2018
HALF-YEAR REPORT

econocom

CONTENTS

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby declare that to the best of my knowledge, the financial statements for the six months ended 30 June 2018 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the half-year management report appended hereto gives a fair description of the material events that occurred during the first six months of the financial year and their impact on the financial statements, and of the major related-party transactions, together with a description of the main risks and uncertainties for the remaining six months of the financial year.

5 September 2018

Jean-Louis Bouchard
Chairman of Econocom

01
MANAGEMENT REPORT

1. GROUP'S FINANCIAL POSITION AND HIGHLIGHTS

Econocom Group's growth momentum continued in the first half of 2018. Half-year revenue amounted to €1,319 million, an increase of 12.8%, with organic growth of 3.8%.

All activities contributed to the growth momentum and enjoyed organic growth. The Services and Products & Solutions (P&S) businesses recorded growth of 19.4% and 40.7% respectively, with organic growth of 4.8% and 6.7%. Similarly, Technology Management & Financing (TMF) posted growth of 1.8%, entirely organic, over the first half.

In Services, growth was attributable to the strong performance of the Satellites and the synergies developed within the Galaxy. At P&S, the Group benefited from the major contracts concluded with French public authorities, as well as from greater synergies with the TMF business. In this business, which closed 2017 on a particularly strong note (growth of 28% in the final quarter) but saw a decline of 6.3% in the first quarter of 2018, a rebound in the second quarter brought organic growth to 1.8% over the period.

Recurring operating profit[1] totalled €34.2 million for the first half of 2018, compared with €58.2 million in the first half of 2017. The recurring operating profit of the TMF business amounted to €14.1 million, impacted by the recognition of provisions totalling approximately €9 million, smaller volumes of large contributory contracts and the short-term dilutive impact on the margin of gains of new customers. The Services and P&S businesses posted recurring operating profits of €15 million and €5 million respectively, in line with their level in the first half of 2017.

In view of the shortfall in the first half, the Group adjusted its annual outlook on 5 July: it now expects to deliver a recurring operating profit of €120 million over 2018 as a whole.

The Group also recognised exceptional expenses in an amount of approximately €20 million over the period following its decision to accelerate its transformation, and that of the Services France business in particular.

Lastly, the first six months of 2018 were shaped by the following events:

- on 6 March 2018, the Group successfully placed €200 million in OCEANE convertible bonds, maturing in 2023. The Group accordingly enjoys significant and diversified sources of financing, including bonds (Euro PP, Schuldschein and OCEANE), as well as undrawn credit lines amounting to €230 million as of 30 June 2018, of which €140 million confirmed;
- on 22 March 2018, Robert Bouchard was appointed as Chief Executive Officer of the Group. He took over from Jean-Louis Bouchard, who continues to serve as Chairman of the Board of Directors.

[1] Before amortisation of intangible assets from acquisitions.

1.1. CHANGES IN THE SCOPE OF CONSOLIDATION

In the first half of 2018, the Group made two targeted acquisitions to round out its know-how in digital transformation and pursue its policy of moving up the value chain. Both transactions concerned the Services activity.

In the first quarter of 2018, the Group acquired a majority 60% stake in Spanish company Altabox, a specialist in digital marketing and the enhancement 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.

In April 2018, through its subsidiary Asystel Italia, 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.

1.2. OCEANE BONDS

On 28 February 2018, the Board of Directors of Econocom Group SE authorised the issuance of bonds convertible into new shares and/or exchangeable for existing shares (OCEANE) with a par value of €200 million, maturing in 2023.

On 6 March 2018, Econocom Group SE successfully placed these OCEANE bonds. This issue will enable Econocom to increase its financial resources in a favourable market and interest rate environment, especially in the context of its “e for excellence 2018-2022” strategic plan, which was announced on 3 October 2017.

1.3. TREASURY SHARE TRANSACTIONS

At the end of June, the Group held 8,152,562 of its own shares, including 224,460 through a liquidity contract, representing 3.3% of its share capital.

On 17 July 2018, the Board of Directors authorised its Chairman, Jean-Louis Bouchard, to buy back shares in an amount of up to €30 million, representing approximately 5% of the Group’s share capital. The buyback may be implemented over the coming ten months depending on market conditions.

2. HALF-YEAR RESULTS

2.1. KEY FIGURES (UNAUDITED, IN € MILLIONS)

Income statement	First-half 2018	First-half 2017 (adjusted)*	Change
Revenue	**1,318.8**	**1,168.8**	**12.8%**
Technology Management & Financing	614.5	603.9	1.8%
Services	506.4	424.3	19.4%
Products & Solutions	197.9	140.6	40.8%
Recurring operating profit before amortisation of intangible assets from acquisitions(1)	**34.2**	**58.2**	**-41.2%**
Recurring operating profit	32.1	56.1	-42.7%
Other non-recurring operating income and expenses*	(20.4)	(10.2)	99.5%
Operating profit	**11.8**	**45.9**	**-74.4%**
Change in fair value of the ORNANE embedded derivative component	-	4.1	N/A
Other financial income and expenses	(7.2)	(6.8)	-6.1%
Profit before tax	**4.6**	**43.2**	**-89.4**
Income tax expense	(4.1)	(11.3)	63.5%
Profit (loss) from discontinued operations	-	-	-
Share of profit (loss) of associates and joint ventures	-	-	-
Profit for the period	**0.4**	**31.9**	**-98.8%**
Non-controlling interests	4.1	(0.1)	N/A
Profit for the period attributable to owners of the parent	**(3.7)**	**31.9**	N/A
Recurring profit for the period attributable to owners of the parent(1)	**10.9**	**33.0**	**-67.0%**

(attributable to owners of the parent, in €)	First-half 2018	First-half 2017 (adjusted)*
Basic earnings per share	(0.016)	0.140
Diluted earnings per share	(0.016)	0.137
Recurring earnings per share(1)	0.046	0.144

* The income statement for the first half of 2017 has been adjusted for the following changes in accounting methods as of 1 January 2018:

- Restatement of revenue generated by the Group when acting as an agent (in accordance with IFRS 15 effective from 1 January 2018): the retrospective application of this change reduces first-half 2017 revenue by €111.4 million, with no impact on net income (see 5.1.2).
- Changes in the fair value of liabilities under put and call options on non-controlling interests are now recognised in equity: the retrospective application of this change results in the reclassification in equity of the net gains from changes in fair value in the amount of €1.3 million in the first half of 2017.

Cash flows from operating activities, net cash at bank and net debt	**First-half 2018**	**First-half 2017 (reported)**
Cash flows from operating activities before cost of net debt and income tax	**25.2**	**49.3**
Net cash at bank	**153.9**	134.2
Net debt	**(395.3)**	**(204.1)**

Equity	**First-half 2018**	**First-half 2017 (adjusted)***	**Change**
Total equity	**470.7**	**440.2**	**6.9%**

Market capitalisation (in units and €)	**First-half 2018**	**First-half 2017**
Average number of shares outstanding	**236,488,856**	228,782,655
Total number of shares at end of period	**245,140,430**	245,140,430
Number of shares outstanding at end of period	**236,987,868**	236,827,286
Share price at 30 June (in €)	**4.72**	7.32
Market capitalisation at 30 June (in € millions)	**1,158**	1,794

(1) 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”. These non-GAAP indicators are determined as follows:

- *Recurring operating profit before amortisation of intangible assets from acquisitions (see 2017 annual report, section 2.2 of the management report):*
  This indicator measures the level of operating performance of the period under review, after the amortisation of intangible assets acquired through business combinations. At 30 June 2018, the main acquisitions of intangible assets made by Econocom Group whose amortisation was not taken into account to calculate this indicator are the ECS customer portfolio and the Osiatis brand.

- *Recurring profit attributable to owners of the parent (see 2017 annual report, section 2.2 of the management report):*
  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. In the six months to the end of June 2018, it was calculated as follows:

(in € millions)	First-half 2018 (reported)	Amortisation of intangible assets from acquisitions	Other non-recurring items	First-half 2018 (recurring)	First-half 2017 (recurring, adjusted)*
Revenue	**1,318.8**	**-**	**-**	**1,318.8**	**1,168.8**
Recurring operating profit**	**32.1**	**2.1**	**-**	**34.2**	**58.2**
Other non-recurring operating income and expenses	(20.4)	-	20.4	-	-
Operating profit	**11.8**	**2.1**	**20.4**	**34.2**	**58.2**
Other financial income and expenses	(7.2)	-	-	(7.2)	(6.0)
Profit before tax	**4.6**	**2.1**	**20.4**	**27.0**	**52.2**
Income tax expense	(4.1)	(0.7)	(7.2)	(12.1)	(19.0)
Profit for the period	**0.4**	**1.4**	**13.1**	**14.9**	**33.2**
Non-controlling interests	4.1	-	(0.1)	4.0	0.2
Profit for the period attributable to owners of the parent	**(3.7)**	**1.4**	**13.2**	**10.9**	**33.0**

* See 5.1.2.

** Before amortisation of intangible assets from acquisitions.

Based on this indicator, the Group also presents its "recurring earnings per share", which correspond to recurring profit for the period attributable to owners of the parent divided by the average number of shares outstanding.

2.2. OVERVIEW OF ACTIVITY IN FIRST-HALF 2018

In the first half of 2018, Econocom Group reported consolidated revenue of €1,318.8 million, up 12.8% from €1,168.8 million in the first half of 2017, with organic growth of 3.8%.

Recurring operating profit for the Group amounted to €34.2 million for the first six months of 2018, compared with €58.2 million in the same period of 2017. The decline in recurring operating profit was attributable chiefly to the TMF business.

The Group's operating profit was €11.8 million, compared with €45.9 million for the first six months of 2017. The difference is attributable to changes in recurring operating profit and an increase in non-recurring operating expenses. Totalling €20.4 million in the six months to 30 June 2018 (compared with €10.2 million in the same period of 2017), these expenses stemmed chiefly from workforce reductions.

Net financial expense amounted to €7.2 million, compared with €6.8 million in the first half of 2017. Net financial expense for the first half of 2017 also had been impacted by a gain of €4.1 million reflecting the change in fair value of the ORNANE embedded derivative component following the rise in the Econocom Group share price between 1 January and the date of the ORNANE bond conversion.

Taking these items into account, profit for the first half of 2018 totalled €0.4 million, including a €3.7 million loss attributable to owners of the parent.

Recurring profit for the period attributable to owners of the parent was €10.9 million, compared with €33.0 million in the first six months of 2017.

Equity at 30 June 2018 amounted to €470.7 million, compared with €480 million at the end of December 2017 (adjusted)**, impacted by the inclusion of the refund of the €28.4 million issue premium planned for August but approved at the Annual General Meeting in May 2018.

Net debt at 30 June 2018 amounted to €395.3 million and breaks down as follows:

(in € millions)	30 June 2018	30 June 2017	31 Dec. 2017
Cash and cash equivalents	278.5	215.2	237.9
Bank debt and commercial paper	(124.6)	(81.0)	(135.9)
Net cash at bank*	**153.9**	**134.2**	**102.0**
OCEANE	(183.2)	-	-
Non-convertible bond debt (Euro PP)	(100.9)	(100.8)	(102.1)
Non-convertible bond debt (Schuldschein)	(150.1)	(150.0)	(149.7)
Finance lease liabilities	(7.2)	(5.7)	(4.7)
Contracts and receivables refinanced with recourse	(107.9)	(81.9)	(124.1)
Net debt	**(395.3)**	**(204.1)**	**(278.6)**

* Gross cash at bank less credit lines and commercial paper.

** Change of accounting method resulting from the application of IFRS 9 and IFRS 15 as of 1 January 2018 (see 5.1.2.1 and 5.1.2.2 below).

Net debt at 30 June 2018 represented approximately 2.4 times the Group's 12-month EBITDA. EBITDA corresponds to recurring operating profit adjusted for net depreciation and amortisation expense, 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 (see definition in the 2017 annual report, section 2.2 of the management report).

2.3. KEY FIGURES BY BUSINESS

Revenue and recurring operating profit break down as follows:

Revenue (in € millions)	First-half 2018	First-half 2017 (adjusted)	Total growth	Like-for-like growth
Technology Management & Financing	614.5	603.9	1.8%	1.8%
Services	506.4	424.3	19.4%	4.8%
Products & Solutions	197.9	140.6	40.7%	6.7%
Revenue	**1,318.8**	**1,168.8**	**12.8%**	**3.8%**

Recurring operating profit (in € millions)	First-half 2018	First-half 2017	Change	First-half 2018 recurring operating margin	First-half 2017 recurring operating margin
Technology Management & Financing	**14.1**	38.1	-63.0%	2.3%	6.3%
Services	**15.0**	14.6	2.7%	3.0%	3.4%
Products & Solutions	**5.1**	5.5	-7.3%	2.6%	3.9%
Recurring operating profit(1)	34.2	**58.2**	-41.2%	2.6%	5.0%

(1) Before amortisation of intangible assets from acquisitions.

The Technology Management & Financing (leasing) business recorded organic revenue growth of 1.8% to €614.5 million over the half year. After a particularly strong final quarter in 2017, the first quarter of 2018 was down 6.3%. The rebound beginning in the second quarter enabled the business to contribute to the Group's organic growth over the first half despite the fact that a number of significant contracts were deferred to the second half. The recurring operating profit of the Technology Management & Financing business was impacted by provisions in the amount of approximately €9 million. Adjusted for these provisions, it amounted to just over €23 million, down compared with the first half of 2017 due in large part to a smaller volume of large contributory contracts and the short-term dilutive impact on the margin of gains of new customers. The Services business enjoyed further growth momentum, posting revenue of €506.4 million in the first half, an increase of 19.4%, with organic growth of 4.8%. The main drivers of this growth were the substantial momentum enjoyed by the Satellites and the synergies developed between the Planet and the Satellites. The launch of new integrated offers should help cement the trend. The recurring operating profit of the Services business was €15.0 million, in line with its level in the first half of 2017. The Products & Solutions business recorded a fresh half-year of revenue growth to €197.9 million, an increase of 40.7%, with organic growth of 6.7%. The Group is gaining market share with public authorities and benefiting from synergies with the TMF business. Recurring operating profit was €5.1 million, here too in line with its level in the first half of 2017.

2.4. KEY FIGURES BY GEOGRAPHICAL AREA

Revenue by geographical area breaks down as follows:

(in € millions)	First-half 2018	First-half 2017 (adjusted)*	Total growth
France	**637.8**	593.7	7.5%
Benelux	**162.9**	139.8	16.5%
Southern Europe and Morocco	**309.6**	292.4	5.8%
Northern & Eastern Europe	**147.2**	123.5	19.2%
Americas	**61.3**	19.4	216.0%
Total revenue	1,318.8	**1,168.8**	**12.8%**

All geographic areas posted revenue growth. The pace of growth nevertheless varied from one area to another, with a stellar performance in the Americas (growth of 216%) driven primarily by large leasing contracts with one of our French customers in the United States.

3. OUTLOOK

In view of the fact it was behind in its objectives in the first half, the Group adjusted its full-year outlook on 5 July.

It is now expecting to deliver recurring operating profit of €120 million over 2018 as a whole.

4. RISK FACTORS AND DISPUTES

The risk factors described in the 2017 annual report did not change significantly during the first half.

5. RELATED PARTIES

There has been no major change in related parties since the publication of the 2017 annual report.

6. HUMAN RESOURCES

Econocom Group employed 11,068 people at 30 June 2018, compared with 10,760 at 31 December 2017. Headcount was therefore up 3.1%, on revenue growth of 12.8%.

7. SHARE PRICE AND OWNERSHIP STRUCTURE

The Econocom share closed at €4.72 on 29 June 2018. The Econocom Group share (BE0974313455 – ECONB) has been listed on NYSE Euronext in Brussels since 1986 and is part of the Bel Mid and Family Business indices.

The following changes took place in the ownership structure:

(% of rights held)	**30 June 2018**	**31 Dec. 2017**
Companies controlled by Jean-Louis Bouchard	33.58%	36.44%
Public shareholders	63.09%	59.68%
Treasury shares	3.33%	3.89%
Total	**100.00%**	**100.00%**

The change in Jean-Louis Bouchard's (indirect) shareholding resulted entirely from the sale of 7 million shares (2.86% of the capital) to his son, Robert Bouchard, on 8 January 2018.

Econocom Group was notified that two shareholders other than the companies controlled by Jean-Louis Bouchard had exceeded the 5% share ownership threshold at 30 June 2018. The companies are Butler Industries Benelux (and indirectly WB Finance and Mr Walter Butler) and the US company Kabouter Management LLC.

02
CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED INCOME STATEMENT AND EARNINGS PER SHARE

For the six-month periods ended 30 June 2018 and 30 June 2017

(in € millions)	Notes	First-half 2018	First-half 2017 (adjusted)*
Revenue from continuing operations	**5.3**	**1,318.8**	**1,168.8**
Operating expenses		**(1,286.7)**	**(1,112.7)**
Cost of sales		(844.5)	(721.7)
Personnel costs		(302.0)	(272.7)
External expenses		(107.5)	(95.4)
Depreciation, amortisation and provisions(1)		(13.9)	(16.4)
Net impairment losses on current and non-current assets(1)		(13.8)	(4.9)
Taxes (other than income taxes)		(7.9)	(7.3)
Other operating income and expenses		3.4	4.4
Financial income – operating activities		(0.5)	1.2
Recurring operating profit before amortisation of intangible assets from acquisitions(2)	**5.3**	**34.2**	**58.2**
Recurring operating profit		**32.1**	**56.1**
Other non-recurring operating income and expenses	5.4	(20.4)	(10.2)
Operating profit		**11.8**	**45.9**
Change in fair value of the ORNANE embedded derivative component	5.5	-	4.1
Other financial income and expenses	5.5	**(7.2)**	(6.8)
Profit before tax		**4.6**	**43.2**
Income tax expense	5.6	**(4.1)**	(11.3)
Profit from continuing operations		**0.4**	**31.9**
Share of profit (loss) of associates and joint ventures		-	-
Profit (loss) from discontinued operations		-	-
Profit for the period		**0.4**	**31.9**
Non-controlling interests		4.1	(0.1)
Profit for the period attributable to owners of the parent		(3.7)	31.9
Recurring profit attributable to owners of the parent(3)		**10.9**	**33.0**

* The income statement for the first half of 2017 has been adjusted for changes in accounting method as of 1 January 2018, namely as regards the treatment of revenue generated by the Group when acting as an agent (the application of IFRS 15 results in a reduction of €111.4 million in first-half 2017 revenue, with no impact on net profit) and the treatment of changes in the fair value of liabilities under put and call options for non-controlling interests, which are now recognised in equity (gain of €1.3 million in the first half of 2017).

(attributable to owners of the parent, in €)	Notes	First-half 2018	First-half 2017 (adjusted)*
Basic earnings per share	5.7	**(0.016)**	0.140
Diluted earnings per share	5.7	**(0.016)**	0.137
Recurring earnings per share[(2)]		**0.046**	0.144

(1) The half-year profit includes nearly €10 million in provisions covering various disputes and risks.

(2) Before amortisation of the ECS customer portfolio and the Osiatis brand.

(3) Recurring profit for the year attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, adjusted for the following items:

- amortisation of the ECS customer portfolio and the Osiatis brand, net of tax effects;
- other non-recurring operating income and expenses, net of tax effects;
- adjustment of the fair value of the ORNANE embedded derivative component;
- non-recurring financial income and expense, 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

(in € millions)	First-half 2018	First-half 2017 (adjusted)
Profit for the period	**0.4**	**31.9**
Items that will not be reclassified to profit or loss	**-**	-
Change in fair value of cash flow hedges[(1)]	***(0.6)***	*0.7*
Deferred taxes arising on change in value of cash flow hedges[(1)]	***0.2***	*(0.2)*
Items that may be reclassified to profit or loss	**(0.4)**	**0.5**
Foreign currency translation adjustments	**(0.5)**	(0.9)
Other comprehensive income (expense)	**-**	-
Total comprehensive income for the period	**(0.5)**	**31.5**
Attributable to non-controlling interests	**4.1**	(0.2)
Attributable to owners of the parent	**(4.6)**	31.6

(1) Change in value of the interest rate hedge for one of the tranches of the Schuldschein loan.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(in € millions)	Notes	30 June 2018	31 Dec. 2017 (adjusted)*
Non-current assets			
Intangible assets		83.8	79.6
Goodwill	5.8	625.1	598.8
Property, plant and equipment		51.9	48.4
Long-term financial assets		27.5	30.9
Residual interest in leased assets	5.9	112.3	105.5
Other long-term receivables		12.4	12.5
Deferred tax assets		26.7	21.2
Total non-current assets		**939.6**	**896.9**
Current assets			
Inventories	5.10	83.6	49.1
Trade and other receivables	5.10	1,171.1	1,118.4
Residual interest in leased assets	5.9	41.8	35.9
Current tax assets		11.5	9.2
Other current assets	5.10.2	67.1	77.0
Cash and cash equivalents	5.11	278.5	237.9
Total current assets		**1,653.6**	**1,527.5**
Total assets		**2,593.2**	**2,424.4**

* Change of accounting method resulting from the application of IFRS 9 and IFRS 15 as of 1 January 2018 (see 5.1.2.1 and 5.1.2.2).

Equity and liabilities

(in € millions)	Notes	30 June 2018	31 Dec. 2017 (adjusted)*
Share capital	5.12	23.5	23.5
Additional paid-in capital and reserves		334.3	267.7
Profit for the period attributable to owners of the parent		(3.7)	86.4
Equity attributable to owners of the parent		**354.1**	**377.6**
Non-controlling interests		116.6	102.4
Total equity	**5.12**	**470.7**	**480.0**
Non-current liabilities			
Bonds	5.11	427.7	246.6
Financial liabilities	5.11	66.5	93.5
Gross liability for purchases of leased assets	5.9	64.8	59.6
Long-term provisions	5.13	2.1	1.1
Provisions for pensions and other post-employment benefit obligations		46.7	45.7
Other non-current liabilities		107.0	99.1
Deferred tax liabilities		5.0	9.5
Total non-current liabilities		**719.7**	**555.1**
Current liabilities			
Bonds	5.11	6.5	5.3
Financial liabilities	5.11	173.3	171.2
Gross liability for purchases of leased assets	5.9	22.6	17.9
Short-term provisions	5.13	40.3	41.2
Current tax liabilities		17.6	17.1
Trade and other payables	5.10.3	982.3	960.0
Other current liabilities	5.10.3	160.3	176.6
Total current liabilities		**1,402.8**	**1,389.3**
Total equity and liabilities		**2,593.2**	**2,424.4**

* Change of accounting method resulting from the application of IFRS 9 and IFRS 15 as of 1 January 2018 (see 5.1.2.1 and 5.1.2.2).

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month periods ended 30 June 2018 and 30 June 2017

(in € millions)	Number of shares[1]	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
Balance at 1 January 2017	**225,038,574**	**21.6**	**169.4[2]**	**(50.5)**	**68.0**	**(7.1)**	**201.4**	**77.6**	**279.0**
Profit for the period (adjusted)[3]	-	-	-	-	31.9	-	31.9	(0.1)	**31.9**
Other comprehensive income (expense), net of tax	-	-	-	-	-	(0.3)	(0.3)	(0.1)	**(0.4)**
Total comprehensive income for first-half 2017 (adjusted)[3]	-	-	-	-	**31.9**	**(0.3)**	**31.6**	**(0.2)**	**31.5**
Share-based payments	-	-	-	-	0.5	-	0.5	-	**0.5**
Refund of issue premiums (paid in August)	-	-	(24.5)	-	0.8	-	(23.7)	-	**(23.7)**
ORNANE bond conversion	20,101,856	1.9	108.1	-	29.4	-	139.4	-	**139.4**
Sales of treasury shares backing ORNANE bond redemptions	-	-	-	18.7	17.6	-	36.3	-	**36.3**
Other treasury share transactions, net	-	-	-	(19.1)	(1.0)	-	(20.1)	-	**(20.1)**
Put and call options on non-controlling interests – initial recognition	-	-	-	-	(0.3)	-	(0.3)	-	**(0.3)**
Put and call options on non-controlling interests – change in fair value	-	-	-	-	0.7	-	0.7	0.6	**1.3**
Other transactions and transactions with an impact on non-controlling interests	-	-	-	-	7.3	-	7.3	(10.9)	**(3.6)**
Balance at 30 June 2017 (adjusted)[3]	**245,140,430**	**23.5**	**253.0**	**(50.9)**	**154.9**	**(7.4)**	**373.1**	**67.1**	**440.2**

(1) After Econocom Group's two-for-one share split approved by the Extraordinary General Meeting of 16 May 2017.

(2) 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 that group in 2013.

(3) Adjusted to reflect the change in accounting policy for changes in the fair value of liabilities under put and call options on non-controlling interests, which are now recognised in equity. As a result of the retrospective application of this change in accounting policy, net gains from changes in fair value, amounting to €1.3 million in the first half of 2017, have been reclassified in equity.

(in € millions)	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
Balance at 31 December 2017 (reported)	**245,140,430**	**23.5**	**253.0**[(2)]	**(58.1)**	**171.0**	**(8.6)**	**380.8**	**102.4**	**483.2**
Impact of IFRS 9 on impairment of receivables					(3.2)		(3.2)		**(3.2)**
Balance at 1 January 2018 (adjusted)[(1)]	**245,140,430**	**23.5**	**253.0**	**(58.1)**	**167.8**	**(8.6)**	**377.6**	**102.4**	**480.0**
Profit for the period	-	-	-	-	(3.7)	-	**(3.7)**	4.1	**0.4**
Other comprehensive income (expense), net of tax	-	-	-	-	-	(0.9)	**(0.9)**	-	**(0.9)**
Total comprehensive income for first-half 2018	**-**	**-**	**-**	**-**	**(3.7)**	**(0.9)**	**(4.6)**	**4.1**	**(0.5)**
Share-based payments	-	-	-	-	0.8	-	**0.8**	-	**0.8**
Refund of issue premiums (paid in August)	-	-	(29.4)	-	1.0	-	**(28.4)**	-	**(28.4)**
OCEANE equity component	-	-	16.7	-	-	-	16.7	-	**16.7**
Treasury share transactions, net	-	-	-	9.1	(5.6)	-	**3.5**	-	**3.5**
Put and call options on non-controlling interests – initial recognition	-	-	-	-	(10.5)	-	**(10.5)**	-	**(10.5)**
Put and call options on non-controlling interests – change in fair value	-	-	-	-	(1.1)	-	(1.1)	-	**(1.1)**
Non-controlling interests in acquisitions in the period	-	-	-	-	-	-	**-**	10.3	**10.3**
Other transactions and transactions with an impact on non-controlling interests	-	-	-	-	0.2	-	**0.2**	(0.2)	**(0.0)**
Balance at 30 June 2018	**245,140,430**	**23.5**	**240.3**	**(49.0)**	**148.9**	**(9.5)**	**354.1**	**116.6**	**470.7**

(1) Change of accounting method resulting from the application of IFRS 9 as of 1 January 2018 (see 5.1.2.1 and 5.1.2.2).

(2) 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 that group in 2013.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month periods ended 30 June 2017 and 30 June 2018

(in € millions)	Notes	First-half 2018	First-half 2017 (adjusted)*
Profit for the period		**0.4**	**31.9**
Elimination of share of profit (loss) of associates and joint ventures	5.14.1.1	-	-
Provisions, depreciation, amortisation and impairment	5.14.1.1	23.8	21.1
Change in fair value of the ORNANE embedded derivative component		-	(4.1)
Elimination of the impact of residual interest in leased assets	5.14.1.1	(10.4)	(16.6)
Other non-cash expenses (income)	5.14.1.1	0.8	-
Cash flows from operating activities after cost of net debt and income tax		**14.6**	**32.2**
Income tax expense	5.6	4.1	11.3
Cost of net debt		6.5	5.8
Cash flows from operating activities before cost of net debt and income tax (a)		**25.2**	**49.3**
Change in working capital (b), of which:		(105.4)	(117.6)
Investments in self-funded TMF contracts	5.14.1.2	(53.2)	(11.8)
Other changes in working capital		(52.2)	(105.8)
Tax paid before tax credits (c)		(16.0)	(13.8)
Net cash from (used in) operating activities (a+b+c=d)	**5.14.1**	**(96.2)**	**(82.1)**
Of which related to discontinued operations			-
Acquisition of property, plant and equipment and intangible assets	5.14.2	(23.0)	(18.4)
Disposal of property, plant and equipment and intangible assets		0.1	0.2
Acquisition of long-term financial assets		(1.7)	(0.7)
Disposal of long-term financial assets		0.4	0.3
Acquisition of companies and businesses, net of cash acquired	5.14.2	(6.3)	(25.9)
Disposal of companies and businesses, net of cash acquired		-	-
Net cash from (used in) investing activities (e)	**5.14.2**	**(30.5)**	**(44.5)**
Of which related to discontinued operations			

* Change of accounting method resulting from the application of IFRS 9 and IFRS 15 as of 1 January 2018 (see 5.1.2.1 and 5.1.2.2).

(in € millions)	Notes	First-half 2018	First-half 2017 (adjusted)*
Issue of convertible bonds (OCEANE)		183.3	-
OCEANE equity component		16.7	-
Exercise of stock options		3.7	-
Redemptions and buybacks of ORNANE convertible bonds	5.11	-	(38.8)
Sales of treasury shares backing ORNANE bond redemptions		-	36.5
Other purchases of treasury shares (net of sales)		(0.2)	(20.0)
Payments to shareholders during the period		(0.4)	-
Changes in refinancing liabilities on lease contracts	5.11	(22.7)	6.4
Increase in non-current financial liabilities		1.9	3.1
Decrease in non-current financial liabilities		(17.0)	(2.1)
Increase in current financial liabilities		23.0	21.5
Decrease in current financial liabilities		(10.5)	(8.5)
Interest paid[1]		(9.1)	(8.7)
Net cash from (used in) financing activities (f)	**5.14.3**	**168.7**	**(10.6)**
Of which related to discontinued operations			
Impact of exchange rates on cash and cash equivalents (g)		(0.1)	0.2
Impact of discontinued operations on the opening net cash position (h)		-	-
Change in net cash and cash equivalents (d+e+f+g+h)		**41.9**	**(137.0)**

Net cash and cash equivalents at beginning of period[1]	**5.11**	**232.9**	**348.5**
Change in cash and cash equivalents		41.9	(137.0)
Net cash and cash equivalents at end of period[1]	5.11	**274.8**	**211.5**

(1) Including OCEANE bond issue costs.

(2) Net of bank overdrafts: €3.8 million at 30 June 2018 and €3.7 million at 30 June 2017.

Key movements in the consolidated statement of cash flows are explained in Note 5.14.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1. ACCOUNTING POLICIES

5.1.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting and with IFRS as adopted by the European Union at 30 June 2018[1].

The condensed consolidated financial statements of Econocom Group include the financial statements of Econocom Group SE and of its subsidiaries, presented in millions of euros. Amounts have been rounded off to the nearest decimal point and in certain cases, this may result in minor discrepancies in the totals and sub-totals in the tables.

They were approved for issue by the Board of Directors on 5 September 2018 and have not been reviewed by the Statutory Auditors.

The accounting policies used in the half-year financial statements are the same as those used to prepare the financial statements for the year ended 31 December 2017, as described in the 2017 annual report, except for the items described in 5.1.2.1 below on accounting standards that are mandatorily applicable as of 1 January 2018.

The half-year financial statements therefore comply with the disclosure requirements of IAS 34 and as such should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2017 included in the 2017 annual report.

The specific rules for preparing half-year financial statements are as follows:

5.1.1.1. Assessment methods specific to half-year financial statements

5.1.1.1.1. Provisions for post-employment benefits

The post-employment benefit expense for the first half of 2018 is calculated on the basis of actuarial assessments made at the end of the previous period. Where applicable, these assessments are adjusted to allow for curtailments, settlements or other major non-recurring events which took place during the half-year period.

5.1.1.1.2. Income tax

In the half-year financial statements, current and deferred income tax expense is calculated by multiplying accounting profit for the period, for each tax entity, by the estimated average income tax rate for the current year. Where applicable, this expense is adjusted for the tax impact of non-recurring items during the period.

[1] Available at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

5.1.1.1.3. Goodwill

Goodwill is tested for impairment at each year-end using the method described in Note 9.3 to the consolidated financial statements included in the 2017 annual report, and whenever there is an indication that it may be impaired.

5.1.1.2. Use of estimates

The preparation of Econocom Group's condensed consolidated half-year financial statements requires the use of various estimates and assumptions deemed realistic or reasonable. Events or circumstances may result in changes to these estimates or assumptions, which could affect the value of the Group's assets, liabilities, equity or profit.

The main accounting policies requiring the use of estimates generally concern:

- goodwill impairment;
- measurement of residual interest (Technology Management & Financing business);
- measurement of provisions.

At the date on which the Board of Directors reviewed the condensed consolidated half-year financial statements, it considered that the estimates best reflected all of the information available to it.

5.1.2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

5.1.2.1. Standards and interpretations mandatorily applicable for accounting periods beginning on or after 1 January 2018

5.1.2.1.1. 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.

Accordingly, the Group has modified its accounting policies and methods as follows:

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.

5.1.2.1.2. 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.

Accordingly, the Group has modified its accounting policies and methods as follows:

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.

The distinction between agent and principal has an impact on the presentation of revenue, which is recognised 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".

5.1.2.2. Presentation of the impacts of the application of IFRS 9 and IFRS 15 on the financial statements

5.1.2.2.1. 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 5.1.2.2.3.

5.1.2.2.2. IFRS 15

Econocom has adopted the full retrospective method for the application of IFRS 15. The findings of the analyses carried out by the Group:

- confirm that the Group's current revenue recognition policy remains valid under IFRS 15. As such, the impacts of the first-time application of this standard are not material;
- indicate that Econocom acts as an agent and not a principal for certain transactions in the Products & Solutions and Services businesses. The impacts on the 2017 financial statements are described below.

Impact on the income statement for the first half of 2017

(in € millions)	First-half 2017 (reported)	IFRS 15 impact agent versus principal	First-half 2017 (adjusted)
Revenue from continuing operations	**1,280.2**	(111.4)	1,168.8
Cost of sales	**(833.0)**	111.4	(721.7)
Other items of recurring operating profit	**(391.1)**		(391.1)
Recurring operating profit before amortisation of intangible assets from acquisitions	**58.2**	-	**58.2**
Recurring operating profit	56.1	-	56.1

Impact on segment information for the first half of 2017

(in € millions)	Technology Management & Financing	Services	Products & Solutions	Total operating segments	Total
First-half 2017 revenue (reported)	**603.9**	**430.1**	**246.2**	**1,280.2**	**1,280.2**
IFRS 15 impact agent versus principal		(5.8)	(105.6)	(111.4)	**(111.4)**
First-half 2017 revenue (adjusted)	**603.9**	**424.3**	**140.6**	**1,168.8**	**1,168.8**
Internal operating revenue	8.3	38.7	46.2	93.2	**93.2**
Total – Revenue from operating segments (adjusted)	**612.2**	**463.0**	**186.8**	**1,262.0**	**1,262.0**

(in € millions)	First-half 2017 (reported)	IFRS 15 impact agent versus principal	First-half 2017 (adjusted)
France	675.2	(81.5)	593.7
Benelux	169.4	(29.6)	139.8
Southern Europe and Morocco	292.7	(0.3)	292.4
Northern & Eastern Europe	123.5	-	123.5
Americas	19.4	-	19.4
Total	**1,280.2**	**(111.4)**	**1,168.8**

5.1.2.2.3. Presentation of the impact of IFRS 9 and IFRS 15 on the statement of financial position

For simplicity purposes, the “31 Dec. 2017 (adjusted)” 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 31 December 2017 is therefore as follows:

Assets in € millions	31 Dec. 2017 (reported)	Impact of IFRS 9 Impairment of receivables (modified retrospective)	Reclassification IFRS 15 (retrospective)	31 Dec. 2017 (adjusted)
Total non-current assets	**895.9**	**1.0 (a)**		**896.9**
Inventories	63.9		-14.8 (c)	49.1
Trade and other receivables	1,122.6	(4.2) (b)	-	1,118.4
Residual interest in leased assets	35.9	-	-	35.9
Current tax assets	9.2	-	-	9.2
Other current assets	**62.2**	-	14.8 (c)	77.0
Cash and cash equivalents	237.9	-	-	237.9
Total current assets	**1,531.8**	**(4.2)**	**-**	**1,527.5**
Total assets	**2,427.7**	**(3.2)**	**-**	**2,424.4**

(a) Deferred tax asset impact of the IFRS 9 adjustment of the impairment of trade receivables.

(b) IFRS 9 adjustment of the impairment of trade receivables.

(c) Reclassification of inventory in transit and work in progress assigned to contracts from “Contract performance costs” to “Other current assets”.

Liabilities in € millions	31 Dec. 2017 (reported)	IFRS 9 impact	IFRS 15 reclassification	31 Dec. 2017 (adjusted)
Total equity	**483.2**	**(3.2)**	**-**	**480.0**
Total non-current liabilities	**555.1**	**-**	**-**	**555.1**
Bonds	5.3	-	-	5.3
Financial liabilities	171.2	-	-	171.2
Gross liability for purchases of leased assets	17.9	-	-	17.9
Short-term provisions	41.2	-	-	41.2
Current tax liabilities	17.2	-	-	17.1
Trade and other payables	961.1	-	(1.1) (d)	960.0
Other current liabilities	175.5	-	1.1 (d)	176.6
Total current liabilities	**1,389.4**	**-**	**-**	**1,389.3**
Total equity and liabilities	**2,427.7**	**(3.2)**	**-**	**2,424.4**

(d) Advances received are reclassified under “Contract liabilities”. This item is classified in “Other current liabilities”.

5.1.2.3. Standards and interpretations adopted by the IASB but not yet applicable as of 30 June 2018

The Group did not early adopt any of the following standards and interpretations:

5.1.2.3.1. 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. The Group has launched a project to prepare for the application of the new standard.

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 Group is currently analysing the impacts of IFRS 16, which will be disclosed in the notes to the consolidated financial statements for the year ending 31 December 2018.

The main impact anticipated therefore relates to certain non-recourse sale and leaseback transactions for which the margin will be spread over the term of the agreement from 1 January 2019. The portion of the Group's leasing portfolio corresponding to non-recourse sale and leaseback agreements was not significant at 30 June 2018.

As regards lessee accounting, the impact on the statement of financial position (increase in non-current assets and financial liabilities) of the first-time application of IFRS 16 can be assessed based on the amounts shown for firm lease commitments at 31 December 2017 (see 2017 annual report, Note 20.5 to the consolidated financial statements).

5.1.2.3.2. 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.

The Group is currently analysing the impacts of IFRIC 23.

5.1.3. CHANGES IN ACCOUNTING POLICY

Econocom has not made any changes to its accounting policies since 31 December 2017, other than as required by IFRS 9 and IFRS 15, both applicable from 1 January 2018.

As a reminder, at the end of 2017, the Group changed its accounting policy on the treatment of changes in the fair value of liabilities under put and call options on non-controlling interests (see Note 1.2.2 to the 2017 consolidated financial statements), which are now recognised in equity. The retrospective application of this change resulted in the reclassification in equity of net gains from changes in fair value in an amount of €1.3 million at 30 June 2017 (the same amount as at 31 December 2017).

5.2. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE FIRST HALF OF 2018

5.2.1. ACQUISITIONS

In the first half of 2018, Econocom acquired a controlling interest in two entities to round out its know-how in digital transformation and pursue its policy of moving up the value chain.

Services

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.

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.

The cost of acquiring the shares in these two companies was €20.6 million.

The revised IFRS 3 provides for a measurement period ending one year after the acquisition date, during which the Group may adjust the provisional amounts of goodwill (see Note 9 to the consolidated financial statements in the 2017 annual report). The full goodwill method was applied to all transactions in the period where the Group did not acquire the entire share capital.

Applying the full goodwill method, total goodwill recognised during the half-year in respect of the Altabox and BDF acquisitions amounts to €26.7 million.

Cash outlays (net of cash acquired) in respect of these acquisitions amounted to €5.6 million (see 5.14.2 below).

5.2.2. CHANGES IN OWNERSHIP INTEREST

No material changes occurred during the period.

5.3. SEGMENT REPORTING

The Group's operations break down into three operating business segments:

- Technology Management & Financing (TMF);
- Services;
- Products & Solutions (P&S).

Revenue and segment results

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. In most cases, purchased internal goods and services are in turn sold on to end clients;
- cross-charging of overheads and personnel costs;
- cross-charging of financial expenses.

The Group's segment profit corresponds to "Recurring operating profit from ordinary activities". This segment indicator, used for the application of IFRS 8, is used by management to monitor the performance of operating activities and allocate resources.

It corresponds to operating profit before non-recurring operating income and expenses and the amortisation of intangible assets from acquisitions (ECS customer portfolio and Osiatis brand).

5.3.1. REPORTING BY OPERATING BUSINESS SEGMENT

The following table presents the contribution of each operating business segment to the Group's results (in € millions):

(in € millions)	Technology Management & Financing	Services	Products & Solutions	Total
First-half 2018				
Revenue from external clients	**614.5**	**506.4**	**197.9**	**1,318.8**
Internal revenue	4.2	46.5	82.9	133.6
Total – Revenue from operating segments	**618.7**	**552.9**	**280.8**	**1,452.4**
Recurring operating profit from ordinary activities	**14.1**	**15.0**	**5.1**	**34.2**
Amortisation of intangible assets from acquisitions	(1.0)	(1.1)	-	(2.1)
Recurring operating profit from ordinary activities	**13.1**	**13.9**	**5.1**	**32.1**
First-half 2017 (adjusted)*				
Revenue from external clients	**603.9**	**424.3**	**140.6**	**1,168.8**
Internal revenue	8.3	38.7	46.2	93.2
Total – Revenue from operating segments	**612.2**	**463.0**	**186.8**	**1,262.0**
Recurring operating profit from ordinary activities	**38.1**	**14.6**	**5.5**	**58.2**
Amortisation of intangible assets from acquisitions	(1.0)	(1.1)	-	(2.1)
Recurring operating profit from ordinary activities	**37.1**	**13.5**	**5.5**	**56.1**

* Revenue for the first half of 2017 has been adjusted for the change in method as of 1 January 2018 as regards the treatment of revenue generated by the Group when acting as an agent (the application of IFRS 15 results in a reduction of €111.4 million in first-half 2017 revenue with no impact on net profit).

5.3.2. BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

(in € millions)	First-half 2018	First-half 2017 (adjusted)	Change
France	637.8	593.7	7.5%
Benelux	162.9	139.8	16.5%
Southern Europe and Morocco	309.6	292.4	5.8%
Northern & Eastern Europe	147.2	123.5	19.2%
Americas	61.3	19.4	216.0%
Total	**1,318.8**	**1,168.8**	**12.8%**

5.4. OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	First-half 2018	First-half 2017 (adjusted)*
Reorganisation costs	**(15.3)**	(9.9)
Acquisition costs	**(0.9)**	(1.0)
Other expenses	**(4.5)**	-
Other non-recurring operating expenses	**(20.7)**	**(10.9)**
Other income	**0.3**	0.7
Other non-recurring operating income	**0.3**	**0.7**
Total	**(20.4)**	**(10.2)**

* Adjusted to reflect the change in accounting policy for changes in the fair value of liabilities under put and call options on non-controlling interests, which are now recognised in equity. As a result of the retrospective application of this change in accounting policy, net gains from changes in fair value, amounting to €1.3 million in the first half of 2017, have been reclassified in equity.

In the first half of 2018, restructuring costs net of reversals of provisions amounted to €15.3 million and concerned all of the Group's activities, and primarily the Services business in France.

5.5. NET FINANCIAL EXPENSE

(in € millions)	First-half 2018	First-half 2017
Financial income	**0.2**	**0.3**
Interest expense on bonds	(4.3)	(3.6)
ORNANE bond redemption costs(1)	-	(0.3)
Accelerated amortisation of ORNANE bond issue costs(1)	-	(0.5)
Expenses on non-current liabilities	(0.3)	(0.2)
Interest cost of retirement benefits and other post-employment benefits	(0.3)	(0.3)
Interest on short-term financing	(0.8)	(0.7)
Financial expenses on factoring	(1.4)	(1.3)
Other financial expenses	(0.3)	(0.2)
Financial expenses	**(7.4)**	**(7.1)**
Other financial income and expenses	**(7.2)**	**(6.8)**
Adjustment of the fair value of the ORNANE embedded derivative component(1)	-	**4.1**
Net financial expense	**(7.2)**	**(2.7)**

(1) In the first half of 2017, non-recurring items consisted of the change in the fair value of the ORNANE derivative, representing income of €4.1 million. In addition, the redemption by Econocom of 2,698,900 ORNANE bonds generated an expense of €0.3 million (before the corresponding tax saving), while the early conversion of 10,050,928 ORNANE bonds resulted in a €0.5 million expense relating to the accelerated amortisation of the issue cost.

5.6. INCOME TAX

(in € millions)	First-half 2018	First-half 2017 (adjusted)
Profit before tax	**4.6**	43.2
Income tax	**(4.1)**	(11.3)
Effective tax rate as a percentage of profit before tax	**89.1%**	26.3%
Estimated average tax rate for the year(1)	**27.0%**	28.0%

(1) Effective income tax rate adjusted for the following items: CVAE in France, IRAP in Italy, amortisation of intangible assets from acquisitions (ECS customer portfolio and Osiatis brand). In the first half of 2017, adjustments were also made in respect of the fair value adjustment of the ORNANE derivative, ORNANE bond redemption costs and the accelerated amortisation of ORNANE issue costs.

Income tax expense for first-half 2018 was €4.1 million, including €2.9 million in taxes classified as income tax (as was the case in the first six months of 2017), corresponding to the tax on value added in France (CVAE), net of income tax, and the regional production tax (*imposta regionale sulle attività produttive* – IRAP) in Italy (see Note 7 to the consolidated financial statements for the year ended 31 December 2017).

The average tax rate (as defined above) was estimated for the current year at 27.0% (compared with 28.0% in 2017 excluding the tax impact resulting from ORNANE bond transactions).

5.7. BASIC AND DILUTED EARNINGS PER SHARE

The weighted number of ordinary shares outstanding used to calculate earnings per share at 30 June 2018 was 236,488,856, compared with 228,782,655 at 30 June 2017. The change in the denominator results partly from the early conversion of 10,050,928 ORNANE bonds during the first half of 2017 and from transactions on treasury shares.

The weighted number of ordinary shares outstanding used to calculate diluted earnings per share at 30 June 2018 was 236,488,856, compared with 233,350,819 at 30 June 2017.

In accordance with section 41 of IAS 33, potential ordinary shares should only be treated as dilutive if their conversion into ordinary shares would have the effect of reducing earnings per share or increasing the loss per share from continuing operations.

At 30 June 2018, impacts related to stock options, free shares and the conversion of the OCEANE bonds had an anti-dilutive effect and are therefore not taken into account in the determination of diluted earnings per share.

5.8. GOODWILL

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs):

	Technology Management & Financing	Services	Products & Solutions	Total
Goodwill at 1 January 2018	**114.6**	**446.9**	**37.3**	**598.8**
Adjustments to acquisition costs		0.1		**0.1**
Acquisitions		26.7		**26.7**
Foreign currency translation adjustments		(0.6)		**(0.6)**
Goodwill at 30 June 2018	**114.6**	**473.2**	**37.3**	**625.1**
Of which gross amount	114.6	477.4	37.3	629.4
Of which accumulated impairment	-	(4.3)	-	(4.3)

Acquisitions made during the first half of 2018, namely BDF and Altabox, were allocated to the Services CGU.

Given its profit forecasts for the full year and prospects for future years, the Group did not test any goodwill amounts for impairment.

5.9. RESIDUAL INTEREST IN LEASED ASSETS

Residual interest in leased assets reflects a forecast market value.

(in € millions)	30 June 2018	31 Dec. 2017
Residual interest in leased assets – non-current portion (between 1 and 5 years)	112.3	105.5
Residual interest in leased assets – current portion (less than 1 year)	41.8	35.9
Total	**154.1**	**141.4**

Residual interest in leased assets amounted to €154.1 million; it increased by 6.9% driven by the growth of the business over the period.

Residual interest in leased assets concerns IT assets and industrial assets amounting to €142.4 million and €11.7 million respectively at 30 June 2018.

At the end of June, it represented 2.6% of the purchase price of the leased equipment, compared with 2.5% at the end of 2017.

Residual interest in leased assets is refinanced in the proportion of 56.7% (54.9% at the end of 2017). The corresponding debt is recorded as a liability under "Gross liability for purchases of leased assets", which increased from €77.5 million at the end of 2017 to €87.4 million at 30 June 2018 (breaking down as a non-current portion of €64.8 million and a current portion of €22.6 million).

5.10. CURRENT OPERATING ASSETS AND LIABILITIES

5.10.1. INVENTORIES

	30 June 2018			31 Dec. 2017 (adjusted)*		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
Equipment in the process of being refinanced	**14.9**	**(2.4)**	**12.3**	**12.0**	**(1.4)**	**10.6**
Other inventories	**88.4**	**(17.1)**	**71.3**	**55.7**	**(17.2)**	**38.5**
ICT equipment	65.3	(2.8)	62.5	33.3	(3.3)	30.1
Spare parts	23.1	(14.4)	8.8	22.5	(14.0)	8.5
Total	**103.2**	**(19.6)**	**83.6**	**67.7**	**(18.6)**	**49.1**

* See 5.1.2.2 for an explanation of adjustments to the statement of financial position at 31 December 2017 resulting from the application of IFRS 9 and IFRS 15.

Net inventories increased between 31 December 2017 and 30 June 2018 in order to meet the deployment and delivery requirements in the TMF and P&S businesses in the coming months.

5.10.2. TRADE AND OTHER RECEIVABLES

	30 June 2018			31 Dec. 2017 (adjusted)*		
(in € millions)	Gross	Impair.	Net	Gross	Impair.	Net
Trade receivables	1,129.0	(59.5)	1,069.5	1,082.8	(53.9)	1,028.9
Other receivables	107.6	(6.0)	101.6	94.9	(5.4)	89.5
Trade and other receivables	**1,236.6**	**(65.5)**	**1,171.1**	**1,177.7**	**(59.3)**	**1,118.4**
Contract performance and award costs**	29.0	-	29.0	37.7	-	37.7
Other current assets	38.1	-	38.1	39.3	-	39.3
Total other current liabilities	**67.1**	**-**	**67.1**	**77.0**	**-**	**77.0**

* See 5.1.2.2 for an explanation of adjustments to the statement of financial position at 31 December 2017 resulting from the application of IFRS 9 and IFRS 15.
** See definition in 5.1.2.1.2.

The increase in other receivables is attributable chiefly to an increase in tax receivables (VAT credits).

Change in trade receivables is broken down below by business:

	30 June 2018				31 Dec. 2017 (adjusted)*			
(in € millions)	Receivables invoiced, net of impairment	Outstanding rentals	Revenue accruals	Total	Receivables invoiced, net of impairment	Outstanding rentals	Revenue accruals	Total
Technology Management & Financing	228.7	484.5	4.3	717.5	246.7	458.0	4.0	708.7
Trade receivables refinanced or in the process of being refinanced	80.2	484.5	-	564.7	97.8	458.0	-	555.8
User trade receivables (outstanding rentals refinanced but invoiced by Econocom)	148.5	-	4.3	152.8	148.9	-	4.0	152.9
Services	135.8	-	148.4	284.2	151.9	-	100.6	252.5
Products & Solutions	41.7	-	26.1	67.8	48.6	-	19.1	67.7
Total	**406.2**	**484.5**	**178.8**	**1,069.5**	**447.2**	**458.0**	**123.7**	**1,028.9**

* See 5.1.2.2 for an explanation of adjustments to the statement of financial position at 31 December 2017 resulting from the application of IFRS 9 and IFRS 15.

The 4% increase in trade receivables (6.8% increase in the first half of 2017) is attributable to changes in the scope of consolidation in the amount of €10.0 million, the remainder resulting from the usual seasonal trends.

Provisions for impairment of trade receivables increased by 11.2% (up by €5.7 million), due primarily to credit risks identified in respect of certain customers:

(in € millions)	31 Dec. 2017 (adjusted)	Additions	Reversals	Changes in scope of consolidation	Reclassif-ication	30 June 2018
Impairment of doubtful receivables	(53.8)	(10.1)	4.7	(0.4)	0.1	(59.5)

Breakdown of trade receivables by type of client and by due date:

(in € millions)	Carrying amount	Receivables not past due	Breakdown by maturity			
			Total past due receivables	< 60 days	60-90 days	> 90 days
Refinancing institutions	80.2	64.8	15.4	13.7	0.3	1.4
Other receivables	1,048.9	822.3	226.6	107.7	16.3	102.7
Impairment of doubtful receivables	(59.5)	(21.8)	(37.7)	(0.8)	(0.4)	(36.5)
Trade and other receivables, net	**1,069.5**	**865.2**	**204.3**	**120.6**	**16.2**	**67.6**

5.10.3. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

The increase in trade and other current payables breaks down as follows:

(in € millions)	30 June 2018	31 Dec. 2017 (adjusted)*
Trade payables	741.7	735.0
Other payables	240.6	225.0
Trade and other payables	**982.3**	**960.0**

* See 5.1.2.2 for an explanation of adjustments to the statement of financial position at 31 December 2017 resulting from the application of IFRS 9 and IFRS 15.

The increase in other payables is attributable chiefly to the refund of the issue premium approved at the May Annual General Meeting, which was paid in August:

(in € millions)	30 June 2018	31 Dec. 2017 (adjusted)*
Accrued taxes and personnel costs	202.1	216.4
Dividends payable	29.5	1.1
Customer prepayments and other payables	9.0	7.5
Other payables	**240.6**	**225.0**

* See 5.1.2.2 for an explanation of adjustments to the statement of financial position at 31 December 2017 resulting from the application of IFRS 9 and IFRS 15.

Other current liabilities break down as follows:

(in € millions)	30 June 2018	31 Dec. 2017 (adjusted)*
Acquisition-related liabilities – current portion	13.7	13.2
Deferred income	71.0	90.7
Contract liabilities**	67.6	66.6
Other liabilities	8.0	6.1
Other current liabilities	**160.3**	**176.6**

* See 5.1.2.2 for an explanation of adjustments to the statement of financial position at 31 December 2017 resulting from the application of IFRS 9 and IFRS 15.
** See definition in 5.1.2.1.2.

5.11. NET CASH AND NET DEBT

(in € millions)	31 Dec. 2017	Monetary flows	Non-monetary flows				30 June 2018
			Newly consolidated companies	Amortised cost of debt	Exchange rate impact	Other	
Cash and cash equivalents[1]	237.9	27.2	13.5	-	(0.1)	-	278.5
Bank overdrafts[2]	(5.1)	1.4	(0.1)	-	-	-	(3.8)
Cash and cash equivalents net of bank overdrafts	**232.9**	**28.6**	**13.4**	**-**	**(0.1)**	**-**	**274.8**
Bank debt and commercial paper	(130.8)	10.3	(0.4)	-	0.1	-	(120.8)
Net cash at bank	**102.0**	**38.9**	**13.0**	**-**	**-**	**-**	**153.9**
Convertible bond debt (ORNANE)	-	(198.4)	-	(1.5)	-	16.7	(183.2)
Bond debt (Euro PP)	(102.1)	2.6	-	(1.4)	-	-	(100.9)
Bond debt (Schuldschein)	(149.7)	1.1	-	(1.5)	-	-	(150.1)
Leases refinanced with recourse	(108.8)	22.7	-	-	-	-	(86.0)
Factoring liabilities with recourse	(12.2)	(2.8)	-	-	-	-	(15.1)
Other liabilities with recourse	(3.1)	(3.7)	-	-	-	-	(6.8)
Finance lease liabilities	(4.7)	(1.1)	(1.4)	-	-	-	(7.2)
Sub-total	**(380.6)**	**(179.6)**	**(1.4)**	**(4.4)**	**-**	**16.7**	**(549.3)**
Net debt	**(278.6)**	**(140.7)**	**11.6**	**(4.4)**	**0.1**	**16.7**	**(395.3)**
12-month net debt to EBITDA ratio	**1.5**						**2.4**

(1) Positive gross cash.
(2) Including bank overdrafts of €3.8 million at 30 June 2018.

Cash and cash equivalents net of bank overdrafts

The €41.9 million decrease in net cash and cash equivalents as presented in the statement of cash flows is equal to the sum of monetary outflows (€28.6 million) and cash resulting from newly consolidated companies (€13.4 million), less translation losses (€0.1 million).

Issuance of convertible bonds (OCEANE)

On 6 March 2018, Econocom Group issued OCEANE bonds in the amount of €200 million (€198.4 million after allocation of issue costs), maturing on 6 March 2023. This convertible bond bears a coupon of 0.5%. 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.

Bond debt (Euro PP and Schuldschein)

Monetary flows on non-convertible bond debt (Euro PP and Schuldschein) relate to interest paid during the first half, shown within “Interest paid” in the consolidated statement of cash flows.

5.12. EQUITY

5.12.1. SHARE CAPITAL OF ECONOCOM GROUP SE

	NUMBER OF SHARES			VALUE (IN € MILLIONS)		
	Total	Treasury shares	Outstanding	Share capital	Additional paid-in capital	Treasury shares
At 31 December 2017	**245,140,430**	**9,529,793**	**235,610,637**	**23.5**	**253.0**	**(58.1)**
Purchases of treasury shares, net of sales	-	32,769	(32,769)	-	-	(0.1)
Exercise of options and award of free shares	-	(1,410,000)	1,410,000	-	-	9.1
OCEANE – equity component	-	-	-	-	16.7	-
Refund of issue premium	-	-	-	-	(29.4)	-
At 30 June 2018	**245,140,430**	**8,152,562**	**236,987,868**	**23.5**	**240.3**	**(49.0)**

5.12.2. STOCK SUBSCRIPTION AND PURCHASE OPTION PLANS

Stock subscription and purchase options have been granted to some of the Group's employees and managers for an agreed unit price. Details of these plans are provided below (NB: following the share split, the number of rights attached to each option was doubled to avoid altering the number of options granted):

Stock option plans	2013	2014(1)	2015(1)	2016(1)	2017(2)	Total
Options outstanding at 31 Dec. 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 or forfeited	-	(10,000)	-	(10,000)	(360,000)	(380,000)
Options outstanding at 30 June 2018	**250,000**	**1,802,500**	**357,500**	**95,000**	**1,590,000**	**4,095,000**
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 30 June 2018	**500,000**	**3,605,000**	**715,000**	**190,000**	**1,590,000**	**6,600,000**
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, which 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 by the Compensation Committee in December 2017. These options will also give rise to the issue of new shares.

5.12.3. FREE SHARE PLAN

The Annual Shareholders' Meeting of 17 May 2016 authorised Econocom's Board of Directors to grant 2,250,000 existing shares free of charge (after taking into account the share split in 2017), representing 1.0% of Econocom's share capital. Vesting may be contingent on continued presence within the Group and the achievement of individual, collective, internal and/or external objectives. Pursuant to this authorisation, on 19 May 2016 Econocom's Board of Directors awarded 440,000 free shares to a senior executive. At 30 June 2018, 140,000 rights remained outstanding after the exercise of 140,000 rights in the first tranche and 160,000 rights in the second tranche. In addition, on 26 February 2018, Econocom's Board of Directors granted 15,000 free shares to an employee, bringing the number of free shares outstanding to 155,000 at 30 June 2018.

	2016		2018	Total
Tranches	**2**	**3**	**1**	
Free shares outstanding at 31 Dec. 2017	160,000	140,000	-	**300,000**
Free shares allocated during the period	-	-	15,000	**15,000**
Free shares exercised during the period	(160,000)	-	-	**(160,000)**
Free shares lost during the period	-	-	-	**-**
Free shares outstanding at 30 June 2018	**-**	**140,000**	**15,000**	**155,000**
Expiry date	May 2018	May 2019	February 2019	-

5.13. PROVISIONS

(in € millions)	31 Dec. 2017	Changes in scope of consolidation	Additions	Reversals (surplus provisions)	Reversals (utilised provisions)	Other and exchange differences	30 June 2018
Reorganisation and employee-related risks	9.8	0.6	5.0	(0.1)	(3.2)	-	12.0
Tax, legal and commercial risks	19.4	0.4	4.2	(1.9)	(4.7)	(1.0)	16.5
Deferred commissions	0.9	-	0.5	-	-	-	1.4
Other risks	12.2	0.4	3.3	(0.2)	(3.1)	-	12.5
Total	**42.3**	**1.4**	**13.0**	**(2.2)**	**(11.0)**	**(1.0)**	**42.4**
Non-current portion	1.1	1.0	-	-	-	-	2.1
Current portion	41.2	0.4	13.0	(2.2)	(11.0)	(1.0)	40.3
Profit impact of movements in provisions							
Recurring operating profit			7.2	(1.3)	(8.2)		
Non-recurring operating profit			5.8	(0.3)	(2.8)		
Taxes			-	(0.6)	-		

Provisions were stable in the six months to 30 June 2018. The €13.0 million addition mainly covers restructuring and commercial disputes.

The use of provisions in an amount of €11.0 million primarily reflects employee departure costs and the resolution of commercial disputes.

Additions to provisions net of reversals of provisions not utilised had a negative impact of €10.8 million on profit.

5.14. CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Notes	First-half 2018	First-half 2017 (adjusted)
Total profit for the period		**0.4**	**31.9**
Cash flows from operating activities before cost of net debt and income tax		**25.2**	**49.3**
Change in working capital(1)	5.14.1.2	(105.4)	(117.6)
Tax paid net of tax credits		(16.0)	(13.8)
Net cash from (used in) operating activities	**5.14.1**	**(96.2)**	**(82.1)**
Net cash from (used in) investing activities	**5.14.2**	**(30.5)**	**(44.5)**
Net cash from (used in) financing activities	**5.14.3**	**168.7**	**(10.6)**
Impact of exchange rates on cash and cash equivalents		(0.1)	0.2
Change in net cash and cash equivalents		**41.9**	**(137.0)**
Net cash and cash equivalents at beginning of period		**232.9**	**348.5**
Net cash and cash equivalents at end of period(2)		**274.8**	**211.5**

(1) Including €53.2 million in respect of investments in TMF contracts.
(2) Net of short-term bank overdrafts: €3.8 million at 30 June 2018 and €3.7 million at 30 June 2017.

5.14.1. NET CASH FROM (USED IN) OPERATING ACTIVITIES

Net cash used in operating activities totalled €96.2 million in the first half of 2018, compared with €82.1 million in the first half of 2017. This change is attributable chiefly to the decline in cash flow to €25.2 million in the first half of 2018 (versus €49.3 million in the first half of 2017), partially offset by a more moderate seasonal increase in the working capital requirement, which amounted to €105.4 million (€117.6 million in the first half of 2017).

5.14.1.1. Non-cash expenses (income)

(in € millions)	First-half 2018	First-half 2017 (adjusted)
Depreciation/amortisation of property, plant and equipment and intangible assets	16.2	12.5
Net additions to (reversals of) provisions for contingencies and expenses	0.4	3.5
Change in provisions for pensions and other post-employment benefit obligations	0.3	1.3
Impairment of trade receivables and other current assets	6.9	3.8
Total provisions, depreciation, amortisation and impairment	**23.8**	**21.1**
Change in fair value of the ORNANE embedded derivative component	-	**(4.1)**
Change in residual interest in leased assets(1)	**(10.4)**	**(16.6)**
Cost of discounting residual interest in leased assets and gross liability for purchases of leased assets(2)	(0.5)	(0.4)
Losses (gains) on disposals of property, plant and equipment and intangible assets	0.4	-
Gains and losses on fair value remeasurement(3)	0.1	(0.6)
Expenses calculated for share-based payments	0.8	0.7
Impact of sold operations and changes in consolidation methods	-	0.3
Other non-cash expenses (income)	**0.8**	-
Non-cash expenses (income)	**14.2**	**0.4**

(1) Changes in the residual interest in leased assets takes account of the impact of discounting in prior periods. The €2.0 million impact of discounting for the period was eliminated in the "Other non-cash expenses (income)" item.

(2) Reflects the impact in the period of discounting the residual interest in leased assets (negative €2.0 million) and the liability for purchases of leased assets (positive €1.5 million).

(3) Change in value of acquisition-related liabilities over the period.

5.14.1.2. Change in working capital

The increase in working capital breaks down as follows:

(in € millions)	Notes	31 Dec. 2017 (adjusted)	Change in working capital in first-half 2018	Total other changes(1)	30 June 2018
Other long-term receivables, gross		12.5	(3.5)	3.4	12.4
Inventories, gross	5.10.1	67.7	34.9	0.6	103.2
Trade receivables, gross	5.10.2	1,082.8	27.9	18.3	1,129.0
Other receivables, gross	5.10.2	94.9	12.6	0.1	107.6
Residual interest in leased assets	5.9	141.4	-	12.7	154.1
Current tax assets(2)		9.3	-	2.2	11.5
Other current assets	5.10.2	77.0	(10.5)	0.6	67.1
Inventories and operating receivables		**1,485.6**	**61.4**	**37.9**	**1,584.9**
Other non-current liabilities		(99.1)	4.4	(12.3)	(107.0)
Trade payables	5.10.3	(735.0)	12.7	(19.4)	(741.7)
Other payables	5.10.3	(225.0)	16.3	(31.9)	(240.6)
Current tax liabilities(2)		(17.2)	-	(0.4)	(17.6)
Other current liabilities	5.10.3	(176.6)	18.9	(2.6)	(160.3)
Gross liability for purchases of leased assets(3)		(77.5)	(8.3)	(1.6)	(87.4)
Trade and other operating payables		**(1,330.4)**	**44.0**	**(68.2)**	**(1,354.6)**
Total change in working capital, of which:		**-**	**105.4**	**-**	**-**
Investments in self-funded TMF contracts		-	53.2	-	-
Other changes		-	52.2	-	-

(1) Mainly corresponding to changes in the scope of consolidation and in fair value, and translation adjustments.

(2) Monetary flows are shown on the “Tax paid net of tax credits” line in the statement of cash flows.

(3) Corresponding to changes in residual financial values of leased assets excluding the currency effect and discounting in the period.

5.14.2. BREAKDOWN OF NET CASH FROM (USED IN) IN INVESTING ACTIVITIES

Net cash used in investing activities totalled €30.5 million, primarily reflecting:

- €23.0 million in investments in property, plant and equipment and intangible assets: licences and IT project costs, accommodation and infrastructure improvements;
- €6.3 million in cash outflows following the acquisitions made during the period (in a net amount of €5.6 million) and payments of contingent consideration and deferred liabilities relating to acquisitions in prior periods (€0.7 million);
- €1.3 million in other financial investments (acquisitions of shares in investment funds and non-controlling interests).

5.14.3. BREAKDOWN OF NET CASH FROM (USED IN) IN FINANCING ACTIVITIES

Net cash from financing activities amounted to €168.7 million, mainly reflecting:

- the issuance of OCEANE bonds in an amount of €200 million (before allocation of issue costs);
- change in refinancing liabilities on leases (negative €22.7 million);
- interest payments in the first half of 2018, including coupons paid on Schuldschein and Euro PP bonds and OCEANE issue costs (negative €9.1 million).

5.15. RELATED-PARTY TRANSACTIONS

Transactions between the parent company and its subsidiaries, which are related parties, are eliminated on consolidation and are not presented in this note. Other related-party transactions mainly concern the principal transactions carried out with the Chairman of the Board of Directors, its Vice-Chairman, the Chief Executive Officers and Executive Directors, or with companies controlled by the Group or over which it exercises significant influence.

The conditions underlying compensation payable to the Group's corporate officers are approved by the Board of Directors acting on recommendations put forward by the Compensation Committee. Certain compensation packages were adjusted over the period to take into account changes to the responsibilities of a number of managers. There have been no material changes in this caption since the disclosures presented in Note 22.1 to the 2017 consolidated financial statements.

No material changes occurred in first-half 2018 as regards the other related-party transactions set out in Note 22.2 to the 2017 consolidated financial statements.

5.16. SUBSEQUENT EVENTS

On 17 July 2018, the Board of Directors authorised its Chairman, Jean-Louis Bouchard, to buy back shares in an amount of up to €30 million, representing approximately 5% of the Group’s share capital. The buyback may be implemented over the coming ten months depending on market conditions.