	3 – 5
ECS customer portfolio	20
Franchises, patents, licences	3 – 7
IT systems	3 – 7
Osiatis brand	4

The Group has no intangible assets with indefinite useful lives with the exception of the goodwill presented in Note 9.

2018 Intangible assets

in € millions	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally generated assets	Other	Total
Acquisition cost					
Gross value at 31 Dec. 2017	**54.2**	**39.4**	**81.0**	**6.9**	**181.5**
Acquisitions	-	2.9	20.0	0.8	23.6
Disposals	-	(6.9)	(0.4)	-	(7.3)
Changes in scope of consolidation	-	1.9	0.1	-	2.0
Transfers and other movements	-	1.6	-	(0.6)	1.0
Gross value at 31 Dec. 2018	**54.2**	**38.8**	**100.8**	**7.1**	**200.8**
Depreciation and impairment					
Accumulated amortisation at 31 Dec. 2017	**(26.0)**	**(30.1)**	**(41.1)**	**(4.7)**	**(101.9)**
Additions	(4.4)	(4.2)	(13.0)	(0.4)	(22.0)
Disposals	-	6.9	-	-	7.0
Changes in scope of consolidation	-	(1.4)	(0.1)	-	(1.5)
Transfers and other movements	-	1.5	-	(0.5)	0.9
Accumulated depreciation at 31 Dec. 2018	**(30.4)**	**(27.3)**	**(54.2)**	**(5.6)**	**(117.5)**
Carrying amount at 31 Dec. 2017	**28.2**	**9.3**	**39.9**	**2.2**	**79.6**
Carrying amount at 31 Dec. 2018	**23.8**	**11.5**	**46.6**	**1.5**	**83.4**

Customer portfolios and business assets are intangible assets which are recognised in connection with business combinations, amortised over the useful lives shown above.

Franchises, patents, licences, etc. consist mainly of licences acquired and amortised over their useful lives.

IT systems are mainly the result of developments made by the Group and associated companies, and are amortised over the periods set out above.

2017 Intangible assets

in € millions	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally generated assets	Other	Total
Acquisition cost					
Gross value at 31 Dec. 2016	**54.2**	**35.5**	**62.2**	**3.0**	**154.9**
Acquisitions	-	4.6	20.0	0.9	25.4
Disposals	-	(1.6)	(1.4)	(0.8)	(3.7)
Changes in scope of consolidation	-	0.1	0.5	3.6	4.2
Transfers and other movements	-	0.8	(0.3)	0.2	0.7
Gross value at 31 Dec. 2017	**54.2**	**39.4**	**81.0**	**6.9**	**181.5**
Depreciation and impairment					
Accumulated depreciation at 31 Dec. 2016	**(21.6)**	**(28.9)**	**(34.8)**	**(2.0)**	**(87.3)**
Additions	(4.4)	(3.0)	(6.2)	(0.6)	(14.2)
Disposals	-	1.6	0.6	0.8	3.0
Changes in scope of consolidation	-	(0.1)	-	(2.9)	(3.0)
Transfers and other movements	-	0.3	(0.7)	-	(0.4)
Accumulated amortisation at 31 Dec. 2017	**(26.0)**	**(30.1)**	**(41.1)**	**(4.7)**	**(101.9)**
Carrying amount at 31 Dec. 2016	**32.6**	**6.6**	**27.4**	**1.0**	**67.6**
Carrying amount at 31 Dec. 2017	**28.2**	**9.3**	**39.9**	**2.2**	**79.6**

10.2. Property, plant and equipment

Property, plant and equipment owned outright

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis over the estimated useful life of the assets taking into account any residual value.

Useful life	In years
Land	Indefinite
Buildings	20 – 50
Fixtures	5 – 10
IT equipment	3 – 7
Vehicles	4 – 7
Furniture	5 – 10

Land is not depreciated.

When an item of property, plant and equipment comprises components with different useful lives, such components are recognised and depreciated separately.

Gains or losses on the sale of an item of property, plant and equipment are determined as the difference between the proceeds from the sale and the carrying amount of the asset sold. They are included in either "Other operating income and expenses" or "Revenue from continuing operations" if the sale took place in the ordinary course of the Group's business.

No borrowing costs were included in the cost of any of the Group's property, plant and equipment in the absence of any assets requiring a substantial period of time before they are ready for their intended use or sale.

Property, plant and equipment held under finance leases

Finance leases that transfer substantially all the risks and rewards of ownership to the Group are recognised in the statement of financial position at inception of the lease at the lower of (i) the fair value of the leased asset, or (ii) the sum of the future minimum lease payments discounted to present value. Lease payments are apportioned between the financial expense and the reduction of the outstanding liability. The financial expense is recognised in the income statement under "Expenses on non-current liabilities", detailed in Note 6.

Assets held under finance leases are depreciated over the same periods as the same categories of property, plant and equipment owned outright.

2018 Property, plant and equipment

in € millions	Land and buildings	Fixtures, fittings and IT equipment	Furniture and vehicles	Other property, plant and equipment	Property, plant and equipment held under finance leases	Total
Acquisition cost						
Gross value at 31 Dec. 2017	**26.1**	**68.7**	**17.0**	**11.3**	**4.2**	**127.3**
Acquisitions	1.2	6.0	1.6	18.6	-	27.4
Disposals	(0.1)	(3.1)	(1.0)	(11.7)	-	(15.9)
Changes in scope of consolidation	-	1.9	0.5	-	-	2.4
Transfers and other movements	(7.3)	11.3	-	(5.5)	-	(1.6)
Gross value at 31 Dec. 2018	**19.9**	**84.8**	**18.0**	**12.7**	**4.2**	**139.5**
Depreciation and impairment						
Accumulated amortisation at 31 Dec. 2017	**(10.5)**	**(48.9)**	**(10.2)**	**(6.0)**	**(3.3)**	**(78.9)**
Additions	(1.3)	(9.1)	(1.7)	(1.0)	(0.8)	(14.0)
Disposals	0.1	2.2	1.0	-	-	3.3
Changes in scope of consolidation		(1.7)	(0.4)			(2.1)
Reversals of impairment	-	-	-	0.3	-	0.3
Transfers and other movements	2.5	(2.0)	0.1	-	-	0.5
Accumulated depreciation at 31 Dec. 2018	**(9.3)**	**(59.5)**	**(11.3)**	**(6.7)**	**(4.2)**	**(90.9)**
Carrying amount at 31 Dec. 2017	**15.6**	**19.9**	**6.8**	**5.3**	**0.9**	**48.4**
Carrying amount at 31 Dec. 2018	**10.6**	**25.2**	**6.8**	**6.0**	**-**	**48.6**

Other property, plant and equipment relate to assets in progress.

The Group's statement of financial position shows assets held under finance leases within property, plant and equipment:

in € millions	Gross value at 31 Dec. 2018	Carrying amount at 31 Dec. 2018	Gross value at 31 Dec. 2017	Carrying amount at 31 Dec. 2017
Buildings	5.1	1.2	5.1	1.2
Furniture and vehicles	8.2	2.2	8.2	3.3

Details of the liabilities and future payments relating to these leases are provided in Notes 14.2 and 19.2.4.

2017 Property, plant and equipment

in € millions	Land and buildings	Fixtures, fittings and IT equipment	Furniture and vehicles	Other property, plant and equipment	Property, plant and equipment held under finance leases	Total
Acquisition cost						
Gross value at 31 Dec. 2016	**27.7**	**58.2**	**11.9**	**3.9**	**5.4**	**107.1**
Acquisitions	1.9	8.7	4.5	3.6	-	18.7
Disposals	(0.3)	(3.5)	(1.8)	(0.4)	(0.2)	(6.2)
Changes in scope of consolidation	0.4	0.2	0.2	6.6	-	7.4
Foreign currency translation adjustments	-	(0.1)	-	-	-	(0.1)
Transfers and other movements	(3.6)	5.2	2.2	(2.4)	(1.0)	0.4
Gross value at 31 Dec. 2017	**26.1**	**68.7**	**17.0**	**11.3**	**4.2**	**127.3**
Depreciation and impairment						
Accumulated depreciation at 31 Dec. 2016	**(10.8)**	**(43.3)**	**(8.0)**	**(0.2)**	**(3.4)**	**(65.7)**
Additions	(1.2)	(7.9)	(1.7)	(0.7)	(0.6)	(12.1)
Disposals	0.2	3.3	1.5	0.4	-	5.5
Changes in scope of consolidation	(0.2)	(0.2)	(0.2)	(5.4)	-	(6.0)
Reversals of impairment	-	-	-	-	0.1	0.1
Foreign currency translation adjustments	-	0.1	-	-	-	0.1
Transfers and other movements	1.5	(0.9)	(1.8)	(0.2)	0.5	(0.9)
Accumulated amortisation at 31 Dec. 2017	**(10.5)**	**(48.9)**	**(10.2)**	**(6.0)**	**(3.3)**	**(78.9)**
Carrying amount at 31 Dec. 2016	**16.9**	**14.9**	**3.9**	**3.7**	**2.0**	**41.4**
Carrying amount at 31 Dec. 2017	**15.6**	**19.9**	**6.8**	**5.3**	**0.9**	**48.4**

10.3. Long-term financial assets

Investments in non-consolidated companies are recorded at fair value. Changes in fair value are recognised under Income.

in € millions	Investments in non-consolidated companies[1]	Investments in associates and joint ventures[2]	Other long-term financial assets[3]	Total
Balance at 31 December 2016	**1.4**	**0.3**	**25.0**	**26.7**
Changes in working capital[4]	-	-	1.6	1.6
Increases	-	-	2.7	2.7
Repayments/Disposals	-	-	(0.5)	(0.5)
Changes in scope of consolidation	0.1	0.1	0.2	0.4
Transfers and other movements	-	-	-	-
Share of profit (loss) of associates and joint ventures	-	-	-	-
Balance at 31 December 2017	**1.5**	**0.4**	**29.0**	**30.9**
Changes in working capital[4]	-	-	(6.1)	(6.1)
Increases	1.5	-	3.6	5.1
Repayments/Disposals	(0.9)	-	(1.1)	(2.0)
Changes in scope of consolidation	0.5	-	-	0.6
Transfers and other movements	-	-	(0.7)	(0.7)
Share of profit (loss) of associates and joint ventures	-	-	-	-
Balance at 31 December 2018	**2.6**	**0.4**	**24.7**	**27.7**

(1) This relates to the Group's interest in non-controlled entities for €2.6 million, primarily including Histovery (€0.7 million), Kartable (€0.5 million) and Magic Makers (€0.9 million).
(2) At 31 December 2018, Econocom had only one equity-accounted associate (JTRS).
(3) Other long-term financial assets chiefly correspond to guarantees and deposits.
(4) Changes in WCR correspond to net disbursements for factoring guarantees, classified as changes in working capital requirements in the consolidated statement of cash flow.

Maturity of long-term financial assets

2018 in € millions	1 to 5 years	Beyond 5 years	Indefinite	Total
Investments in non-consolidated companies	-	-	2.6	2.6
Investments in associates and joint ventures	-	-	0.4	0.4
Guarantees given to factors	12.4	-	-	12.4
Other investments	-	-	5.9	5.9
Other guarantees and deposits	1.9	4.4	-	6.3
Total	**14.3**	**4.4**	**8.9**	**27.7**

2017 in € millions	1 to 5 years	Beyond 5 years	Indefinite	Total
Investments in non-consolidated companies	-	-	1.5	1.5
Investments in associates and joint ventures	-	-	0.4	0.4
Guarantees given to factors	18.6	-	-	18.6
Other investments	-	-	4.4	4.4
Other guarantees and deposits	2.0	4.0	-	6.0
Total	**20.6**	**4.0**	**6.3**	**30.9**

10.4. Other long-term receivables

in € millions	2018	2017
Government grants	7.8	7.6
Other long-term receivables	7.4	4.8
Other receivables	**15.2**	**12.5**

"Government grants" relate to amounts receivable under government grants (including at 31 December 2018: €6.8 million in respect of research tax credits and €0.8 million in respect of CICE tax credits). "Other" relates to loans granted to employees or associates.

The carrying amounts of other non-financial assets such as other long-term receivables, are reviewed for impairment at the end of each reporting period. If the carrying amount of these assets exceeds their estimated recoverable amount, an impairment loss is recognised within operating profit.

By maturity

in € millions	2018	2017
1 to 5 years	11.2	12.0
Beyond 5 years	4.0	0.5
Total	**15.2**	**12.5**

11. Residual interest in leased assets and gross liability for purchases of leased assets

11.1. Residual interest in leased assets

The Group's residual interest in leased assets sold to refinancing institutions corresponds to an estimated market value. Management issues an estimate that requires critical judgement.

This residual interest is calculated as follows:

- for all fixed-term contracts, the estimated market value is calculated using an accelerated diminishing balance method, based on the amortisation of the original purchase cost of each item of equipment. The residual interest therefore represents a long-term asset which is discounted using the same method as for the related lease. This method does not apply to non-standard cases, which are rare;
- for renewable asset management contracts, the accelerated diminishing balance method of depreciation is not applicable. The estimated market value for these contracts is calculated by using a fixed percentage of the original purchase cost of the equipment.

in € millions	2018	2017
Residual interest in leased assets non-current portion (between 1 and 5 years)	122.4	105.5
Residual interest in leased assets current portion (less than 1 year)	41.4	35.9
Total	**163.8**	**141.4**

The Group regularly revises estimates of its residual interest in leased assets using a statistical method based on its experience of second-hand markets.

In the case of its most recent assets, for which there is inadequate market data to establish an accurate valuation, the Group uses a prudent approach which may be adjusted when it has access to adequate historical information.

To ensure consistent treatment with all other types of contracts accounted for since 2015, in 2017 this revision chiefly concerned IT assets leased under renewable Technology Refresh Option (TRO) contracts.

The residual interest was recognised at 31 December 2018 was €163.8 million for a portfolio of leased assets representing €6 billion (purchase price of the assets on inception of the lease). The Group's residual interest in leased assets therefore stood at 2.7% of the purchase price of the assets in its portfolio (*versus* 2.5% at 31 December 2017).

Change in the Group's residual interest in 2018 is linked solely to the growth in business.

The impact of discounting on the total amount of the residual interest was €5.9 million at 31 December 2018 *versus* €9.8 million at end December 2017, the pre-discounted values were €169.7 million at 31 December 2018 and €151.2 million at 31 December 2017.

Residual interest in leased assets concerns IT assets and industrial assets amounting to €153 million and €10.8 million, respectively (€126.9 million and €14.5 million, respectively, at end-December 2017).

11.2. Gross liability commitments for purchases of leased assets

The Group repurchases leased equipment from refinancing institutions at the end of the lease term. These purchase obligations are classified within "gross commitments on residual financial value" and recognised in the statement of financial position. They are generally long-term liabilities which are discounted using the same method as for the related leases. They are classified as financial liabilities but are not included in net debt (see Note 14.3).

in € millions	2018	2017
Total gross liability for purchases of leased assets – non-current portion (between 1 and 5 years)	73.0	59.6
Total gross liability for purchases of leased assets – current portion (less than 1 year)	25.1	17.9
Total	**98.1**	**77.5**

The present value of items recorded in "Gross liability for purchases of leased assets" (current and non-current portions) represents €98.1 million. The cumulative impact of discounting was €11.2 million in 2018 *versus* €11.3 million in 2017. The pre-discounted value was €109.3 million at 31 December 2018 and €88.8 million at 31 December 2017.

12. Operating assets liabilities

12.1. Inventories

For the Group, inventories are:

- assets held for sale in the ordinary course of business and measured at the lower of cost (weighted average cost) and net realisable value; or
- or materials or supplies to be used in the rendering of services, measured at cost and written down in line with the useful life of the infrastructure to which they relate.

in € millions	31 December 2018			1 January 2018*		
	Gross	Impairment	Net	Gross	Impairment	Net
Equipment in the process of being refinanced	**16.5**	**(3.0)**	**13.5**	**12.0**	**(1.4)**	**10.5**
Other inventories	**55.5**	**(16.9)**	**38.6**	**55.7**	**(17.2)**	**38.5**
ICT equipment	32.2	(2.5)	29.7	33.3	(3.3)	30.1
Spare parts	23.3	(14.5)	8.8	22.5	(14.0)	8.5
Total	**72.0**	**(19.9)**	**52.1**	**67.7**	**(18.6)**	**49.1**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

Gross value

in € millions	1 January 2018*	Changes in inventories	Changes in scope of consolidation	Other changes	31 December 2018
Equipment in the process of being refinanced	**12.0**	**4.5**	**-**	**-**	**16.5**
Other inventories	**55.7**	**(1.4)**	**1.2**	**-**	**55.5**
ICT equipment	33.3	(1.7)	0.6	-	32.2
Spare parts	22.5	0.3	0.6	-	23.3
Total	**67.7**	**3.0**	**1.2**	**-**	**72.0**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

Impairment

in € millions	31 December 2017	Additions	Reversals	Changes in scope of consoli-dation	Other changes	31 December 2018
Equipment in the process of being refinanced	**(1.4)**	**(1.6)**	**-**	**-**	**-**	**(3.0)**
Other inventories	**(17.2)**	**(4.0)**	**4.3**	**-**	**-**	**(16.9)**
ICT equipment	(3.3)	(0.5)	1.3	-	-	(2.5)
Spare parts	(14.0)	(3.5)	3.0	-	-	(14.5)
Total	**(18.6)**	**(5.5)**	**4.3**	**-**	**-**	**(19.9)**

12.2. Trade and other receivables and other client assets

in € millions	31 December 2018			1 January 2018*		
	Gross	Impairment	Net	Gross	Impairment	Net
Trade receivables	1,240.9	(57.9)	1,183.0	1,082.8	(53.9)	1,028.9
Other receivables	91.2	(5.6)	85.6	94.9	(5.4)	89.5
Trade and other receivables	**1,332.1**	**(63.5)**	**1,268.6**	**1,177.7**	**(59.3)**	**1,118.4**
Contract performance and award costs**	**31.3**	**-**	**31.3**	**37.7**	**-**	**37.7**
Other current assets	**34.9**	**-**	**34.9**	**39.3**	**-**	**39.3**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).
** See definition in § .4.1.1 – Presentation in the statement of financial position.

Contract performance costs under assets narrowed by €6.4 million compared with 2017, mainly due to the reduction in inventory in transit.

Trade receivables items are broken down below by business, net of impairment.

in € millions	31 December 2018				1 January 2018*			
	Receivables invoiced, net of impairment	Outstanding	Revenue accruals	Total	Receivables invoiced, net of impairment(1)	Outstanding	Revenue accruals	Total
Technology Management & Financing	326.3	455.6	10.0	791.9	246.7	458.0	4.0	708.7
Services	185.5	-	140.2	325.7	151.9	-	100.6	252.5
Products & Solutions	47.1	-	18.3	65.4	48.5	-	19.1	67.7
Total	**558.9**	**455.6**	**168.5**	**1,183.0**	**447.2**	**458.0**	**123.7**	**1,028.9**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

At end-2018, the non-current portion of the €455.6 million (€458.0 million at end-2017) in outstanding rentals represents €140.4 million (€164.8 million at end-2017). It relates to self-funded contracts. The current portion totals €315.2 million (€293.2 million at end-2017) and includes outstanding rentals that will be refinanced, *i.e.*, when a refinancing agreement exists (*e.g.*, deployment, Technology Refresh Option, etc.).

Impairment of receivables

Initially, receivables are impaired taking into account expected credit losses, if material:

- short-term receivables (mainly for the Services and Products & Solutions businesses) are impaired on the basis of an average observed risk of default. This approach is based on the default rates observed individually by each of the Group's subsidiaries;
- long-term receivables (mainly for the TMF business) are impaired by taking into account the customer's risk profile, the value of the underlying assets and a probability of occurrence.

Subsequently, if there is serious doubt as to its recoverability, a loss allowance is recognised for the amount that is not recoverable.

in € millions	1 January 2018*	Additions	Reversals	Changes in scope of consolidation	Reclassification	31 December 2018
Impairment of doubtful receivables	(53.9)	(17.0)	13.9	(0.5)	(0.3)	(57.9)

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

Other receivables

"Other receivables" represent amounts receivable from the French State and miscellaneous amounts due from third parties (suppliers, factor, etc.):

in € millions	31 December 2018	1 January 2018*
Tax receivables (excl. income tax)	35.4	33.3
Factoring receivables	11.4	21.6
Government grants receivable	7.1	10.3
Due from suppliers	18.1	11.4
Other	13.7	12.9
Other receivables	**85.6**	**89.5**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

Other current assets

Other current assets mainly relate to prepaid expenses totalling €34.7 million at 31 December 2018 and €39 million at 31 December 2017.

12.3. Trade and other payables

in € millions	31 December 2018	1 January 2018*
Trade payables	854.0	735.0
Other payables	250.2	225.0
Trade and other payables	**1,104.2**	**960.0**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

Other payables can be analysed as follows:

in € millions	31 December 2018	1 January 2018*
Accrued taxes and personnel costs	235.3	216.4
Dividends payable	0.9	1.1
Customer prepayments and other payables	14.0	7.5
Other payables	**250.2**	**225.0**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).

12.4. Other current liabilities

Other current liabilities break down as follows:

in € millions	Notes	31 December 2018	1 January 2018*
Contract liabilities**		**85.8**	**66.6**
Acquisition-related liabilities – current portion	2.4	58.9	13.2
Deferred income		119.3	90.7
Other liabilities		11.1	6.1
Other current liabilities		**189.3**	**110.0**

* Change of accounting method resulting from the application of IFRS 9 (see Section 1.1.1).
** See definition in 1.1.1.2.

Contract liabilities increased by €19.2 million year-on-year due mainly to an increase in invoicing.

12.5. Other non-current liabilities

in € millions	Notes	31 December 2018	31 December 2017
Acquisition-related liabilities – non-current portion	2.4	65.2	88.6
Other non-current liabilities(1)		4.6	10.5
Other non-current liabilities		**69.8**	**99.1**

(1) Including €1.9 million in miscellaneous cash deposits received at 31 December 2018 (€10.0 million at 31 December 2017).

13. Financial instruments

Financial instruments comprise:

- financial assets, which include long-term financial assets (except investments in equity-accounted companies), other long-term receivables, trade and other receivables, other current assets, and cash and cash equivalents;
- financial liabilities, which include current and non-current financial liabilities and bank overdrafts, operating payables and other current and non-current liabilities; and
- derivative instruments.

13.1. Classification and measurement of financial instruments

Financial instruments (assets and liabilities) are recorded in the consolidated statement of financial position at their fair value on initial recognition, plus in the case of an asset that is not subsequently recognised at fair value through profit or loss, transaction costs directly attributable to the acquisition of that asset.

They are subsequently measured at either fair value (result or other comprehensive income) or amortised cost, depending on their nature.

The classification of a financial asset in each of these categories depends on the management model applied to it by the company and the characteristics of its contractual cash flows.

In practice, trade receivables are measured according to the amortised cost method, even though they may be subject to an assignment of receivables, for example, in the context of factoring.

The Group applies the concept of fair value set out in IFRS 13 – Fair Value Measurement, whereby fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price)".

Amortised cost represents the fair value on initial recognition (net of transaction costs), plus interest calculated based on the effective interest rate and less cash outflows (coupons, principal repayments and, where applicable, redemption premiums). Accrued interest (income and expenses) is not recorded at the nominal interest rate of the financial instrument, but based on the instrument's effective interest rate. Financial assets at amortised cost are tested for impairment whenever there are indications that they may be impaired.

Any loss of value is recognised in the income statement.

The initial recognition of financial instruments in the consolidated statement of financial position along with their subsequent measurement as described above apply the following interest rate definitions:

- the coupon rate (coupon), which is the nominal interest rate on the instrument;•
- the effective interest rate;
- the market interest rate, which is the effective interest rate as recalculated at the measurement date in line with ordinary market inputs.

Financial instruments carried in both assets and liabilities are derecognised whenever the related risks and rewards are sold and the Group ceases to have control over those financial instruments (see Note 21).

13.2. Derivative financial instruments

The Group uses the financial markets for hedging exposure related to its business activities and not for speculative purposes.

Given the low exchange rate risk, forward purchases and sales of foreign currency and currency swaps are recognised as instruments measured at fair value through profit or loss.

The Group uses an interest rate swap to hedge its interest rate risk on a floating-rate tranche of its new Schuldschein notes. This swap is designated as a cash flow hedge and is eligible for hedge accounting under IFRS 9.

Gains or losses on the hedging instrument are recognised directly in other comprehensive income until the hedged item is itself recognised in the income statement. Hedging reserves are also transferred to the income statement at this time.

	Notes	31 December 2017	Change through profit or loss	Other comprehensive income (expense)[1]	31 December 2018
Derivative instruments (positive fair value)		0.2	-	(0.2)	-
Derivative instruments (negative fair value)[1]	12.3	-	-	0.7	0.7
Total		**-**	**-**	**0.5**	

(1) Changes in fair value of the instrument hedging Schuldschein notes.

13.3. Classification of financial instruments and fair value hierarchy

IFRS 7 – Financial Instruments: Disclosures sets out a fair value hierarchy, as follows:

- Level 1: fair value based on quoted prices in active markets;
- Level 2: fair value measured using observable market inputs (other than the quoted market prices included in Level 1);
- Level 3: fair value measured using unobservable market inputs.

The fair value of financial instruments is determined using market prices resulting from trades on a national stock exchange or over-the-counter markets. If listed market prices are not available, fair value is measured using other valuation methods such as discounted future cash flows.

In any event, estimates of market value are based on certain market interpretations required when measuring financial assets.

As such, these estimates do not necessarily reflect the amounts that the Group would actually receive or pay out if the instruments were traded on the market. The use of different estimates, methods and assumptions may have a material impact on estimated fair values.

In view of their short-term nature, the carrying amount of trade and other receivables, and cash and cash equivalents approximates their fair value.

Derivative financial instruments are measured using Level 2 fair values.

Cash equivalents are booked at fair value (Level 1).

13.3.1. FINANCIAL ASSETS

The Group's financial assets at 31 December 2018 can be analysed as follows:

in € millions	Carrying amount				Level in the fair value hierarchy		
Statement of financial position headings	**Notes**	**Amortised cost**	**Fair value in consideration of other comprehensive income**	**Fair value through profit or loss**	**Level 1**	**Level 2**	**Level 3**
Long-term financial assets	10.3	24.7	-	3.0	-	27.7	
Long-term receivables	10.4	15.2	-	-	-	15.2	
Trade receivables	12.2	1,183.0	-	-	-	1,183.0	
Other receivables	12.2	85.6	-	-	-	85.6	
Cash and cash equivalents	14.1	-	-	608.4	608.4		
Financial assets		**1,308.5**	**-**	**611.4**	**608.4**	**1,311.5**	

13.3.2. FINANCIAL LIABILITIES AND OTHER LIABILITIES

In view of their short-term nature, the carrying amount of trade and other payables approximates fair value.

The market value of derivative instruments is measured based on valuations provided by bank counterparties or models widely used on financial markets, and on market information available at the reporting date.

in € millions	Carrying amount				Level in the fair value hierarchy		
Statement of financial position headings	**Notes**	**Amortised cost**	**Fair value through profit or loss**	**Fair value through equity[1]**	**Level 1**	**Level 2**	**Level 3**
Gross debt	14.2 14.1	856.5	3.6	-	3.6	856.5	-
Non-convertible bonds		252.0	-	-	-	252.0	-
Convertible bonds		185.5				185.5	
Bank debt, commercial paper and other		287.2	3.6	-	3.6	287.2	-
Liabilities relating to contracts refinanced with recourse		125.7	-	-	-	125.7	-
Finance lease liabilities		6.1	-	-	-	6.1	-
Non-current non interest-bearing liabilities[1]	12.5	4.6	7.5	59.2	-	4.6	66.7
Gross liability for purchases of leased assets	11.2	98.1	-	-	-	98.1	-
Trade payables	12.3	854.0	-	-	-	854.0	-
Other payables (excluding derivative instruments)	12.3	249.6	-	-	-	249.6	-
Other current (financial) liabilities[1]	12.4	26.7	0.7	42.8	-	26.7	43.5
Financial liabilities		**2,089.5**	**11.8**	**102.0**	**3.6**	**2,089.5**	**110.2**

(1) Changes in liabilities under put and call options on non-controlling interests are now recognised in equity.

Non-current non interest-bearing liabilities and other current liabilities estimated at fair value through profit or loss (Level 3) correspond to contingent consideration liabilities arising on acquisitions of companies for €8.2 million (see Note 2.4).

Non-current non interest-bearing liabilities and other current liabilities estimated at fair value through equity (Level 3) correspond to liabilities under put and call options on non-controlling interests for €100.5 million (see Note 2.4).

Contingent consideration liabilities are measured based on the estimated future performance of the entities concerned (*e.g.* EBIT multiples, expected future cash flows, etc.).

Based on the information held by the Group, the fair value of financial liabilities approximates their carrying amount.

14. Cash, gross debt and net debt

14.1. Cash and cash equivalents

These include cash on hand and demand deposits, other highly-liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are included in "Financial liabilities" within current liabilities in the statement of financial position.

Changes in fair value are recognised through profit or loss under "Financial income – operating activities".

Cash as presented in the statement of cash flows includes cash and cash equivalents, presented net of bank overdrafts. Cash and cash equivalents can be broken down as follows at end-2017 and end-2018:

in € millions	2018	2017
Cash in hand	**605.0**	**222.5**
Demand	0.3	0.1
accounts	604.7	222.4
Cash equivalents	**3.4**	**15.4**
Term accounts	1.8	14.4
Marketable securities	1.6	1.0
Cash and cash equivalents	**608.4**	**237.9**
Bank overdrafts	(3.6)	(5.1)
Cash and cash equivalents net of bank overdrafts	**604.7**	**232.9**

The cash and cash equivalent balances corresponding to the share of Econocom's partners in companies fully consolidated but not wholly owned by the Group totalled €72.6 million at 31 December 2018 (of which €8.2 million relating to acquisitions during the year) versus €49.7 million at 31 December 2017.

14.2. Gross debt

in € millions	2018	2017
Convertible bond debt (OCEANE)	184.5	-
Non-convertible bond debt (Euro PP)	99.5	99.5
Non-convertible bond debt (Schuldschein bond)	147.1	147.1
Bonds – non current	**431.1**	**246.6**
Commercial paper	4.1	19.0
Finance lease liabilities	68.8	74.5
o/w lease liabilities relating to contracts refinanced with recourse[1]	*65.0*	*71.0*
o/w finance lease liabilities	*3.8*	*3.5*
Financial liabilities – non current	**73.0**	**93.5**
Non-current interest-bearing liabilities	**504.1**	**340.1**
Convertible bond debt (OCEANE) – current portion	1.0	-
Non-convertible bond debt (Euro PP) – current portion	2.7	2.6
Non-convertible bond debt (Schuldschein bond) – current portion	2.7	2.6
Bonds – current portion	**6.4**	**5.3**
Commercial paper	283.0	111.8
Factoring liabilities[2]	28.5	12.2
Other current borrowings and debt with recourse	-	3.1
Finance lease liabilities	34.4	39.0
o/w lease liabilities relating to contracts refinanced with recourse[1]	*32.2*	*37.8*
o/w finance lease liabilities	*2.2*	*1.2*
Financial liabilities – current portion[3]	**346.0**	**166.1**
Current interest-bearing liabilities	**352.4**	**171.4**
Gross debt[3]	**856.5**	**511.5**

(1) Liabilities relating to contracts refinanced with recourse are backed by customers' rental payments in which the Group retains a portion of the credit risk. The Group has therefore added back a similar amount of unassigned receivables in accordance with IAS 32 – "Financial Instruments: Presentation".
(2) Factoring liabilities consist of residual risks arising from factoring agreements.
(3) Excluding current bank overdrafts.

Convertible bonds

On 6 March 2018, Econocom Group issued OCEANE bonds in the amount of €200 million (€198.4 million after allocation of issue costs). Their main characteristics are detailed below:

- maturity: five years;
- annual coupon: 0.5%;
- issue price: €8.26.

If these bonds are not converted, they will be redeemed in cash on 6 March 2023 at a price of €10.73.

OCEANE bonds are compound instruments within the meaning of IAS 32. The characteristics of the OCEANE bonds provide for the possibility of conversion into a fixed number of shares for a fixed amount of cash. An equity component has been calculated by subtracting the debt component of the OCEANE, measured at the rate of the debt without a conversion option, in application of sections 29–30 of IAS 32, which define the “equity” component as residual. On initial recognition, and net of issue costs, the equity component amounted to €16.7 million and the debt component to €181.7 million.

Non-convertible bonds

Euro PP

In May 2015, Econocom Group SE issued €101 million in bonds in a private placement (Euro PP) with eight institutional investors. The bonds break down into two tranches of €45.5 million and €55.5 million, with respective maturities of five and seven years. They pay fixed-rate interest (2.364% in five years and 2.804% in five years) and are redeemable upon maturity (in fine).

Schuldschein notes

In late November 2016, Econocom Group SE issued €150 million in Schuldschein notes on the Frankfurt market.

These notes, redeemable at maturity, comprise three tranches: €13 million at seven years, and €22 million and €115 million at five years. Notes belonging to the first two tranches pay fixed-rate interest (2.088% at seven years and 1.611% at five years). The interest on the third tranche includes a fixed-rate portion of 1.5% and a floating-rate portion indexed to six-month EURIBOR. An interest rate swap was set up in respect of these notes to protect the Group against the interest rate risk on the floating-rate portion. The swap hedges the risk of a rise in interest rates; however, it is set up in such a way that if EURIBOR interest is negative, Econocom bears the interest rate risk.

Commercial paper

In October 2015, Econocom also sought to diversify its financing and set up a commercial paper programme (“Econocom Group Société Européenne Billets de Trésorerie”). This programme, capped at €450 million, helps the Group diversify and optimise in the short term the financial resources it needs to drive its growth going forward. This programme complements the Group's bank financing and gives it access to short-term liquidity under favourable and transparent conditions, since it borrows from the negotiable debt securities market.

Analysis of non-current interest-bearing liabilities by maturity

2018 in € millions	Total	1 to 5 years	Beyond 5 years
Lease liabilities relating to contracts refinanced with recourse (non-current portion)	65.0	65.0	-
Finance lease liabilities – real estate	0.1	0.1	-
Finance lease liabilities – non-real estate	3.7	3.7	-
Bonds	431.1	431.1	-
Commercial paper	4.1	4.1	-
Total	**504.1**	**504.1**	**-**

2017 in € millions	Total	1 to 5 years	Beyond 5 years
Lease liabilities relating to contracts refinanced with recourse (non-current portion)	71.0	71.0	-
Finance lease liabilities – real estate	0.7	0.6	0.1
Finance lease liabilities – non-real estate	2.8	2.5	0.3
Bonds	246.6	246.6	-
Commercial paper	19.0	19.0	-
Total	**340.1**	**339.6**	**0.4**

14.3. Net debt

The concept of net debt as used by the Group represents gross debt (see Note 14.2) less gross cash (see Note 14.1 – cash and cash equivalents). Gross debt includes all interest-bearing debt and debt incurred by receiving financial instruments.

It does not include:

- the gross liability for purchases of leased assets and its residual interest in leased assets;
- the derivative instrument hedging Schuldschein notes.

in € millions	31 Dec. 2017	Monetary flows	Non-monetary flows				31 Dec. 2018
			Newly consolidated companies	Amortised cost of the loan	Conversion	Other	
Cash and cash equivalents*	237.9	356.1	13.6	-	0.8	-	608.4
Bank overdrafts**	(5.1)	1.5	(0.1)	-	-	-	(3.6)
Cash and cash equivalents net of bank overdrafts[1]	**232.9**	**357.6**	**13.5**	**-**	**0.8**	**-**	**604.8**
Commercial paper	(130.8)	(155.7)	(0.5)	-	0.1	(0.2)	(287.1)
Net cash at bank	**102.0**	**201.9**	**13.1**	**-**	**0.9**	**(0.2)**	**317.7**
Convertible bond debt (ORNANE)	-	(184.5)	-	(1.0)	-	-	(185.5)
Bond debt (Euro PP)	(102.1)	2.5[2]	-	(2.6)	-	-	(102.2)
Bond debt (Schuldschein)	(149.7)	2.7[2]	-	(2.8)	-	-	(149.8)
Leases with recourse	(108.8)	11.6	-	-	-	-	(97.2)
Factoring liabilities with recourse	(12.2)	(16.3)	-	-	-	-	(28.5)
Other liabilities with recourse	(3.1)	3.1	-	-	-	-	-
Finance lease liabilities	(4.7)	-	(1.4)	-	-	-	(6.1)
Sub-total	**(380.6)**	**(180.9)**	**(1.4)**	**(6.4)**	**-**	**-**	**(569.4)**
Net debt	**(278.6)**	**20.9**	**11.7**	**(6.4)**	**0.9**	**(0.1)**	**(251.7)**

* Positive gross cash.
** Including current bank overdrafts totalling €3.6 million at 31 December 2018 and €5.1 million at 31 December 2017.

(1) The €372.0 million decrease in net cash and cash equivalents as shown in the statement of cash flows is equal to the sum of monetary outflows (€357.6 million) and cash resulting from newly consolidated companies (€13.5 million) less translation losses (€0.8 million)

(2) Monetary flows on non-convertible bond debt relate to interest paid during the year (€5.4 million). Shown within "Interest paid" in the consolidated statement of cash flows.

Net debt 2017

in € millions	31 Dec. 2016	Monetary flows	Non-monetary flows				31 Dec. 2017
			Newly consolidated companies	Amortised cost of the loan	Conversion	Other	
Cash and cash equivalents*	348.7	(115.8)	6.0	-	(1.0)	-	237.9
Bank overdrafts**	(0.2)	(4.7)	(0.2)	-	-	-	(5.1)
Cash and cash equivalents net of bank overdrafts[1]	**348.5**	**(120.5)**	**5.9**	**-**	**(1.0)**	**-**	**232.9**
Commercial paper	(63.9)	(67.1)	-	-	0.2	-	(130.8)
Net cash at bank	**284.6**	**(187.6)**	**5.9**	**-**	**(0.8)**	**-**	**102.0**
Convertible bond debt (ORNANE)	(137.5)	31.0[2]	-	-	-	108.2[2]	-
Bond debt (Euro PP)	(102.0)	2.6[3]	-	(1.7)	-	-	(102.1)
Bond debt (Schuldschein)	(149.6)	2.8[3]	-	(2.7)	-	-	(149.7)
Leases with recourse	(65.9)	(42.9)	-	(2.9)	-	-	(108.8)
Factoring liabilities with recourse	(8.6)	(2.8)	(0.8)	-	-	-	(12.2)
Other liabilities with recourse	(2.9)	(0.2)	-	-	-	-	(3.1)
Finance lease liabilities	(3.3)	(1.4)	-	-	-	-	(4.7)
Sub-total	**(469.8)**	**(10.9)**	**(0.8)**	**(7.3)**	**-**	**108.2**	**(380.6)**
Net debt	**(185.2)**	**(198.5)**	**5.1**	**(7.3)**	**(0.8)**	**108.2**	**(278.6)**

* Positive gross cash.

** Including current bank overdrafts totalling €5.1 million at 31 December 2017 and €0.2 million at 31 December 2016.

(1) The €115.6 million decrease in net cash and cash equivalents as shown in the statement of cash flows is equal to the sum of monetary outflows (€120.5 million) and cash resulting from newly consolidated companies (€5.7 million) less translation losses (€1.0 million).

(2) ORNANE: monetary flows relate mainly to the payment of bond interest (€2.0 million) and to the portion of the debt eliminated following Econocom's redemption of ORNANE bonds (€28.9 million). The coupon paid is shown within "Interest paid" in the consolidated statement of cash flows. Disbursements made to redeem ORNANE bonds in first-quarter 2017 totalled €38.8 million and reflect the decrease in the debt shown in this caption (€28.9 million), as well as part of the decrease in the ORNANE embedded derivative component (€9.6 million – see Note 12.3). The conversion of 10,050,928 ORNANE bonds during the year also led to a decrease of €108.2 million in debt.

(3) Monetary flows on non-convertible bond debt relate to interest paid during the year (€5.4 million), shown within "Interest paid" in the consolidated statement of cash flows.

15. Equity

15.1. Share capital

	Number of shares			Value in € millions		
	Total[1]	Treasury shares[1; 2]	Outstanding	Share capital	Issue premium[3]	Net
1 January 2017 (after the share split)	**225,038,574**	**10,796,728**	**214,241,846**	**21.6**	**169.4**	**(50.5)**
Sales of treasury shares backing ORNANE bond redemptions	-	(5,160,040)	5,160,040	-	-	18.7
Purchases of treasury shares, net of sales	-	4,033,105	(4,033,105)	-	-	(27.3)
Exercise of options and award of free shares	-	(140,000)	140,000	-	-	1.0
Increase in capital and issue premium following the ORNANE bond conversion	20,101,856	-	20,101,856	1.9	108.1	-
Refund of issue premium	-	-		-	(24.5)	-
1 January 2018	**245,140,430**	**9,529,793**	**235,610,637**	**23.5**	**253.0**	**(58.1)**
Purchases of treasury shares, net of sales	-	5,858,838	(5,858,838)	-	-	(15.6)
Exercise of options and award of free shares	-	(1,410,000)	1,410,000	-	-	9.1
OCEANE – component	-	-	-	-	16.7	-
Refund of issue premium	-	-	-	-	(29.4)	-
At 31 December 2018	**245,140,430**	**13,978,631**	**231,161,799**	**23.5**	**240.3**	**(64.6)**

(1) To simplify, the number of shares is presented for the entire period after the Econocom Group share split approved by the Extraordinary General Meeting of 16 May 2017.
(2) Including at end-December 2018, 13,854,631 shares held in treasury and 124,000 shares held in connection with the liquidity contract.
(3) The €16.7 million difference between the issue premium in the Econocom Group statutory financial statements and the additional paid-in capital in the IFRS consolidated financial statements is attributable to the different methods used to value Osiatis shares during the various phases completed to acquire a controlling interest in this group in 2013.

The number of dematerialised shares stands at 182,973,847.

The number of registered shares is 62,166,583.

Bearer shares

A total of 548,958 shares (before the share split*) were registered in the name of Caisse des Dépôts et Consignations following the dematerialisation of shares in November 2015.

In 2017, 2,036 shares (before the share split*) were claimed by shareholders from Caisse des Dépôts et Consignations.

The shares registered will become the property of the French State if they are not claimed before 31 December 2025. In the meantime, their voting rights have been suspended.

Following the share split (on 2 June 2017), a total of 1,093,844 shares were therefore recorded in the name of Caisse des Dépôts et Consignations in the Group's share register.

During the 2018 fiscal year, only one shareholder claimed its shares (1,688 shares after the split) from Caisse des Dépôts et Consignations. The number of Econocom Group shares registered in the name of Caisse des Dépôts et Consignations in our register therefore amounts to 1,092,156 shares.

15.2. Changes in equity attributable to owners of the parent

At 31 December 2018, equity attributable to owners of the parent amounted to €396.4 million (€377.6 million at 1 January 2018). The table below shows changes in this item:

in € millions	
1 January 2018*	**377.6**
Comprehensive income for the year	40.0
Share-based payments, net of tax	1.1
Refund of issue premium, net	(28.3)
OCEANE equity component	16.7
Treasury share transactions	(15.6)
Transactions on stock options	3.2
Change in fair value of liabilities under put options	(10.3)
Impact of put options granted to non-controlling shareholders	(10.3)
Miscellaneous (transactions impacting non-controlling interests and other transactions)[1]	22.3
At 31 December 2018	**396.4**

* Change of accounting method resulting from the application of IFRS 9 as of 1 January 2018 (see Section 1.1.1).

(1) Detail of miscellaneous transactions impacting non-controlling interests and other transactions:

in € millions	2018
Reclassifications between equity attributable to owners of the parent and non-controlling interests following acquisitions of additional shares	21.4
Purchase price paid on acquisitions of additional shares	(0.2)
Miscellaneous transactions impacting reserves	1.1
Impact on equity attributable to owners of the parent	**22.3**

15.3. Changes in equity not recognised in profit or loss

15.3.1. PAYMENTS BASED ON ECONOCOM GROUP SHARES

The Group regularly awards stock purchase and subscription options, as well as free shares, to Management, certain corporate officers and select employees. These share-based payment transactions are recognised at fair value at the grant date using the Black-Scholes-Merton option pricing model.

Fair value, corresponding to the estimated cost of the services provided by the beneficiaries, is recognised on a straight-line basis in personnel costs over the vesting period. An offsetting entry is recorded to equity. Subsequent changes in the fair value of the options do not impact the initial measurement.

At the end of each reporting period, the Group revises the assumptions used to calculate the number of equity instruments. The impact of this revised estimate, if any, is taken to profit or loss and the expenses accrued adjusted accordingly. The offsetting entry is recorded in equity.

15.3.1.1. Stock subscription option plans

Stock options have been granted to some of the Group's corporate officers for an agreed unit price. Stock purchase and stock subscription option plans are equity-settled share-based payment transactions. Depending on the number of options expected to vest, the fair value of the options granted is expensed over the vesting period. When the options are exercised, equity is increased by the proceeds received.

The characteristics of these plans are detailed below. It should be noted that the number of options granted remains unchanged but that owing to the share split, the number of rights attached to each option has doubled.

Stock option plans	**2013**	**2014[1]**	**2015[1]**	**2016[1]**	**2017[2]**	**Total**
Options outstanding at 31 December 2017	**875,000**	**1,812,500**	**357,500**	**105,000**	**1,950,000**	**5,100,000**
Options granted during the period	-	-	-	-	-	-
Options exercised during the period	(625,000)	-	-	-	-	(625,000)
Options lapsed, forfeited or cancelled	-	(28,500)	-	(10,000)	(1,860,000)	(1,898,500)
Options outstanding at 31 December 2018	**250,000**	**1,784,000**	**357,500**	**95,000**	**90,000**	**2,576,500**
Rights granted in number of shares (comparable) at 31 Dec. 2017	1,750,000	3,625,000	715,000	210,000	1,950,000	8,250,000
Rights granted in number of shares (comparable) at 31 December 2018	**500,000**	**3,568,000**	**715,000**	**190,000**	**90,000**	**5,063,000**
Option exercise price *(in €)*	5.96	5.52	7.70	11.48	6.04	-
Share purchase price *(in €)*	2.98	2.76	3.85	5.74	6.04	-
Average share price at the exercise date	5.98	-	-	-	-	-
Expiry date	**Dec. 2018**	**Dec. 2019**	**Dec. 2020**	**Dec. 2021**	**Dec. 2023**	**-**

(1) In December 2014, the Board of Directors approved a plan to issue 2,500,000 stock subscription rights. These options were issued by the Compensation Committee in 2014 (2,075,000 options), 2015 (360,000 options) and 2016 (105,000 options). The formula adopted will allow Econocom Group to issue new shares upon exercise of these options.

(2) In May 2017, the Board of Directors approved a plan to issue 2,000,000 stock subscription rights, 1,950,000 of which were issued in December 2017 by the Compensation Committee. These options will also give rise to the issue of new shares.

The fair values of the options were measured at the grant date using the Black-Scholes-Merton option pricing model. The table below shows the measurements along with the main assumptions used:

General information	Initial measurement assumptions (IFRS 2)					
Stock option plans	Options outstanding	Fair value	Volatility	Vesting period	Estimated future dividend in %	RFIR[1]
2013	250,000	1.21	24%	4 years	2%	1.14%
2014	1,784,000	0.71	28%	4 years	2%	0.32%
2015	357,500	0.98	28%	4 years	2%	0.35%
2016	95,000	1.65	30%	4 years	2%	0.02%
2017	90,000	0.96	29%	4 years	2%	0.13%

(1) RFIR: risk-free interest rate.

Options are measured at fair value at the grant date in accordance with IFRS 2.

Volatility is calculated by an actuary based on a four-year record of daily prices preceding the option grant date, in line with the maturity of the options.

A detailed description of these stock option plans can be found in section 5.10 of the Management Report.

15.3.1.2. Free share plan

- On 26 February 2018, Econocom's Board of Directors granted 15,000 free shares to an employee; and
- On 27 December 2018, 1,430,000 free shares to employees.

The acquisition may be subject to the achievement of individual and/or collective objectives, that may be internal and/or external to the Econocom Group. As at 31 December, 1,585,000 free shares had not been exercised.

	2016		2018					Total
Tranches	2	3	1	2	3	4	5	
Free shares outstanding at 31 Dec. 2017	160,000	140,000	-	-	-	-	-	300,000
Free shares allocated during the period	-	-	15,000	402,500	342,500	342,500	342.500	1,445,000
Free shares exercised during the period	(160,000)	-	-	-	-	-	-	(160,000)
Free shares lost during the period	-	-	-	-	-	-	-	-
Free shares outstanding at 31 Dec. 2018	-	140,000	15,000	402,000	342,500	342,500	342,500	1,585,000
Expiry date	**May 2018**	**May 2019**	**Feb 2019**	**March 2020**	**March 2021**	**March 2022**	**March 2023**	**-**

Each tranche is contingent on the employee being present in the Group throughout the vesting period, and on a series of conditions relating to performance and share price.

15.3.1.3. Econocom Group share-based payment expense in the income statement

The total expense taken to profit or loss in 2018 in respect of share-based payments amounted to €1.1 million, and was recorded in personnel costs within recurring operating profit. A tax effect was recognised for an amount that was not material.

The total expense taken to profit or loss in 2017 in respect of share-based payments amounted to €1.3 million, and was recorded in personnel costs within recurring operating profit. A tax effect was recognised for €0.4 million.

15.3.2. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The impact of provisions for pensions and other post-employment benefits on consolidated equity is set out in Note 17.

15.3.3. TREASURY SHARES

Treasury shares and the related transaction costs are recorded as a deduction from equity. When they are sold, the consideration received in exchange for the shares net of the transaction costs is recorded in equity.

At 31 December 2018, the Group held 13,978,631 treasury shares (*i.e.*, 5.70% of the total number of shares) through the parent company Econocom Group SE. The total number of shares held may not exceed 20% of the total number of issued shares making up the share capital.

The net acquisition cost of shares acquired and the proceeds from the sale of shares sold were respectively deducted from or added to equity.

15.3.4. DIVIDEND

The Board of Directors recommends that at the Annual General Meeting shareholders vote to refund the issue premium considered as paid-in capital, in an amount of €0.12 per share.The table below also shows the dividend per share paid by the Group in respect of previous years.

	Issue premium refund proposed in 2019	Issue premium refunded in 2018	Issue premium refunded in 2017
Total dividend in € million[(1)]	29.4	29.4	24.5
Dividend per share in € (after the share split)	0.12	0.12	0.10[(2)]

(1) Calculated based on the total number of shares outstanding at 31 December of each year.
(2) Amount per share adjusted following the two-for-one share split.

As this refund of the issue premium is subject to the approval of the General Meeting, it is not recognised as a liability in the consolidated financial statements for the year ended 31 December 2018.

15.3.5. CURRENCY TRANSLATION RESERVES

Currency translation reserves correspond to the cumulative effect of the consolidation of subsidiaries with functional currencies other than the euro. Foreign exchange gains and losses recorded in equity attributable to owners of the parent and non-controlling interests represented a decrease of €6.5 million *versus* a decrease of €6.2 million at 31 December 2017. At 31 December 2018, changes in this item result chiefly from fluctuations in the value of the pound sterling, Brazilian real, Swiss franc and Polish zloty.

15.4. Change in non-controlling interests

At 31 December 2018, non-controlling interests amounted to €94.9 million (€102.4 million at 31 December 2017). The table below shows changes in this item:

in € millions	
At 31 December 2017	**102.4**
Share of comprehensive income attributable to non-controlling interests	5.2
Impact of put options granted to non-controlling shareholders	10.3
Reclassifications between equity attributable to owners of the parent and non-controlling interests following acquisitions of additional shares	(21.4)
Miscellaneous transactions impacting reserves	(1.6)
At 31 December 2018	**94.9**

The share of profit recognised in the income statement for non-controlling interests represents €5.2 million for 2018 (compared with €4.3 million in 2017).

15.5. Information regarding non-controlling interests

At 31 December 2017, non-controlling interests primarily concerned Econocom's "Satellites":

- Services: Aciernet, Alter Way, ASP Serveur, Asystel Italia, Bizmatica, Econocom Digital Security, Exaprobe, Gigigo, Helis, Infeeny (formerly MCNext group), Econocom Brazil (formerly Interadapt) and its subsidiary Syrix, Jade (Northern Technology Investments Ltd group), Nexica, Rayonnance (Mobis group), and SynerTrade;
- Products & Solutions: Caverin, EnergyNet;
- Technology Management & Financing.

Together these companies accounted for 17.3% of total assets and 28.7% of consolidated equity at 31 December 2018. Taken individually, none of these entities represents a significant percentage of Econocom Group's total assets or consolidated equity.

Loans granted to these companies by Econocom Finance SNC amounted to €13.4 million at 31 December 2018.

After eliminating items between these companies and other Group companies, these entities contributed €477.2 million to revenue in 2018 (€434.9 million in 2017).

16. Provisions

The Group recognises provisions when it has a legal or constructive obligation towards a third party as a result of past events which is likely to result in an outflow of resources that can be measured reliably.

The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation, taking into account the risks and uncertainties known at the reporting date.

Long-term provisions

Long-term provisions cover risks which are not reasonably expected to materialise for several years, and concern employee-related risks. They are discounted if required.

Short-term provisions

Short-term provisions primarily correspond to provisions for claims related to the Group's normal operating cycle and which are expected to be settled within 12 months of the reporting date.

They mainly include:

- provisions for employee-related risks (including risks arising from reorganisation measures);
- tax and legal risks relate to disputes in progress with clients, suppliers, agents or tax authorities;
- deferred commissions, calculated contract-by-contract based on the residual value of leased assets, less any residual commercial value of the contracts concerned;
- other provisions.

Some disputes are described in Note 24 – Assessments made by Management and sources of uncertainty.

Contingent liabilities

Other than the general risks described in note 19, the Group did not identify any material risks for which it had not accrued sufficient provisions in its financial statements.

Provisions for restructuring and employee-related risks

Provisions for restructuring and employee-related risks in the amount of €7.3 million cover future costs related particularly to the ongoing transformation of the Services business line, on the one hand and, litigation with several former employees, on the other.

Provisions for tax, legal and commercial risks

This item includes provisions for legal and commercial risks in the amount of €11.8 million, which mainly covers the risks related to ongoing litigation with clients (of which the two largest represent nearly half of the global amount provisioned).

Provisions for other risks

Provisions for other risks (€17.2 million) cover risks of a very varied nature, for nearly two thirds in France.

Movements in provisions between 31 December 2017 and 31 December 2018

in € millions	30 Dec. 2017	Changes in scope of consolidation	Additions	Reversals (surplus provisions)	Reversals (utilised provisions)	Other and exchange differences	31 Dec. 2018
Restructuring and employee-related risks	9.8	0.9	2.2	(2.0)	(3.9)	0.3	7.3
Tax, legal and commercial risks	19.4	0.8	7.0	(3.5)	(5.2)	(1.1)	17.4
Deferred commissions	0.9	-	0.8	-	-	-	1.7
Other risks	12.2	0.4	10.4	(2.4)	(3.3)	-	17.2
Total	**42.3**	**2.1**	**20.4**	**(7.9)**	**(12.4)**	**(0.7)**	**43.7**
Long-term	1.1	1.7	0.1	(0.7)	(0.1)	0.1	2.1
Short-term	41.2	0.4	20.3	(7.2)	(12.3)	(0.8)	41.6
Profit impact of movements in provisions							
Recurring operating profit			11.1	(2.6)	(8.3)	-	-
Non-recurring operating profit			8.8	(3.9)	(3.4)	-	-
Income tax expense			0.4	(1.4)	(0.7)	-	-

The net impact of movements in provisions was income of (€0.1 million). However, additions to provisions net of reversals of provisions not utilised had a negative impact of €12.5 million on profit.

Movements in provisions between 31 December 2016 and 31 December 2017

in € millions	31 Dec. 2016	Changes in scope of consolidation	Additions	Reversals (surplus provisions)	Reversals (utilised provisions)	Other and exchange differences	31 Dec. 2017
Restructuring and employee-related risks	11.8	1.1	3.8	(2.8)	(4.1)	-	9.8
Tax, legal and commercial risks	13.5	3.4	8.2	(4.5)	(1.2)	(0.1)	19.4
Deferred commissions	1.0	-	-	-	(0.1)	-	0.9
Other risks	11.8	0.4	0.4	(0.3)	(1.6)	1.5	12.2
Total	**38.1**	**5.0**	**12.4**	**(7.6)**	**(7.0)**	**1.4**	**42.3**
Long-term	1.8	0.4	-	(1.2)	(0.3)	0.4	1.1
Short-term	36.3	4.6	12.4	(6.4)	(6.7)	1.0	41.2
Profit impact of movements in provisions							
Recurring operating profit			9.6	(4.6)	(3.7)	-	-
Non-recurring operating profit			2.8	(2.5)	(2.7)	-	-
Income tax expense			-	(0.6)	(0.6)	-	-

17. Provisions for pensions and other post-employment benefits

17.1. Description of pension plans

Post-employment benefits are granted under defined contribution plans or defined benefit plans.

17.1.1. DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the Group pays fixed contributions to an external entity that is responsible for the plan's administrative and financial management. The employer is therefore free of any subsequent obligation as the agency is in charge of paying employees the amounts to which they are entitled (basic Social Security pension plan, supplementary pension plans).

Special case: Pensions plans in Belgium

The Belgian “Vandenbroucke Law” states that employers must guarantee a minimum return on employee contributions. All Belgian defined contribution plans are therefore treated as defined benefit plans in accordance with IFRS.

As from 1 January 2016, the Group has been required to guarantee a minimum return for contributions paid in. The return depends on the yield on Belgian 10-year government bonds but should be between 1.75% and 3.25%. There will be no distinction made between employer and employee contributions.

Employers are exposed to a financial risk as a result of this guaranteed minimum return for defined contribution plans in Belgium, since they have a legal obligation to pay additional contributions if the plan does not have sufficient assets to pay all benefits relating to past service costs.

These plans are classified and accounted for as IAS 19 defined benefit plans.

17.1.2. DEFINED BENEFIT PLANS

Defined benefit plans are characterised by the employer's obligation to its employees. Provisions are therefore accrued to meet this obligation.

The defined benefit obligation is calculated using the projected unit credit method, which uses actuarial assumptions as regards salary increases, retirement age, mortality, employee turnover and the discount rate.

Changes in actuarial assumptions, or the difference between these assumptions and actual experience, result in actuarial gains or losses. These are recognised in other comprehensive income for the period in which they occur, in accordance with the Group’s accounting principles.

For the Group, defined benefit post-employment plans primarily concern the benefits described below:

- severance pay in France:
  - lump-sum benefits calculated according to the employee’s years of service and his/her average compensation over the last 12 months prior to his/her departure,
  - the calculation is based on inputs defined by the Human Resources Department in France in November each year,

- the calculated amount is set aside under provisions in the statement of financial position;

- termination benefits in Italy:
  - rights vested by employees for each year of service *pro rata* to their gross annual compensation, revised every year and paid in advance or upon retirement, voluntary departure or termination,
  - the calculated amount is set aside under provisions in the statement of financial position.

At Econocom International Italia and Asystel Italia, all rights arising after 1 January 2007 have been transferred to an external entity and provisions therefore only concern rights vested at 31 December 2006 for which the Group was still liable at 31 December 2018.

Since Italy requires rights to be transferred to a third party or treasury fund as from a certain threshold only, certain rights relating to Bizmatica were kept on the Group's books.

- "Group" insurance in Belgium:
  - defined contribution plans, which provide a guaranteed return on payments made by the employer and the employee, payable as either a lump-sum benefit or equivalent annuity, or compensation in the event of death during employment. As the payment guaranteed by the insurance company is uncertain, the Group presents these plans as defined benefit plans, even though the amount of such plans in the statement of financial position is subject to only minimal changes;

- company pension plans in Austria: these are paid on the basis of employees' years of service and also cover the risk of death and disability. The benefits are also paid over to the surviving spouse in the event of death of the employee.

The Group has plan assets in France, Belgium and Austria. The expected rate of return on plan assets has been set at the same level as the rate used to discount the obligation.

The amounts which Econocom expects to pay directly in 2019 in respect of its employer contribution to the bodies in charge of collecting contributions, will represent around €1.2 million.

17.2. Actuarial assumptions and experience adjustments

Actuarial assumptions depend on a certain number of long-term inputs, which are revised each year.

	France		Other countries[1]	
	2018	2017	2018	2017
Retirement age	63-65 years	63-65 years	60-65 years	60-65 years
Salary increase rate and rights vested	2.40%	2.25%	1.00% - 2.25%	2.00% - 2.25%
Inflation rate	1.90%	1.75%	1.90%	1.75%
Discount rate	1.60%	1.40%	1.60%	1.40%
Mortality table	INSEE 2012-2014	INSEE 2012-2014	-	-

(1) Individually, the "Other countries" had an immaterial impact.

The employee turnover rate was determined based on statistics for each country and business. The employee turnover rate is applied depending on the age band of each employee and, for certain countries, depending on the employee's status (managerial-grade/non-managerial-grade).

A decrease of around 0.25 percentage points in the discount rate would lead to an increase in the provision of approximately €1.5 million. A 0.25 percentage point increase in the discount rate would lead to a €1.4 million decrease in the provision.

In accordance with IAS 19, the discount rates applied to determine the amount of the obligation are based on the yield on long-term private-sector bonds over a term matching that of the Group's obligations.

in € millions	31 Dec. 2018	31 Dec. 2017
Present value of obligation (a)	63.1	64.9
Present value of plan assets (b)	18.5	19.6
Provision for pension obligations (a) – (b)	**44.6**	**45.3**
Long-service awards	0.5	0.4
Provisions for pension and other post-employment benefit obligations	**45.1**	**45.7**

17.3. Income and expenses recognised in profit or loss

Items of pension cost

in € millions	31 Dec. 2018	30 Dec. 2017
Service cost	(4.4)	(4.6)
Curtailment/termination	1.9	1.0
Interest expense	(0.7)	(1.0)
Expected return on plan assets	0.3	0.3
Total costs recognised in profit or loss	**(2.9)**	**(4.3)**
Total costs recognised in other items of comprehensive income	**(2.0)**	**0.3**

Service cost is shown within "Personnel costs" in the income statement. Interest expense, corresponding to the cost of discounting the obligation, is included in "Financial expenses". Curtailments and terminations are mainly included in non-recurring operating profit.

17.4. Changes in provisions recorded in the statement of financial position

Change in the 2018 provision

in € millions	31 Dec. 2017	Changes in scope of consolidation	In the income statement	Benefits paid directly	Actuarial gains and losses(1)	31 Dec. 2018(2)
France	39.0	0.1	1.3	(1.0)	(1.7)	37.8
Other countries	6.3	0.6	1.6	(1.5)	(0.3)	6.8
Provisions for pensions	**45.3**	**0.7**	**2.9**	**(2.5)**	**(2.0)**	**44.6**
Long-service awards (France)	0.4	-	0.1	-	-	0.5
Total	**45.7**	**0.7**	**3.0**	**(2.5)**	**(2.0)**	**45.1**

(1) Cumulative revaluation gains and losses carried in other comprehensive income represented a net negative amount of €5 million in 2018 and €6.8 million in 2017, *i.e.*, a change of €1.9 million between the two periods, resulting primarily from the change in actuarial assumptions.
(2) The total amount comprises the impact of long-service awards.

Changes in the 2017 provision

in € millions	31 Dec. 2016	Changes in scope of consolidation	In the income statement	Benefits paid directly	Actuarial gains and losses	Reclass-ification	31 Dec. 2017
France	36.6	0.2	2.9	(0.5)	(0.2)		39.0
Other countries	6.6	-	1.4	(1.6)	(0.1)		6.3
Provisions for pensions	**43.2**	**0.2**	**4.3**	**(2.1)**	**(0.3)**	**-**	**45.3**
Long-service awards (France)	-	-	0.2	-		0.2	0.4
Total	**43.2**	**0.2**	**4.3**	**(2.1)**	**(0.3)**	**0.2**	**45.7**

17.5. Changes in plan assets

Change in 2018 plan assets

in € millions	31 Dec. 2017	Changes in scope of consolidation	Expected return	Benefits paid by employer	Benefits paid by fund	Curtailment/ termination	Actuarial gains and losses	31 Dec. 2018
France	4.7	-	0.1	-	(1.0)	-	-	3.8
Other countries[1]	14.9	-	0.2	0.6	(1.5)	0.2	0.3	14.7
Total	**19.6**	**-**	**0.3**	**0.6**	**(2.5)**	**0.2**	**0.3**	**18.5**

(1) Including at €14.0 million relating to Belgian entities at 31 December 2018 *versus* €14.2 million in 2017.

Changes in 2017 plan assets

in € millions	31 December 2016	Changes in scope of consolidation	Expected return	Benefits paid by employer	Benefits paid by fund	Curtailment/ termination	Actuarial gains and losses	31 December 2017
France	4.8	-	0.1	-	(0.2)	-	-	4.7
Other countries	15.2	-	0.2	1.4	(2.1)	-	0.2	14.9
Total	**20.0**		**0.3**	**1.4**	**(2.3)**	**-**	**0.2**	**19.6**

17.6. Estimated payments under defined benefit plans (no discounting) over a ten-year period

Timing of payments to be made to employees under the main defined benefit plans, either by the plan (plan assets) or directly by Econocom if there are no plan assets:

in € millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-10 years	Total
Estimated payments	1.7	1.5	1.3	7.2	22.8	34.5

18. Notes to the consolidated statement of cash flows

Definition of cash flows

Cash flows are presented in the statement of cash flows, which analyses changes in cash flows from all activities, including continuing and discontinued operations as well as activities held for sale.

Cash as presented in the statement of cash flows includes cash and cash equivalents, presented net of bank overdrafts. Year-on-year changes in cash and cash equivalents can be broken down as follows in 2017 and 2018:

in € millions	2018	2017
Net cash and cash equivalents at 1 January	232.9	348.5
Change in net cash and cash equivalents	372.0	(115.6)
Net cash and cash equivalents at 31 December	604.8	232.9

18.1. Comments on the consolidated statement of cash flows

Net cash used in operating activities totalled €125.2 million in 2018 compared to net cash generated from operating activities of €55.2 million in 2017, reflecting:

- cash flow from operating activities totalling €103.6 million in 2017 *versus* €130.6 million in 2017;
- the financing of innovative digital or non-IT contracts in the Technology Management & Financing business (through the funding entity in Ireland and more generally through self-funded contracts) for €39.0 million in 2018 (€55.9 million in 2017);
- other drops in working capital requirement (down €88.6 million in 2018 compared with an increase of €88.5 million in 2017) this decline reflects the increased focus in 2018 on reducing the cash requirements of each entity;
- income tax paid before tax credits of €28.1 million.

18.1.1. NON-CASH EXPENSES (INCOME)

in € millions	Notes	31 December 2018	1 January 2018*
Elimination of share of profit (loss) of associates and joint ventures		**-**	**-**
Depreciation/amortisation of property, plant and equipment and intangible assets	10.1/10.2	35.7	26.3
Net additions to (reversals from) provisions for contingencies and expenses		1.8	(1.0)
Change in provisions for pensions and other post-employment benefit obligations		0.6	2.6
Impairment of long-term financial assets		-	-
Impairment of trade receivables, inventories and other current assets		4.6	4.3
Total provisions, depreciation, amortisation and impairment		**42.6**	**32.2**
Impact of the adjustment of the fair value of the ORNANE embedded derivative component	**6**	**-**	**(4.1)**
Change in residual interest in leased assets[(1)]		**(17.9)**	**(31.8)**
Cost of discounting residual interest in leased assets and gross liability for purchases of leased assets		(1.0)	(1.2)
Losses (gains) on disposals of property, plant and equipment and intangible assets		0.8	1.4
Gains and losses on fair value remeasurement	2.4	(0.2)	(1.3)
Expenses calculated for share-based payments		1.1	1.3
Impact of sold operations and changes in consolidation methods and other non-cash expenses (income)		(0.3)	0.6
Other non-cash expenses (income)		**0.3**	**0.8**
Non-cash expenses (income)		**25.0**	**(2.9)**

(1) Changes in the Group's residual interest in leased assets compare the undiscounted value of the residual interest from year to year, adjusted for currency impacts. The impact for the period of discounting is eliminated in the "Other non-cash expenses (income)" item.

* After the change in accounting method resulting from the application of IFRS 9 and IFRS 15 (see Section 1.1.1).

18.1.2. COST OF NET DEBT

The reconciliation of financial expense booked in the income statement with financial expense relating to the cost of debt as presented in the statement of cash flows can be presented as follows:

in € millions	2018 consolidated income statement	Discounting and change in fair value	Currency impact and other	Cost of net debt in 2018
Financial income – operating activities	1.4	(1.0)	1.7	2.1
Other financial income and expenses	(16.0)	0.7	0.3	(15.0)
Total	**(14.6)**	**(0.3)**	**2.0**	**(12.9)**

18.1.3. CHANGE IN WORKING CAPITAL

Changes in working capital can be analysed as follows:

in € millions	Notes	1 January 2018*	Change in working capital in 2018	Total other changes(1)	31 December 2018
Other long-term receivables, gross	10.4	12.5	(4.0)	6.7	15.2
Inventories, gross	12.1	67.7	3.4	0.9	72.0
Trade receivables, gross	12.2	1,082.8	138.6	19.5	1,240.9
Other receivables, gross	12.2	94.9	(6.8)	3.1	91.2
Residual interest in leased assets(2)	11.1	141.4	-	22.4	163.8
Current tax assets		9.2	-	0.9	10.2
Other current assets	12.2	77.0	(11.9)	1.1	66.2
Trade receivables and other operating assets		**1,485.6**	**119.3**	**54.7**	**1,659.5**
Other non-current liabilities	12.5	(99.1)	6.3	23.0	(69.9)
Trade payables	12.3	(735.0)	(100.6)	(18.3)	(854.0)
Other payables	12.3	(225.0)	(15.2)	(10.1)	(250.3)
Current tax liabilities		(17.1)	-	2.2	(14.9)
Other current liabilities	12.4	(176.6)	(52.8)	(45.9)	(275.2)
Gross liability for purchases of leased assets(3)	11.2	(77.5)	(17.4)	(3.2)	(98.1)

in € millions	Notes	1 January 2018*	Change in working capital in 2018	Total other changes[(1)]	31 December 2018
Trade and other operating payables		**(1,330.4)**	**(179.7)**	**(52.4)**	**(1,562.4)**
Other change in working capital[(4)]		0.8	10.8		11,6
Total change in working capital, of which:		**-**	**(49.6)**	**-**	**-**
Investments in self-funded TMF contracts		**-**	**39.0**	**-**	**-**
Other changes		**-**	**(88.6)**	**-**	

(1) Mainly corresponding to changes in the scope of consolidation and in fair value, and translation adjustments.
(2) Changes in the residual interest in leased assets are shown in cash flows from operating activities.
(3) Corresponding to changes in residual financial values of leased assets excluding the currency effect and discounting in the period.
(4) Change in deferred tax assets relates to the additional tax depreciation in Italy which is considered a working capital requirement item, where tax revenue is considered as recurring operating profit as described in Section 1.2.2.
* After the change in accounting method resulting from the application of IFRS 9 and IFRS 15 (see Section 1.1.1).

18.2. Breakdown of net cash from (used in) in investing activities

Net cash used in investing activities totalled (€55.1) million, primarily reflecting:

- cash outflows of €51.1 million resulting from investments in property, plant and equipment and intangible assets relating to the Group's IT infrastructure and applications (see Note 10);
- cash inflows of €12.2 million resulting from disposals of property, plant and equipment and intangible assets;
- cash outflows of €13.1 million relating to acquisitions made during the year (see Note 2) along with payments of contingent consideration and deferred liabilities. Net cash flows relating to acquisitions can be analysed as follows:

in € millions	Notes	
Acquisition price paid (2018 acquisitions)	2.2	(23.3)
Acquisition price paid (acquisitions of additional shares and equity accounting)		(2.8)
Net cash acquired	14.3	13.5
Settlement of liabilities relating to prior-period acquisitions	2.4	(0.6)
Net cash outflows relating to acquisitions		**(13.1)**

18.3. Breakdown of net cash from (used in) in financing activities

Net cash from financing activities amounted to €301.0 million, mainly reflecting:

- the issuance of OCEANE bonds in an amount of €200 million (before allocation of issue costs);
- cash outflows of €15.6 million relating to net treasury share buybacks;
- cash outflows of €28.4 million relating to payments made to shareholders during the year (refund of issue premiums);
- €11.6 million corresponding to the decrease in refinancing liabilities on lease contracts and liabilities on self-funded contracts;
- net cash inflows of over €152.9 million following the issue of commercial paper;
- interest payments totalling €14.5 million in the year (including coupon payments on Schuldschein and Euro PP bonds).

19. Risk management

19.1. Capital adequacy framework

The gearing or net debt/equity ratio came out at 51.4% at 31 December 2018, compared to 58.2% at 31 December 2017.

It is calculated by taking aggregate debt as presented in Note 14, less cash and total equity as shown on the statement of financial position at the reporting date.

The Group seeks a level of gearing that maximises value for shareholders while maintaining the financial flexibility that is required to implement its strategic projects.

19.2. Risk management policy

The Group's activities are subject to certain financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group's overall financial risk management policy focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis in the Services and Products & Solutions businesses. Financial market risks (interest rate and currency risk) and liquidity risks are handled by Group Management.

19.2.1. MARKET RISK

At the end of the year, Group Management fixes all of the rates to be applied in the following year's budgeting process.

The Group manages its exposure to interest rate and currency risks by using hedging instruments such as swaps and foreign exchange forward contracts. These derivative financial instruments are used purely for hedging and never for speculative purposes.

19.2.1.1. CURRENCY RISK

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as North and South America, the Group may be exposed to currency risk on other currencies. The table below summarises the sensitivity of certain consolidated income statement lines to an increase or decrease of 10% in exchange rates against the euro, linked to the translation of the subsidiaries' foreign currency accounts.

Income statement sensitivity

in € millions	Contribution to the consolidated financial statements							Sensitivity to a change of:	
	EUR	GBP	USD	MXN	PLN	Other	Total	+10%	(10%)
Revenue from continuing operations	2,611.9	63.8	82.1	23.2	27.4	37.5	2,845.9	(21.3)	26.0
Recurring operating profit	93.8	2.7	9.3	1.4	2.2	1.0	110.4	(1.5)	1.9
Profit for the year	**34.7**	**2.3**	**6.1**	**1.2**	**1.7**	**(1.4)**	**44.6**	**(0.9)**	**1.1**

Since the subsidiaries' purchases and sales are mainly denominated in the same currency, this exposure is limited. Econocom Group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge risks on internal flows.

The Group also manages finance lease agreements denominated in US dollars in its Technology Management & Financing business. Currency risk is hedged naturally due to the specific way in which these agreements work. Regardless of movements in the dollar, the impact on profit or loss is not material.

19.2.2. INTEREST RATE RISK

Econocom's operating income and cash flows are substantially independent of changes in interest rates. Sales of leases to refinancing institutions are systematically based on fixed rates. Income arising on these contracts is therefore set at the outset and only varies if the contract is amended.

The table below presents a breakdown of fixed-rate and floating-rate debt:

in € millions	At 31 December 2018		At 31 December 2017	
	Outstanding	% total debt	Outstanding	% total debt
Fixed rate(1)	534.8	62%	360.6	71%
Floating rate(2)	321.7	38%	150.9	29%
Gross debt(2) (see Note 14.2)	**856.5**	**100%**	**511.5**	**100%**

(1) Of which the OCEANE convertible bond (issued in March 2018) and all "Schuldschein" notes: one tranche of the notes (€115 million) bears interest at floating rates; however, an interest rate swap was set up at the outset to convert this floating rate to a fixed rate.
(2) Excluding current bank overdrafts.

At 31 December 2018, some of the Group's debt is at floating rates and comprises short-term borrowings (credit lines and commercial paper), and short-term factoring agreements.

The sensitivity analysis shows that a 1% (100-basis point) change in short-term interest rates would result in a €2.6 million increase/decrease in profit before tax.

19.2.3. PRICE RISK

The Group is exposed to the risk of fluctuations in the future value of leased equipment within the scope of its Technology Management & Financing business. It deals with this risk by calculating the future value of equipment using the diminishing balance method, thereby guarding against the risk of obsolescence. This method is described in Note 11.1.

The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and prudent nature of the selected method.

19.2.4. LIQUIDITY RISK

The Financing Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating cash flow forecasts on a monthly basis for the Group's 15 main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the Group's cash pooling system in order to offset cash surpluses and internal cash requirements.

The credit lines and commercial paper in place at 31 December 2018 are shown below:

2018 in € millions	Total amount available	Total amount drawn down
Unconfirmed credit lines[1]	81.5	10.0
Credit lines maturing in less than two years	30.0	16.2
Credit lines maturing in more than two years	130.0	-
Sub-total: credit lines	**241.5**	**26.2**
Commercial paper	450.0	254.9
Sub-total: commercial paper	**450.0**	**254.9**
Total credit lines and commercial paper	**691.5**	**281.1**

(1) Repayment schedule not defined.

The credit lines ensure that the Group has the liquidity needed to fund its assets, short-term cash requirements and development at the lowest possible cost.

In October 2015, Econocom set up a commercial paper programme on the French market. At 31 December 2018, the amount outstanding under this programme (capped at €450 million) was €254.9 million.

The characteristics of bond debt are set out in Note 14.2.

Based on its current financial forecasts, Econocom Management believes it has sufficient resources to ensure the continuity of its activities.

Maturity analysis for financial liabilities (excluding derivative instruments) and other liabilities (including liabilities under put and call options on non-controlling interests)

The following maturity analysis for financial liabilities (principal and interest) shows remaining contractual maturities on an undiscounted basis:

2018 in € millions	Total commitment	Less than 1 year	1 to 5 years	Beyond 5 years
Finance lease liabilities	6.1	2.2	3.8	-
Gross liability for purchases of leased assets	105.1	26.9	78.2	-
Liabilities relating to contracts refinanced with recourse	105.9	40.8	65.0	-
Bank debt, commercial paper and other	287.2	283.0	4.2	-
Convertible bonds (OCEANE)	228.3	5.5	222.8	-
Non-convertible bonds (Euro PP/Schuldshein)	267.4	5.1	262.3	-
Trade payables	854.0	854.0	-	-
Other payables (excluding derivative instruments)	249.6	249.6	-	-
Other current (financial) liabilities	70.0	70.0	-	-
Non-current non interest-bearing liabilities	64.5	2.1	62.4	-
Total	**2,238.1**	**1,539.2**	**698.9**	**-**

2017 in € millions	Total commitment	Less than 1 year	1 to 5 years	Beyond 5 years
Finance lease liabilities	4.7	1.2	3.1	0.4
Gross liability for purchases of leased assets	88.8	20.5	68.3	-
Liabilities relating to contracts refinanced with recourse	124.1	53.1	71.0	-
Bank debt, commercial paper and other	130.8	111.8	19.0	-
Non-convertible bonds (Euro PP)	272.5	5.1	254.1	13.3
Trade payables	735.1	735.1	-	-
Other payables (excluding derivative instruments)	226.0	226.0	-	-
Other current (financial) liabilities	19.4	19.4	-	-
Non-current non interest-bearing liabilities	99.1	10.0	89.1	-
Total	**1,700.5**	**1,182.2**	**504.6**	**13.7**

19.2.5. CREDIT AND COUNTERPARTY RISK

The Group has no significant exposure to credit risk. It has policies in place to ensure that sales of goods and services are made to clients with an appropriate credit history. The Group's exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Distribution and Services businesses, as well as non-recourse refinancing with bank subsidiaries and credit insurance in the Technology Management & Financing business. For its Technology Management & Financing business, the Group nevertheless has the option of retaining the credit risk on certain strategic transactions; lease contracts on which Econocom bears the counterparty risk represent less than 10% of outstanding rentals in the TMF business. The Group decided to concentrate its strategic transactions bearing credit risk within its subsidiary Econocom Digital Finance Limited to ensure a consistent risk management approach.

The Group only invests with investment-grade counterparties, thus limiting its credit risk exposure.

Maximum credit risk exposure

As the Group has no credit derivatives or continuing significant involvement in the transferred assets, its maximum exposure in this respect is equal to the amount of its financial assets (see Note 13.1).

Aged balance of receivables past due but not impaired

2018 in € millions	Carrying amount	Recei -vables not past due	Breakdown by maturity			
			Total	Less than 60 days	Between 60 and 90 days	Over 90 days
Trade receivables – refinancing institutions, gross	103.2	64.3	38.9	36.6	1.5	0.8
Other receivables, gross	1,137.7	938.4	199.4	86.0	17.1	96.3
Impairment of doubtful receivables	(57.9)	(14.6)	(43.5)	(0.2)	(0.1)	(43.1)
Trade and other receivables, net	**1,183.0**	**988.1**	**194.8**	**122.4**	**18.5**	**53.9**

19.2.6. EQUITY RISK

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom Group at 31 December 2018 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.

20. Off-balance sheet commitments

20.1. Commitments received as a result of acquisitions

Warranties granted by vendors in connection with acquisitions carried out in 2018 were non-significant.

20.2. Commitments given in respect of disposals

At 31 December 2018, no such commitments were outstanding.

20.3. Bank covenant

Only one covenant exists for the Euro PP private placement and the Schuldschein notes (private placement under German law). A breach would not result in early redemption; rather, it would force the Group to pay a higher interest rate until the ratio is brought back within the relevant bounds. The ratio in question is net debt to proforma EBITDA. It is calculated as of 31 December of each year, and may not exceed 3x over two consecutive years. At 31 December 2018, this covenant was respected.

20.4. Guarantee commitments

in € millions	Total guarantees given – 2018
Guarantees given by Econocom to banks for securing credit lines and borrowings[1]	300.7
Guarantees given by Econocom to refinancing institutions to cover certain operational risks, residual financial values, and invoice and payment agency granted to Econocom[2]	254.6
Guarantees given to clients for the Group's sales activities and guarantees given to suppliers	91.5
Total guarantees given	**646.8**

(1) Including €73.6 million recognised in financial liabilities. The guarantees relating to financing lines not yet drawn at 31 December 2018 totalled €227.2 million and €209.4 million at 31 December 2017.
(2) Including €230.5 million refinanced at 31 December 2017, including €97.2 million in the statement of financial position relating to liabilities under finance leases with recourse. The amount of guarantees given to refinancers and not refinanced at 31 December 2018 was €24.2 million compared with €78.1 million at 31 December 2017.

Off-balance sheet commitments can be analysed as follows by maturity and type of commitment:

in € millions	Due in less than 1 year	1-5 years	Beyond 5 years	At 31 Dec. 2018	At 31 Dec. 2017
Commitments given	**97.4**	**322.8**	**226.6**	**646.8**	**582.6**
Commitments given to banks	30.3	270.4	-	300.7	291.5
Commitments given to refinancers	2.5	26.5	225.7	254.7	251.2
Commitments given to customers and suppliers	64.5	25.0	0.8	90.3	38.8
Other guarantees	0.1	0.9	0.1	1.1	1.1
Commitments received	**1.1**	**1.0**	**-**	**2.1**	**6.3**
Guarantees and pledges	1.1	1.0	-	2.1	6.3

20.5. Operating leases and future minimum lease payment obligations

Operating lease expense for the year

in € millions	2018	2017
Operating lease – real estate	(23.8)	(19.9)
Operating lease – vehicles	(9.8)	(8.9)
Total	**(33.6)**	**(28.8)**

Operating lease expenses for the year totalled 33.6 million (including rental charges of €23.8 million) and of which €9.8 million for the leases of vehicules and other equipment.

Operating lease liabilities (excluding rental charges) break down as follows by maturity:

Future minimum lease payments

in € millions	Due in less than 1 year	1-5 years	Beyond 5 years	At 31 Dec. 2018	At 31 Dec. 2017
Operating lease liabilities real estate	18.7	45.0	7.7	71.3	67.1
Operating lease liabilities vehicles	6.4	11.0	-	17.4	21.3
Future minimum lease payments	**25.1**	**55.9**	**7.7**	**88.7**	**88.4**

21. Information on the transfer of financial assets

21.1. Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of owning the asset.

The Group only derecognises all or part of a financial liability when it is extinguished, *i.e.*, when the obligation specified in the contract is discharged, cancelled or expires.

Transfer of cash flows only

When the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognises it and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

Retaining substantially all the risks and rewards of ownership of a divested financial asset

If the Group has retained substantially all the risks and rewards of ownership of a divested financial asset, it continues to recognise the divested asset in its entirety in addition to recognising the consideration received as a secured borrowing.

Retaining control of a financial asset

If the Group has retained control of a financial asset, it continues to recognise it on the statement of financial position to the extent of its continuing involvement in that asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the divested asset, it recognises the part it has retained in the asset and an associated liability for the amounts it is required to pay.

Full derecognition

When a financial asset is derecognised in full, a gain or loss on disposal is recorded in the income statement for the difference between the carrying amount of the asset and the consideration received or receivable, adjusted where necessary for any gains or losses recognised in other comprehensive income and accumulated in equity.

Partial derecognition

When a financial asset is partially derecognised, the Group allocates the previous carrying amount of the financial asset between the part that continues to be recognised in connection with the Group's continuing involvement and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between (a) the carrying amount allocated to the part derecognised and (b) the sum of (i) the consideration received for the part derecognised and (ii) any cumulative gain or loss allocated to it that had been recognised in other comprehensive income, is recognised in profit or loss. A cumulative gain or loss carried in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

Factoring liabilities

Certain subsidiaries of Econocom Group use factoring to diversify financing sources and reduce credit risk. Factoring involves the transfer of title of trade receivables and all associated rights to the factor, including the right to receive the related cash inflows.

As required under IFRS 9 – Financial Instruments: Recognition and Measurement, these receivables are derecognised when substantially all the risks and rewards of ownership are transferred to the factor. Where this is not the case they are maintained in the statement of financial position after the transfer and a financial liability is recorded as an offsetting entry for the cash received.

21.2. Information on the transfer of assets – Assets not derecognised in full

Assignment of trade receivables

For the purpose of optimising its cash management for its Products & Solutions and Services businesses, the Group assigns a portion of its trade receivables throughout the year to factoring companies. At 31 December 2018, the Company had an amount of €285.5 million with factoring companies, resulting in non-recourse financing of €253 million. The unfinanced amount of €23.9 million is recognised in long-term financial assets and other receivables, and corresponds to unassignable receivables (security guarantees).

in € millions	2018	2017
Receivables assigned to factoring companies	285.5	259.2
Payables	8.6	12.2
Non-factored receivables	23.9	40.2
Receivables sold with no recourse*	253.0	206.8

* Receivables sold do not include the portion of receivables financed with recourse, classified in liabilities.

The overall factoring cost amounted to €3.1 million in 2018 compared with €2.8 million in 2017.

Refinancing with recourse

In certain very limited cases, Econocom Group retains its exposure to the credit risk on its factored receivables. In this case, the Group transfers title to the equipment under the lease to the refinancing institution for the duration of the lease, as collateral for the transaction.

However, for the purposes of simplification, the Group recognised a financial liability equal to the total amount factored with recourse and recorded a gross asset (representing its “continuing involvement” as defined by IFRS 9) in trade receivables for an amount of €97,2 million at 31 December 2018 (€108.8 million at 31 December 2017).

21.3. Information on transfers of assets associated with refinancing – Derecognised assets

21.3.1. NATURE OF CONTINUING INVOLVEMENT

Residual financial value

Outstanding amounts under the Group's lease agreements with customers are refinanced on a non-recourse basis except in very rare cases.

The Group's active risk management policy is aimed at limiting both credit risk and any other continuing involvement. Accordingly, the Group derecognises outstanding amounts under leases refinanced on a non-recourse basis.

However, the Group frequently sells, and commits to repurchase, the leased equipment at the same time as the outstandings under leases. These purchase obligations are classified within “gross liability for purchases of leased assets” and recognised in statement of financial position liabilities.

Other continuing involvement

The main legal forms of refinancing contracts for lease outstandings are described below:

- outstandings assigned in full: Econocom considers that it has no other involvement within the meaning of IFRS 7;
- outstandings assigned as sales of receivables: Econocom has continuing involvement since it retains a portion of the risk associated with the contractual relationship and ownership of the assets;
- outstandings assigned under finance leases: Econocom has continuing involvement since it retains a portion of the risk associated with the contractual relationship.

Risk from continuing involvement depends above all on Econocom's relationship with its customers, and as such is considered, managed and, where appropriate, covered by provisions as an operational risk and not a financial risk.

21.3.2. RECOGNITION IN PROFIT OR LOSS

For Econocom Group, the cost of transferring outstandings is an operating expense included in the economic analysis of each transaction, and is included in recurring operating profit accordingly. In contrast, costs relating to the factoring of trade receivables are of a financial nature and are classified within net financial expense. Gains and costs relating to unwinding the discount on the residual interest in leased assets and to gross liability for purchases of leased assets are considered as operating costs and are included in “Financial income – operating activities”.

21.3.3. BREAKDOWN OF TRANSFERS FOR THE YEAR

Refinancing is part of the operating sales cycle and its seasonal nature is thus linked to that of its business and not to the presentation of the statement of financial position.

A significant part of this business takes place in December, which is traditionally an important month for companies where ICT investments and digital investments more generally are concerned.

22. Related-party information

This note presents material transactions between the Group and its related parties.

22.1. Management compensation

The Group's key management personnel are the Chairman, the Vice Chairman, the Chief Executive Officers and the members of the Executive Committee.

The conditions related to the compensation of the Chairman, the Vice-Chairman and the chief executive officers are determined by the Board of Directors on the recommendation of the Compensation Committee. The Board has given its Chairman a mandate to determine the compensation of the other senior managers of the Group upon the recommendations of the Compensation Committee.

in € millions	2018	2017
Short-term benefits (including payroll costs)	(4.6)	(1.5)
Retirement benefits and other post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	(0.2)	(0.2)
Share-based payments	(1.1)	(0.9)
Attendance fees[1]		
Total	**(5.9)**	**(2.6)**

[1] The table only shows compensation paid to key management personnel and excludes attendance fees paid to non-executive Directors.

The table above shows the amounts expensed for the members of the Executive Committee and the Chief Executive Officers. Compensation is shown for a 12-month period. This table does not show fees billed to Econocom Group entities by management, which are disclosed in Note 22.2 below.

The number of members of the Executive Committee changed in 2018: there were four new members, while two members left.

The compensation policy for Directors and members of the Executive Committee is set out in further detail in the Management Report in section 5.7.1.

22.2. Related-party transactions

Transactions between the parent company and its subsidiaries, which are related parties, were eliminated on consolidation and are not presented in this note.

The related-party transactions outlined below primarily concern the main transactions carried out with the Chairman of the Board of Directors, its Vice-Chairman, the Chief Executive Officers and the Executive Directors, or with companies controlled by the Group or over which it exercises significant influence. These transactions exclude the components of compensation presented above.

Transactions between related parties are carried out on an arm's length basis.

in € millions	Income		Expenses		Receivables		Payables	
	2018	2017	2018	2017	2018	2017	2018	2017
Econocom International BV (EIBV)	0.6	2.1	(2.7)	(3.2)	-	0.2	0.1	-
SCI Dion-Bouton	-	-	(2.4)	(2.4)	2.1	2.1	-	-
SCI Maillot Pergolèse	-	-	(1.0)	(0.9)	0.2	0.2	-	-
SCI JMB	-	-	(1.1)	(1.1)	0.3	0.2	-	-
APL	-	-	-	(0.1)	-	-	-	-
GMPC	-	-	(0.8)	(0.4)	-	-	-	-
Bay Consulting SPRL	-	-	(0.4)	(0.7)	-	-	-	0.4
Orionisa consulting	-	-	(1.3)	(0.4)	-	-	-	-
Total	**0.6**	**2.1**	**(9.7)**	**(9.2)**	**2.6**	**2.7**	**0.1**	**0.4**

Relations with companies controlled by Jean-Louis Bouchard

SCI Dion-Bouton – of which Jean-Louis Bouchard is Managing Partner – owns the building in Puteaux and received €2.4 million in rent in both 2018 and 2017. In 2018, the Econocom Group booked receivables in the amount of €2.6 million, of which €2.1 million in deposits paid by Econocom France SAS to SCI Dion-Bouton.

Econocom International BV (EIBV) – of which Jean-Louis Bouchard is a Partner – is a non-listed company that directly holds 36.21% of the capital of Econocom Group SE at 31 December 2018. Econocom International BV billed fees of €2.7 million to Econocom Group SE and its subsidiaries for managing and coordinating the Group. These fees amounted to €3.2 million in 2017. It was also rebilled an amount of €0.6 million by Econocom Group entities. Debt totalling €0.1 million corresponds to trade receivables due by the Spanish entities to SCI EIBV.

Transactions with SCI Maillot Pergolèse, which owns the premises in Clichy and of which Jean-Louis Bouchard is Partner and Robert Bouchard Manager, consist of rent for 2018 amounting to €1.0 million. Receivables in the amount of €0.2 million correspond to guarantees issued by Econocom SAS.

SCI JMB, which owns the premises in Villeurbanne and of which Jean-Louis Bouchard is Managing Partner, billed the Group for 12 months' rent, for a total amount of €1.1 million in both 2018 and 2017. Econocom SAS paid €0.3 million in guarantees to SCI JMB.

Relations with companies controlled by Robert Bouchard

Gestion Management de la Petite Ceinture (GMPC) invoiced the Group Digital Dimension €0.8 million for consulting services (€0.4 million in 2017).

Other relations with related parties

BAY Consulting SPRL – of which Martine Bayens is Managing Partner – billed the Group consulting fees totalling €0.4 million in 2018.

The Group also recognised liabilities for commitments to one of the Chief Executive Officers to purchase non-controlling interests in Alter Way for €0.4 million.

Econocom Group committed to invest €3 million in investment fund Educapital I FCPI, which is managed by a management company (Educapital SAS), of which Marie-Christine Levet, an independent director on the Econocom Group Board of Directors, is chair and shareholder.

Orionisa Consulting, which is controlled by Jean-Philippe Roesh, invoiced consulting services to the amount of €1,3 million.

23. Subsequent events

No significant events were recorded after the year-end.

24. Assessments made by Management and sources of uncertainty

The main areas in which judgement was exercised by Management were as follows:

- impairment of goodwill (Note 9.3): each year, the Group reviews the value of the goodwill in its consolidated financial statements. These impairment tests are particularly sensitive to medium-term financial projections and to the discount rates used to estimate the value in use of CGUs;
- assessment of provisions for pensions (see Note 17): an actuary calculates the provision for retirement benefits using the projected unit credit method. This calculation is particularly sensitive to assumptions regarding the discount rate, salary increase rate and employee turnover rate;
- valuation of the stock options granted since November 2002: the actuarial formulae used are sensitive to assumptions concerning employee turnover, changes in and volatility of the share price of Econocom Group SE, as well as the probability of Management achieving its objectives (see Note 15.3.1);
- valuation of the Group's residual interest in leased assets: this valuation is performed using the method described in Note 11.1 and verified each year using statistical methods;
- assessments of the probability of recovering the tax loss carryforwards and tax credits of the Group's subsidiaries (see Note 7 on tax loss carryforwards);
- provisions (note 16): provisions are recognised to cover probable outflows of resources to a third party with no equivalent consideration for the Group. They include provisions for litigation of any nature which are estimated on the basis of the most probable, conservative settlement assumptions. To determine these assumptions, Group Management relies, where necessary, on assessments made by external consultants;
- like most digital service companies, Econocom benefits from a research tax credit (Crédit d'Impôt Recherche) and competitiveness and employment tax credit (Crédit d'impôt pour la compétitivité et l'emploi) in France. The findings of the completed tax audits confirmed the positions adopted by the Group in its financial statements.

Lastly, the accounting methods used in the event of acquisitions are described in the note on business combinations.

07

statutory auditor's report on the consolidated financial statements

Statutory Auditor's report to the general shareholders' meeting of Econocom Group SE on the consolidated accounts

For the year ended 31 december 2018

pwc

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Econocom Group SE (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting *d.d.* 17 May 2016, following the proposal formulated by the Board of Directors and following the recommendation by the Audit Committee and the proposal formulated by theWorks' Council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended

31 December 2018. We started the statutory audit of the Consolidated Financial Statements of Econocom Group SE before 1990.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement and earning per share, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended, as well as notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 3.009,2 million and the consolidated income statement shows a profit for the year attributable to owners of the parent of EUR 39,4 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the Board of Directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Annual goodwill impairment test

Description of the Key Audit Matter

The assets side of the consolidated financial statements of Econocom Group as at 31 December 2018 show an amount of EUR 631,1 million for goodwill to be tested annually for impairment as required by International Financial Reporting Standards (see note 9 of the consolidated accounts).

We considered these impairment tests as a key audit matter because goodwill accounts for 21% of total assets as at 31 December 2018 and because its recoverable amount as determined by the Board of Directors is based on assumptions related to, among other elements, the business plan (sales, profit margin, working capital needs), the cash flow growth ratio beyond the forecast period, and the cash flow discount rate.

How our Audit addressed the Key Audit Matter

We received the goodwill impairment tests from Econocom Group and we challenged the reasonableness of the method and key assumptions used.

In the performance of the above procedures, we relied on our in-house experts of the Valuation practice group. We compared the assumptions with market assumptions and with economic forecasts (among other things). We also reviewed Econocom Group's strategic plan development procedure as approved by the Company's Board of Directors. In addition, we received and reviewed the sensitivity analyses to determine the impact of possible changes in key assumptions, and we performed our own independent sensitivity analysis to quantify the negative impact on management's models that would result in depreciation.

We particularly focused on the CGU Services, representing the major part of goodwill (EUR 479,2 million). We also analysed the reasonableness of the discounted future cash flow forecasts by comparing them with the Group's market capitalisation.

Residual interest in leased assets

Description of the Key Audit Matter	The residual interest in leased assets as at 31 December 2018 (see note 11 of the consolidated accounts) amount to EUR 163,8 million, i.e. EUR 41,4 million in current assets and EUR 122,4 million in non-current assets. Overall, residual interests as at 31 December 2018 account for 2.7% of the historic acquisition value of the portfolio of assets leased out by Econocom Group. These residual interests agree with the start-of-lease forecast of the end-of-lease market value of the assets. The carrying amount of these assets depends on various calculation methods and on whether it concerns fixed-term contracts or renewable contracts (« TRO »). In either case, the carrying amount of the assets depends on assumptions based on historic statistics on the end-of-lease realisation value of the assets disposed of, but also on discount rate assumptions as regards the fixed-term contracts. The Group regularly updates these assumptions on the basis of its experience with resale or sublease markets for second-hand materials. We considered the residual interest in leased assets as a key audit matter because these estimates impact the timing of recognition of such contracts, on the one hand, and there is a risk of depreciation if the forecast figures would prove to exceed fair market values.
How our Audit addressed the Key Audit Matter	We obtained the key estimates of the residual interest in leased assets as well as of the year-over-year changes in hypotheses. We critically evaluated the procedure put in place by Econocom Group management for proper application to the above estimates and we checked, on a sample basis, the system for correct contract data input. Subsequently, using management's assumptions, we recalculated the value of the residual interest in leased assets for the entire population. Finally, we ascertained that the margins realised on the end-of-lease disposal of the assets were positive. We found these assumptions to be consistent and in line with our expectations.

Responsibilities of the Board of Directors for the preparation of the consolidated accounts

The Board of Directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the directors’ report on the consolidated accounts and the other information included in the annual report.

Statutory auditor’s responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors’ report on the consolidated accounts and the other information included in the annual report and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, namely sections 1 to 4 and 8 to 10, are materially misstated or contain information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information is included in a separate report which is part of section 3 of the annual report on the consolidated accounts. The report of non-financial information contains the information required by virtue of article 119, §2 of the Companies' Code, and agrees with the consolidated accounts for the same year. The Company has prepared the non-financial information, based on the principles of the United Nations Global Compact. However, in accordance with article 148, §1, 5° of the Companies' Code, we do *not* express an opinion as to whether the non-financial information has been prepared in accordance with the principles of the United Nations Global Compact as disclosed in the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

This report is consistent with the additional report to the Audit Committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 9 April 2019

The Statutory Auditor

PwC Reviseurs d'Entreprises scrl/ Bedrijfsrevisoren CVBA

Represented by

Alexis Van Bavel

Reviseur d'Entreprises / Bedrijfsrevisor

08

chairman's statement

CHAIRMAN'S STATEMENT

We hereby declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, financial position and profit or loss of the Company and the undertakings in the consolidation taken as a whole, and that the Management Report includes a fair review of the performance of the business and the profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the main risks and uncertainties.

14 March 2019
On behalf of the Board of Directors

Jean-Louis Bouchard
Chairman of the Board

09

condensed parent company financial statements*

ECONOCOM GROUP SE PARENT STATUTORY FINANCIAL STATEMENTS

In accordance with article 105 of the Belgian Companies Code, Econocom Group SE hereby states that the following financial statements are an abridged version of the full annual financial statements that can be obtained from the Company and which will be filed with the Banque Nationale de Belgique. This abridged version does not contain all of the notes to the parent company financial statements or the Statutory Auditor's report, which contained an unqualified audit opinion in relation to the annual financial statements.

* The parent company financial statements are prepared in accordance with Belgian GAAP.

1. Consolidated statement of financial position

At 31 December 2018

Assets

in € thousands	31 December 2018	31 December 2017
Start-up costs	**1,879**	**867**
Fixed assets	**935,435**	**697,594**
Intangible assets	**0**	**0**
Property, plant and equipment	**8**	**12**
Plant and equipment, fixtures and fittings	8	12
Furniture and vehicles	0	0
Long-term financial assets	**935,427**	**697,582**
Related parties	926,651	691,164
Equity interests	676,351	590,164
Receivables	250,300	101,000
Entities with which there are capital links	467	467
Equity interests	467	467
Receivables	0	0
Other long-term financial assets	8,309	5,951
Shares	7,224	4,547
Receivables and cash guarantees	1,086	1,404
Current assets	**167,276**	**78,964**
Non-current receivables	**0**	**0**
Inventories and work-in-progress	**0**	**0**
Inventories	0	0
Current receivables	**122,257**	**20,496**
Trade receivables	9,075	8,202
Other receivables	113,182	12,294
Cash investments	**40,678**	**57,724**
Treasury shares*	40,678	56,769
Other investments	0	955
Cash and cash equivalents	**3,780**	**545**
Accrual accounts	**561**	**199**
Total assets	**1,104,591**	**777,425**

* Of which €1,281 thousand attributable to impairment losses.

Equity and liabilities

in € thousands	31 December 2018	31 December 2017
Total equity	**394,818**	**408,681**
Share capital	**23,490**	**23,490**
Paid-in capital	23,490	23,490
Uncalled capital		-
Issue premiums	**223,514**	**236,246**
Revaluation gain	**2,520**	**2,520**
Reserves	**44,444**	**60,818**
Statutory reserve	2,349	2,349
Unavailable reserves	40,678	58,051
For treasury shares	40,678	58,051
Available reserves	418	418
Retained earnings (+)/(-)	**104,117**	**80,684**
Profit for the year	**(2,267)**	**4,923**
Provisions and deferred taxes	**4,612**	**7,128**
Provisions for contingencies and losses	**4,612**	**7,128**
Other contingencies and losses	4,612	7,128
Deferred taxes	**-**	**-**
Payables	**705,160**	**361,616**
Non-current liabilities	**436,765**	**251,000**
Financial liabilities	436,765	251,000
Unsubordinated bonds	436,765	251,000
Trade payables	0	0
Prepayments received on orders	-	-
Other non-current liabilities	-	-
Current liabilities	**268,395**	**110,616**
Current portion of non-current liabilities	2,662	1,697
Financial liabilities	254,900	102,000
Bank loans and borrowings	254,900	102,000
Other borrowings	0	0
Trade payables	5,944	4,786
Trade payables	5,944	4,786
Accrued taxes and personnel costs	1,532	1,386
Income tax expense	72	747
Compensation including payroll costs	1,460	639
Other non-current liabilities	3,357	747
Accrual accounts	**-**	**-**
Total equity and liabilities	**1,104,591**	**777,425**

2. Parent company income statement

At 31 December 2018

in € thousands	31 December 2018	31 December 2017
Sales and services	**30,521**	**25,543**
Revenue	24,753	21,884
Changes in inventories of finished goods and work in progress: increase (decrease) (+)/(-)	-	-
In-house production of fixed assets	-	-
Other operating income	4,687	3,659
Non-recurring operating income	1,080	-
Cost of sales and services	**25,438**	**22,750**
Materials and goods for resale		
Services and miscellaneous goods	25,104	21,596
Personnel costs (including payroll costs) and pensions	2,679	3,483
Amortisation/depreciation and impairment of start-up costs, property, plant and equipment and intangible assets	6	5
Additions to (reversals of) impairment of inventories, work-in-progress and trade receivables	0	0
Additions to (reversals of) provisions for contingencies and losses	(2,385)	(2,373)
Other operating expenses	33	11
Capitalized restructuring costs	-	28
Non-recurring operating expenses	-	-
Operating income	**5,084**	**2,793**
Financial income	**32,250**	**37,162**
Recurring financial income	31,038	18,157
Income from long-term financial assets	25,209	13,366
Income from current assets	1,254	941
Other financial income	4,575	3,850
Non-recurring financial income	1,212	19,005
Financial expenses	**39,344**	**35,048**
Recurring financial expenses	16,758	9,404
Cost of debt	10,493	6,742
Additions to (reversals of) impairment of current assets other than inventories, work-in-progress and trade receivables	2	1,317
Other financial expenses	6,263	1,345
Non-recurring financial expenses	22,586	25,644

in € thousands	31 December 2018	31 December 2017
Profit for the year before tax (+)/(-)	**(2,011)**	**4,907**
Withdrawal from deferred taxes	**-**	**-**
Transfer to deferred taxes	**-**	**-**
Income tax (+)/(-)	**257**	**(16)**
Income tax	385	103
Tax adjustments and reversals of tax-related provisions	(128)	(119)
Profit for the year	**(2,267)**	**4,923**
Deductions from tax-free reserves	**-**	**-**
Transfers to tax-free reserves	**-**	**-**
Profit for the year available for distribution (+)/(-)	**(2,267)**	**4,923**

in € thousands	31 December 2018	31 December 2017
Profit available for distribution (+)/(-)	**83,340**	**92,542**
Profit for the year available for distribution (+)/(-)	(2,267)	4,923
Retained earnings (+)/(-)	85,607	87,619
Deductions from equity	**23,868**	**-**
from equity and issue premiums from reserves	23,868	-
Appropriations to equity	**5,358**	**6,935**
to equity and issue premiums	0	192
to the statutory reserve	5,358	6,743
to other reserves		
Appropriation to retained earnings (+)/(-)	**101,850**	**85,607**
Share of associates in losses	**-**	**-**
Profit available for distribution		**-**
Dividends	-	-
Directors or managers	-	-
Employees	-	-
Other beneficiaries	-	-

3. Parent company statement of cash flows

At 31 December 2018

in € thousands	31 December 2018	31 December 2017
Profit for the year	(2,267)	4,923
Income tax expense	385	-
Depreciation, amortisation and impairment	22,592	11,468
Impact of changes in provisions for other contingencies and losses	(2,516)	(2,372)
Gains/losses on disposal of long-term financial assets	-	-
Dividends received from equity interests	(18,951)	(10,251)
Interest received on non-current financial receivables	(6,177)	(3,033)
Gains/losses on disposal of treasury shares	5,712	(16,710)
Cash flow from operating activities (a)	**(1,222)**	**(15,975)**
Change in current receivables	(101,763)	63,140
Change in other current assets	(362)	(59)
Change in trade payables	1,160	(797)
Change in accrued taxes and personnel costs (current portion)	146	(1,557)
Change in other current liabilities	2,456	444
Change in working capital requirements (b)	**(98,363)**	**61,171**
Income tax expense (c)	(385)	(16)
Net cash from (used in) operating activities (a+b+c)	**(99,970)**	**45,180**
Start-up costs	-	-
Acquisition of property, plant and equipment and intangible assets for internal use	(2)	(10)
Disposal of property, plant and equipment and intangible assets for internal use	-	28
Acquisition of equity interests	(86,483)	(64,941)
Disposal of equity interests	300	-
Acquisition of non-current financial receivables	(200,000)	-
Repayment of non-current financial receivables	50,700	-
Acquisition of other long-term financial assets	(2,708)	(2,228)
Disposal of other long-term financial assets	351	-
Dividends received from equity interests	18,951	10,251
Interest received on non-current financial receivables	6,177	3,033

in € thousands	31 December 2018	31 December 2017
Net cash from (used in) investing activities (d)	**(212,714)**	**(53,867)**
ORNANE convertible bonds – redemption	-	(38,621)
ORNANE convertible bonds – conversion	-	(208)
ORNANE convertible bonds – financial expense further to redemption	-	9,293
ORNANE convertible bonds – issue costs	-	709
ORNANE convertible bonds – financial expense	-	124
ORNANE convertible bonds – interest	-	(2,020)
Euro Private Placement – issue costs	106	106
Euro Private Placement – financial expense	2,632	2,632
Euro Private Placement – interest	(2,632)	(2,632)
Schuldschein loans – issue costs	126	126
Schuldschein loans – financial expense	2,788	2,751
Schuldschein loans – interest	(2,823)	(2,781)
OCEANE – issue	200,000	-
OCEANE – issue costs	(1,383)	
OCEANE – financial expense	3,587	-
Commercial paper	152,900	52,000
Change in current borrowings and debt	-	-
Change in non-current borrowings and debt	-	-
Acquisition of treasury shares	(27,714)	(32,832)
Disposal of treasury shares	15,507	41,956
Dividends paid during the year/refund of additional paid-in capital	(28,129)	(23,603)
Change in other liabilities	-	-
Net cash from (used in) financing operations (e)	**314,965**	**6,970**
Change in cash and cash equivalents (a+b+c+d+e)	**2,281**	**(1,717)**

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key consolidated figures

Key consolidated figures

	2013 Published in AR 2014	2014 restated	2015	2016 adjusted (published in AR 2017)****	2017	2018
Number of shares (at 31 December)						
Ordinary shares	213,034,628	225,038,574	225,038,574	225,038,574	245,140,430	245,140,430
AFV (preferred shares)	-	-	-			
Total	213,034,628	225,038,574	225,038,574	225,038,574	245,140,430	245,140,430
Free float	48.44%	57.67%	53.82%	54.20%	59.68%	57.86%
Average number of shares outstanding	191,880,800	219,876,782	217,017,790	215,443,595	232,763,830	232,763,830
Per share data *(in €)*						
Net dividend (on ordinary shares)*	0.05	0.08	0.09	0.1	0.12	0.12
Gross dividend (on ordinary shares)*	0.06	0.08	0.09	0.1	0.12	0.12
Pay-out (1)	0.15	0.26	0.17	0.67	0.34	
Recurring operating profit**	0.48	0.42	0.53	0.63	0.65	
Operating profit**	0.41	0.31	0.50	0.57	0.56	
Profit before tax**	0.36	0.26	0.42	0.32	0.52	
Profit for the period attributable to owners of the parent**	0.23	0.14	0.27	0.15	0.37	
Consolidated operating cash flows**	0.41	0.39	0.46	0.56	0.56	
Equity attributable to owners of the parent***	1.22	1.16	1.02	0.89	1.55	
Price/earnings(2)	18	23	16	45	16	17
Price/operating cash flow(3)	10	8	9	12	11	
Net yield(4)	1.08%	2.29%	2.05%	1.43%	2.01%	4.1%
Gross yield(4)	1.44%	2.29%	2.05%	1.43%	2.01%	4.1%

	2013 Published in AR 2014	2014 restated	2015	2016 adjusted (published in AR 2017)****	2017	2018
Stock market data *(in €)*						
Average share price	3.10	3.55	3.85	5.69	6.82	3.70
At 31 December	4.16	3.28	4,275	6.97	5.96	2.91
High	4.18	4.58	4.49	7.17	8.0	7.3
Low	2.49	2.42	3.01	3.69	5.75	2.28
Annual yield at 31 December(5)	41%	(19%)	33%	65%	(13%)	(49%)
Annual trading volume *(in units)*	42,978,376	58,190,840	49,761,106	54,198,704	101,853,451	213,263,403
Average daily trading volume	169,876	228,200	194,380	210,888	399,425	836,327
Annual trading volume *(in €m)*	281	201	383	308	695	789
Stock capitalisation (31 Dec.) *(in €m)*(6)	886	738	962	1,569	1,460	713
Listing market(7)	TC	TC	TC	TC	TC	TC
Number of employees at 31 December	8,195	8,587	9,134	10,008	10,760	10,813

* Refund of issue premium.
** Expressed as a ratio of the average number of shares outstanding.
*** Expressed as a ratio of the total number of shares.
**** In the 2017 table, the number of shares is shown after the share split approved by the Extraordinary General Meeting of 16 May 2017.
(1) Payout rate: gross return/profit for the year attributable to owners of the parent before amortisation or reduction of goodwill.
(2) Share price at 31 December/profit for the year.
(3) Share price at 31 December/cash flows from operating activities before cost of net debt and income tax.
(4) Net (gross) yield/share price at 31 December.
(5) Annual yield = change in share price at 31 December relative to 31 December of the previous year plus net return/share price at 31 December of the previous year.
(6) Market capitalisation = total number of shares at 31 December x share price at 31 December.
(7) Listing market = Brussels from 9 June 1988. The share has been listed on the *Marché à terme continu* (TC) since 16 March 2000.

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