Econocom 2019 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 2019 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.

4 September 2019

Jean-Louis Bouchard
Chairman of Econocom

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management report

1. Group's financial position and highlights

Econocom Group's growth momentum continued in the first half of 2019. At the end of June, revenue from continuing operations was €1,238 million, up 2.9% using constant standards, with organic growth of 1.6%.

Although the Technology Management Financing (TMF) business decreased by 3.9% over the half year, the good momentum seen in the second quarter enabled it to generate organic growth of 1.6% compared to the second quarter of 2018.

The Digital Services & Solutions (DSS) business, which since the beginning of the year has combined the Services and Products & Solutions businesses, posted growth of 9.3%, with organic growth of 7.1%, over the half year. This growth was driven by all geographic areas.

Profit from continuing operations[1] totalled €40.2 million for the first half of 2019, compared with €34.4 million in the first half of 2018. Profit from continuing operations for the TMF business amounted to €15.6 million, an increase from the first half of 2018. For the DSS business, profit from continuing operations was €24.6 million, more than 20% higher than for the first half of 2018.

In addition, for its continuing operations, the Group recorded non-recurring expenses of €13.7 million in the first half of 2019 (compared to €14.2 million in the first half of 2018), demonstrating the Group's motivation to continue its transformation.

Profit for the period was €5.4 million (compared to €0.4 million in the first half of 2018). Profit for the period attributable to owners of the parent was €3.9 million (compared to a loss of €3.7 million in the first half of 2018).

1.1. Strengthening of the Group's governance

The Group made several appointments in the first half of the year.

In January, the Group's Executive Committee was expanded to include the managers of the three main operating activities in France and the managers of the other geographic areas. In addition, Mathilde Bluteau, Executive Director for support functions since her arrival at Econocom at the beginning of the year, was appointed to this committee.

In April 2019, Angel Benguigui was appointed Group Finance Director. He previously served as Country Manager for Spain since 2006.

[1] Before amortisation of intangible assets from acquisitions.

In May 2019, Julie Verlingue was appointed Group Deputy Managing Director. Since arriving in March 2018, she had served as Managing Director for International and the TMF business.

1.2. Transformation plan

As the Group Management announced at the start of the year, Econocom has ramped up the transformation of its organisation to refocus and cut costs by around €20 million. The combining of some businesses, the disposal of non-strategic entities and the focus on the Group's key strengths are expected to help it improve its visibility and concentrate its investments on the most profitable outlets while reducing its financial liability.

In this vein, and by agreement with the Board of Directors, a list of companies and operations that are considered non-strategic was drawn up and a disinvestment plan was implemented. These operations apply mainly to the Digital Services & Solutions business.

1.3. Embezzlements from Econocom in Italy

On 25 June 2019, the Group Management was notified that the Italian authorities were conducting an investigation into possible fraudulent activities that allegedly targeted Econocom in Italy in an amount of approximately €18 million.

The investigation implicates Econocom's managers in Italy, who were immediately suspended from their roles and responsibilities. None of them held corporate office or powers in the Econocom Group, and this incident relates only to our operations in Italy.

Econocom International Italia is actively cooperating with the local authorities.

In addition, steps were taken immediately to protect the interests of our companies, our customers and our employees, namely:

- all the persons allegedly involved have been suspended from their positions in the organisation;
- a new interim operating team has been appointed;
- we have suspended all our relationships with persons (and not employees) who are potentially implicated in the matter and with implicated consultants and agents;
- an audit of the transactions carried out by Econocom in Italy since 2012 has been initiated with an outside consultant;
- strengthened measures have been put in place to guarantee the security of our future transactions.

1.4. Treasury share transactions

In the first half of the year, the Econocom Group carried out a buyback (apart from the liquidity agreement in force until March) of 2,972,833 shares for a total amount of €10.6 million.

At 30 June 2019, the Econocom Group held 16,810,735 shares, representing 6.5% of the share capital.

The Annual General Meeting of 21 May 2019 renewed the authorisation granted to the Board of Directors to purchase treasury shares in an amount up to 20% of the number of shares issued.

2. Half-year results

2.1. Key figures (unaudited, in € millions)

Income statement	First-half 2019	First-half 2018 restated*
Revenue from continuing operations	**1,238.1**	**1,232.7**
Technology Management & Financing	560.8	613.1
Digital Services & Solutions	677.3	619.6
Profit (loss) from continuing ordinary operations before amortisation of intangible assets from acquisitions (1)	**40.2**	**34.4**
Profit (loss) from continuing ordinary operations	39.2	32.3
Other non-recurring operating income and expenses	(13.7)	(14.2)
Operating profit	**25.6**	**18.1**
Other financial income and expenses	(9.0)	(7.0)
Profit before tax	**16.6**	**11.1**
Income tax expense	(7.4)	(6.8)
Profit (loss) from discontinued operations	(3.8)	(3.8)
Share of profit (loss) of associates and joint ventures	-	-
Profit for the period	**5.4**	**0.4**
Non-controlling interests	1.5	4.1
Profit for the period attributable to owners of the parent	**3.9**	**(3.7)**
Recurring net profit attributable to owners of the parent (1)	**13.6**	**7.9**

Attributable to owners of the parent (in €)	First-half 2019	First-half 2018 restated*
Basic earnings per share	0.017	(0.016)
Diluted earnings per share	0.017	(0.016)
Recurring net earnings per share (1)	0.059	0.033

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases. In addition, in accordance with the approach used at 31 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

Cash flows from operating activities, net cash at bank and net debt	First-half 2019	First-half 2018 restated*
Cash flow before cost of net debt and income tax expense**	**60.7**	**29.3**
Net cash at bank	135.5	153.9
Net debt***	**(404.8)**	**(395.3)**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.

** In accordance with IFRS 16, the share of rental payments that is considered an amortisation of rights of use is included in an amount of €10.3 million of this €60.7 million.

*** Before recognition of the debt caused by the application of IFRS 16 to the leases (real estate, vehicles, etc.) for which Econocom is the lessee.

Total equity	First-half 2019	First-half 2018
Total equity	**450.9**	**470.7**

Market capitalisation (in units and €)	First-half 2019	First-half 2018
Average number of shares outstanding	229,167,553	236,488,856
Total number of shares at end of period	245,380,430	245,140,430
Number of shares outstanding at end of period	228,569,695	236,987,868
Share price at 28 June (in €)	3,140	4.72
Market capitalisation at 30 June (in € millions)	770	1,158

(1) To facilitate the monitoring and comparability of its operating and financial performances, Econocom Group presents two key indicators, “profit (loss) from continuing ordinary operations before amortisation of intangible assets from acquisitions” and “recurring profit attributable to owners of the parent”. These non-GAAP indicators are determined as follows:

- *Profit (loss) from continuing ordinary operations before amortisation of intangible assets from acquisitions (see 2018 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 2019, the main acquisition of intangible assets arising from the business combinations made by Econocom Group whose amortisation was not taken into account to calculate this indicator was the ECS customer portfolio.

- *Recurring net profit attributable to owners of the parent (see 2018 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 2019, it was calculated as follows:

in € millions	First-half 2019 (reported)	Amortisation of intangible assets from acquisitions	Other non-recurring items	First-half 2019 (recurring)	First-half 2018 (recurring) restated*
Revenue	1,238.1	**-**	**-**	**1,238.1**	**1,232.7**
Profit (loss) from continuing ordinary operations	39.2	**1.0**	**-**	**40.2**	**34.4**
Other non-recurring operating income and expenses	(13.7)	-	13.7	-	-
Operating profit	25.6	**1.0**	**13.7**	**40.2**	**34.4**
Other financial income and expenses	(9.0)			(9.0)	(7.0)
Profit before tax	16.6	**1.0**	**13.7**	**31.2**	**27.4**
Income tax expense	(7.4)	(0.3)	(4.5)	(12.2)	(11.5)
Profit (loss) from discontinued operations	(3.8)			(3.8)	(3.8)
Profit for the period	5.4	**0.7**	**9.1**	**15.2**	**12.0**
Non-controlling interests	1.5	-	0.1	1.7	4.1
Profit for the period attributable to owners of the parent	**3.9**	**0.7**	**9.0**	**13.6**	**7.9**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases. In addition, in accordance with the approach used at 31 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

Based on this indicator, the Group also presents its "recurring net 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 the activity during the half year

In the first half of 2019, the Econocom Group generated consolidated revenue from continuing operations of €1,238.1 million, compared to €1,232.7 million in the first half of 2018, representing growth of 2.9%, with organic growth of 1.6%, using constant standards.

At 30 June 2019, profit from continuing operations was €40.2 million, compared to €34.4 million year on year. This increase was driven by the Group's two businesses (see section 2.3., Key figures by business).

Operating profit from continuing operations was €25.6 million, compared to €18.1 million at 30 June 2018. This increase mainly reflects the change in profit from continuing operations, as non-recurring operating expenses remained stable over all. Totalling €13.7 in the six months to 30 June 2019, these expenses stemmed chiefly from workforce reductions.

Net financial expenses amounted to €9.0 million, compared with €7.0 million in the first half of 2018. This increase can be explained mainly by the €0.9 million financial expense recognised for the first time as part of the application of IFRS 16 in assets leased by the Group (premises and vehicles, etc.) and by the full-year effect of the expenses on the OCEANE bond issued in March 2018.

Taking these items into account, profit for the first half of 2019 totalled €5.4 million, including €3.9 million attributable to owners of the parent.

Recurring net profit for the period attributable to owners of the parent was €13.6 million, compared with €7.9 million in the first six months of 2018.

At 30 June 2019, equity was €450.9 million, compared to €491.3 million at the end of December 2018, reflecting the impact of the refund of the issue premium in an amount of €27.4 million decided on during the Annual General Meeting of 21 May 2019, and the impact of the buybacks of treasury shares that occurred in the first half for an amount of €10.5 million.

Net debt at 30 June 2019 (excluding the impact of IFRS 16 on the leases) was €404.8 million and broke down as follows:

in € millions	30 June 2019	30 June 2018	31 December 2018
Cash and cash equivalents	496.6	278.5	608.4
Bank debt and commercial paper	(361.1)	(124.6)	(290.7)
Net cash at bank	**135.5**	**153.9**	**317.7**
Convertible bond debt (ORNANE)	(186.8)	(183.2)	(185.5)
Non-convertible bond debt (Euro PP)	(101.0)	(100.9)	(102.2)
Non-convertible bond debt (Schuldschein)	(150.2)	(150.1)	(149.8)
Contracts and receivables refinanced with recourse and other	(102.4)	(115.1)	(131.8)
Net debt	**(404.8)**	**(395.3)**	**(251.7)**

2.3. Key figures by business

Revenue and profit (loss) from continuing ordinary operations broke down as follows:

Revenue (in € millions)	First-half 2019	First-half 2018 restated*	Total growth**	Organic growth**
Technology Management & Financing	560.8	613.1	-3.9%	-3.9%
Digital Services & Solutions	677.3	619.6	9.3%	7.1%
Revenue	**1,238.1**	**1,232.7**	**2.9%**	**1.6%**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.

** Using constant standards

Profit (loss) from continuing ordinary operations (in € millions)	First-half 2019	First-half 2018 restated*	First-half 2019 % of Revenue	First-half 2018 % of Revenue*
Technology Management & Financing	15.6	14.2	2.8%	2.3%
Digital Services & Solutions	24.6	20.1	3.6%	3.3%
Profit (loss) from continuing ordinary operations	**40.2**	**34.4**	**3.2%**	2.8%

** In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.*

Using constant standards, the Technology Management & Financing business (leases) posted a 3.9% organic decrease in its revenue, to €560.8 million at the end of June 2018. After a slump in the first quarter due to the postponement of several contracts and the continuation of a more selective business policy that began in 2018, the second quarter rebounded with organic growth of 1.6% compared to the same period in 2018. In the first half of 2019, growth was especially strong in France and Belgium; Southern Europe, however, had mixed results with good momentum in Spain but a subpar performance in Italy. Profit from continuing operations in the Technology Management & Financing business, which was negatively impacted by poor performances in Italy and the dilutive effect on the margin exercised in the short term by the increase in new customers, included provisions lower than in the first half of 2018 and benefited from cost-cutting efforts.

The Digital Services & Solutions business enjoyed further growth momentum, posting revenue of €677.3 million in the first half, an increase of 9.3%, with organic growth of 7.1%. All the Group's geographic areas posted organic growth in this business, driven by the increasing penetration of the "orchestrated" solutions (distribution, services, integration) and by our Satellites. The first quarter had been strong, with several one-time transactions in the Satellites scope (BDF, Bizmatica and Aciernet), and the slowdown seen in the second quarter of 2019 was tied closely to a base effect. Profit from continuing operations was €24.6 million, reflecting both a higher margin and an increase in absolute terms compared to the first half of 2018.

In the first half of the year, the Group scored some major successes: we won the Apple Education award for top reseller in France, which demonstrates our commitment to bringing first-rate technology to schools; and in IT security, which is a major growth area for the Group, we were honoured as Best Security Partner of the Year at Information Security Day 2019 in Luxembourg. In terms of signing deals, we are proud to announce that in May we formalised a major partnership with Amsterdam Airport Schiphol, in which Econocom will manage more than 3,000 of the client's information monitors with the goal of extending their useful life and reducing the related waste levels. Finally, we signed an attractive agreement, which will be rolled out in the next school year, with a large French region to provide students in the first year of secondary school with superior laptop computers that are configured and customised on request.

2.4. Key figures by geographical area

Revenue by geographical area breaks down as follows:

in € millions	First-half 2019	First-half 2018 restated*	Total growth**
France	631.3	590.1	8.2%
Benelux	173.4	161.8	7.1%
Southern Europe and Morocco	291.9	303.5	-3.8%
Northern & Eastern Europe / Americas	141.5	177.3	-19.8%
Total revenue	**1,238.1**	**1,232.7**	**2.9%**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.

** Using constant standards

France and Benelux had a strong first half, posting revenue in organic growth of 7% each (using constant standards).

However, Southern Europe had mixed results, impacted in particular by the embezzlements disclosed in Italy in late June, which had a commercial effect on the TMF business in Italy. The strong performances in Spain did not fully offset the difficulties in Italy.

Northern & Eastern Europe and North America were in decline due to the postponement of some contracts in the United Kingdom and a negative base effect in the United States, where major leases where signed in the first half of 2018.

3. Outlook

In the second half of the year, Econocom plans to ramp up the transformation of its organisation. Sales efforts will also be stepped up in order to continue on the productive path for the business that was observed in the first half.

The initial results of the savings plan, which kicked off in 2018 and applies to the entire cost structure, are expected to be more fruitful in the second half of 2019. In light of these factors, the Group confirms its objective to generate €128 million in profit from continuing operations in 2019 on a like-for-like basis.

4. Risk factors and disputes

The risk factors described in the 2018 annual report did not change significantly during the first half. Although the embezzlements that targeted Econocom in Italy implicated only local managers, the Group plans to draw lessons from the ongoing investigations to further bolster internal control across the Group.

5. Related parties

There has been no major change in related parties since the publication of the 2018 annual report.

6. Human resources

Econocom Group employed 10,671 people at 30 June 2019, compared with 10,812 at 31 December 2018. The workforce declined by 1.3%.

7. Share price and ownership structure

The Econocom share closed at €3.14 on 30 June 2019. 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 2019	31 December 2018
Companies controlled by Jean-Louis Bouchard	36.40%	36.44 %
Public shareholders	56.75%	57.86 %
Treasury shares	6.85%	5.70 %
Total	100%	100 %

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 2019. 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*

* Unaudited

1. Condensed consolidated income statement and earnings per share

For the six-month periods ended 30 June 2019 and 30 June 2018

in € millions	Notes	First-half 2019	First-half 2018 restated*
Revenue from continuing operations	5.3	**1,238.1**	**1,232.7**
Operating expenses		**(1,198.8)**	**(1,200.4)**
Cost of sales		(815.5)	(805.9)
Personnel costs		(274.2)	(271.1)
*External expenses***		(84.9)	(94.9)
*Depreciation, amortisation and provisions***		(19.1)	(11.7)
Net impairment losses on current and non-current assets		(6.8)	(13.2)
Taxes (other than income taxes)		(6.4)	(7.3)
Other operating income and expenses		5.6	3.9
Financial income – operating activities		2.5	(0.2)
Profit (loss) from continuing ordinary operations before amortisation of intangible assets from acquisitions	5.3	**40.2**	**34.4**
Profit (loss) from continuing ordinary operations		**39.2**	**32.3**
Other non-recurring operating income and expenses	5.4	(13.7)	(14.2)
Operating profit		**25.6**	**18.1**
Other financial income and expenses	5.5	(9.0)	(7.0)
Profit before tax		**16.6**	**11.1**
Income tax expense	5.6	(7.4)	(6.8)
Profit from continuing operations		**9.2**	**4.3**
Share of profit (loss) of associates and joint ventures		-	-
Profit (loss) from discontinued operations	5.1.4	(3.8)	(3.8)
Profit for the period		**5.4**	**0.4**
Non-controlling interests		1.5	4.1
Profit for the period attributable to owners of the parent		3.9	(3.7)
Recurring profit attributable to owners of the parent [1]		**13.6**	**7.9**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this

standard on the leases. In addition, in accordance with the approach used at 30 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

** Changes in these two items came mainly from the introduction on 1 January 2019 of IFRS 16 on Leases (see 5.1.2.2).

(attributable to owners of the parent, in €)	Notes	First-half 2019	First-half 2018
Basic earnings per share	5.7	0.017	(0.016)
Diluted earnings per share	5.7	0.017	(0.016)
Recurring net earnings per share (1)		0.059	0.033

(1) Recurring net profit attributable to owners of the parent has been the performance indicator used by Econocom to assess its economic and financial performance. It does not include:

- 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 expense, net of tax effects;
- profit (loss) from discontinued operations.

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 2019	First-half 2018
Profit for the period	5.4	0.4
Items that will not be reclassified to profit or loss	***(4.3)***	**-**
Remeasurements of the net liabilities (assets) under defined benefit plans	*(5.5)*	-
Deferred income tax expense on the remeasurement of the liabilities (assets) for defined benefit plans	*1.2*	-
Items that may be reclassified to profit or loss	**(0.3)**	**(0.9)**
Change in fair value of cash flow hedges	*(0.7)*	*(0.6)*
Deferred taxes arising on change in value of cash flow hedges	*0.2*	*0.2*
Foreign currency translation adjustments	0.2	(0.5)
Other comprehensive income (expense)	**(4.5)**	**(0.9)**
Total comprehensive income for the period	**0.9**	**(0.5)**
Attributable to non-controlling interests	1.5	4.1
Attributable to owners of the parent	(0.6)	(4.6)

2. Consolidated statement of financial position

Assets

in € millions	Notes	30 June 2019	31 December 2018*
Non-current assets			
Intangible assets		66.4	83.4
Goodwill	5.8	538.8	631.1
Property, plant and equipment		37.2	48.6
Rights of use assets		77.1	-
Long-term financial assets		24.4	27.7
Residual interest in leased assets	5.9	124.0	122.4
Other long-term receivables		10.5	15.2
Deferred tax assets		40.5	33.8
Total non-current assets		**918.9**	**962.3**
Current assets			
Inventories	5.10.1	75.9	52.1
Trade and other receivables	5.10.2	1,169.7	1,268.6
Residual interest in leased assets	5.9	38.4	41.4
Current tax assets		12.1	10.2
Contract assets	5.10.2	19.7	31.3
Other current assets	5.10.2	51.4	34.9
Cash and cash equivalents	5.11	496.6	608.4
Total current assets		**1,863.8**	**2,046.9**
Assets held for sale	**5.1.4**	**207.1**	**-**
Total assets		**2,989.8**	**3,009.2**

* In accordance with the specifications of the standards, the 31 December 2018 statement of financial position is not restated for the impact of the application of IFRS 5 and 16 beginning in January 2019 (see 5.1.2).

Liabilities

in € millions	Notes	30 June 2019	31 December 2018*
Share capital	5.12	23.5	23.5
Additional paid-in capital and reserves		328.3	333.5
Profit for the period attributable to owners of the parent		3.9	39.4
Equity attributable to owners of the parent		**355.7**	**396.4**
Non-controlling interests		95.2	94.9
Total equity	**5.12**	**450.9**	**491.3**
Non-current liabilities			
Bonds	5.11	431.6	431.1
Financial liabilities	5.11	67.8	73.0
Gross liability for purchases of leased assets		72.8	73.0
Long-term lease liabilities		61.7	-
Provisions	5.13	2.1	2.1
Provisions for pensions and other post-employment benefit obligations		45.3	45.1
Other non-current liabilities		62.9	69.9
Deferred tax liabilities		3.2	6.6
Total non-current liabilities		**747.5**	**700.8**
Current liabilities			
Bonds	5.11	6.4	6.4
Financial liabilities	5.11	395.7	349.6
Gross liability for purchases of leased assets		22.7	25.1
Short-term lease liabilities		17.7	-
Provisions	5.13	31.1	41.6
Current tax liabilities		12.6	14.9
Trade and other payables	5.10.3	998.2	1,104.2
Contract liabilities	5.10.3	66.7	85.8
Other current liabilities	5.10.3	153.9	189.3
Total current liabilities		**1,705.1**	**1,817.1**
Liabilities held for sale	**5.1.4**	**86.3**	**-**
Total equity and liabilities		**2,989.8**	**3,009.2**

* In accordance with the specifications of the standards, the 31 December 2018 statement of financial position is not restated for the impact of the application of IFRS 5 and 16 beginning in January 2019 (see 5.1.2).

3. Consolidated statement of changes in equity

For the six-month periods ended 30 June 2018 and 30 June 2019

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**	**(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) From the impact of the first application of IFRS 9 on 1 January 2018

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 2018	**245,140,430**	**23.5**	**240.3**	**(64.6)**	**205.2**	**(8.0)**	**396.4**	**94.9**	**491.3**
IFRS 16 Leases (Lessee) impact					(3.0)		**(3.0)**		**(3.0)**
Balance at 1 January 2019	**245,140,430**	**23.5**	**240.3**	**(64.6)**	**202.2**	**(8.0)**	**393.4**	**94.9**	**488.3**
Profit for the period					3.9		**3.9**	1.5	**5.4**
Other comprehensive income (expense), net of tax						(4.5)	**(4.5)**		**(4.5)**
Total comprehensive income for first-half 2019	**-**	**-**	**-**	**-**	**3.9**	**(4.5)**	**(0.6)**	**1.5**	**0.9**
Share-based payments						0.5	**0.5**		**0.5**
Refund of issue premiums (paid in July)			(27.4)				**(27.4)**		**(27.4)**
Capital increase	240,000		0.7				**0.7**		**0.7**
Treasury share transactions, net				(10.2)	(0.3)		**(10.5)**		**(10.5)**
Put and call options on non-controlling interests initial recognition							**-**		**-**
Put and call options on non-controlling interests change in fair value					(0.3)		**(0.3)**		**(0.3)**
Other transactions and transactions with an impact on non-controlling interests					(0.1)		**(0.1)**	(1.2)	**(1.4)**
Balance at 30 June 2019	**245,380,430**	**23.5**	**213.5**	**(74.7)**	**205.4**	**(12.0)**	**355.7**	**95.2**	**450.9**

4. Consolidated statement of cash flows

For the six-month periods ended 30 June 2019 and 30 June 2018

in € millions	Notes	First-half 2019	First-half 2018 restated*
Profit from continuing operations		9.2	4.3
Provisions, depreciation, amortisation and impairment**	5.14.1.1	30.8	21.6
Elimination of the impact of residual interest in leased assets	5.14.1.1	4.0	(10.4)
Other non-cash expenses (income)	5.14.1.1	1.4	0.7
Cash flows from operating activities after cost of net debt and income tax		**45.4**	**16.1**
Income tax expense	5.6	7.7	6.8
Cost of net debt		7.6	6.4
Cash flows from operating activities before cost of net debt and income tax (a)		**60.7**	**29.3**
Change in working capital requirement (b), of which: *Investments in self-funded TMF contracts* *Other changes in working capital requirement****	5.14.1.2	(138.4) *(5.9)* *(132.5)*	(106.8) *(53.2)* *(53.6)*
Tax paid before tax credits (c)		(17.2)	(15.0)
Net cash from (used in) operating activities (a+b+c=d)	**5.14.1**	**(94.9)**	**(92.6)**
Acquisition of property, plant and equipment and intangible assets	5.14.2	(10.6)	(19.6)
Disposal of property, plant and equipment and intangible assets		0.2	-
Acquisition of long-term financial assets		(1.2)	(1.6)
Disposal of long-term financial assets		0.3	0.3
Acquisition of companies and businesses, net of cash acquired	5.14.2	(24.2)	(6.3)
Disposal of companies and businesses, net of cash acquired		-	-
Net cash from (used in) investing activities (e)	**5.14.2**	**(35.7)**	**(27.1)**

* In accordance with IFRS 5, the restatement of the first-half 2018 figures reflects the reclassification of operations considered discontinued in the first half of 2019 to net change in cash and cash equivalents from discontinued operations. However, in accordance with the provisions of this standard, the information from the first half of 2018 is not restated for the impact of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2). In addition, in accordance with the approach used at 31 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

** In accordance with IFRS 16, the share of rental payments that is considered an amortisation of rights of use is included in an amount of €10.3 million of this €30.8 million.

*** The other changes in the working capital requirements in the first half of 2019 were negatively impacted in an amount of nearly €30 million by delays in obtaining refinancing caused by the revelation in late June of embezzlements targeting Econocom in Italy, and in an amount of nearly €20 million by the increase in the working capital requirements experienced by one of our subsidiaries following a major customer's postponement of the payment of its debts to July.

in € millions	Notes	First-half 2019	First-half 2018 restated*
Issue of convertible bonds (OCEANE)		-	183.3
OCEANE equity component		-	16.7
Exercise of stock options		-	3.7
Purchases of treasury shares (net of sales)		(10.2)	(0.2)
Capital increase		0.7	-
Payments to shareholders during the period		0.2	(0.4)
Changes in refinancing liabilities on lease contracts and liabilities on self-funded contracts	5.11	0.2	(22.7)
Increase in financial liabilities		390.9	20.6
Decrease in financial liabilities**		(337.2)	(26.8)
Main components of payments coming from leases		(10.4)	-
Interest paid		(10.8)	(8.9)
Net cash from (used in) financing activities (f)	**5.14.3**	**23.3**	**165.3**
Impact of exchange rates on cash and cash equivalents (g)		0.4	(0.1)
Net change in cash and cash equivalents from discontinued operations (h)		(5.1)	(3.5)
Change in net cash and cash equivalents (d+e+f+g+h)		**(111.9)**	**41.9**
Net cash and cash equivalents at beginning of period (1)	**5.11**	**604.9**	**232.9**
Change in cash and cash equivalents		**(111.9)**	**41.9**
Net cash and cash equivalents at end of period (1)	**5.11**	**493.0**	**274.8**

* In accordance with IFRS 5, the restatement of the first-half 2018 figures reflects the reclassification of operations considered discontinued in the first half of 2019 to net change in cash and cash equivalents from discontinued operations. However, in accordance with the provisions of this standard, the information from the first half of 2018 is not restated for the impact of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2).

** In accordance with IFRS 16, decreases in financial liabilities include €11.2 million from the amortisation of lease liabilities.

(1) Net of bank overdrafts: €3.7 million at 30 June 2019 and €3.8 million at 30 June 2018.

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 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting and with IFRS as adopted by the European Union at 30 June 2019 (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 4 September 2019 and have not been reviewed by the Statutory Auditor.

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 2018, as described in the 2018 annual report, except for the items described in 5.1.2.1 below on accounting standards that are mandatorily applicable as of 1 January 2019.

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 2018 included in the 2018 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 2018 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;
- term of lease used as a firm commitment period for the application of IFRS 16 to leases.

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. Applicable standards and interpretations entering into force on 1 January 2019

On 1 January 2019, the Group began applying the following standards:

- Interpretation of IFRIC 23 – Uncertainty over Income Tax Treatments;
- IFRS 16 – Leases;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Resettlement;
- Annual improvements:
    - IFRS 3 – Recognition by Stage of a Business Previously Classified as a Joint Venture,
    - IAS 12 – Tax Consequences of Dividends,
    - IAS 23 – Borrowing Costs.

5.1.2.1.1. IFRIC 23 – Uncertainty over Income Tax Treatments

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 restatement was made in this regard.

5.1.2.1.2. IFRS 16 – Leases

IFRS 16 replaces IAS 17 and the related IFRIC and SIC interpretations and introduces new rules of accounting for leases. Econocom is affected by this standard as both:

- a lessor, as part of the TMF business; and
- a lessee (premises and vehicles, etc.).

Econocom functioning 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 occurred 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 recognises a financial asset. Revenue is not recognised at the transaction date and financial income relating to operating activities is 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 is recognised at the date of sale.

The main impact therefore relates to certain non-recourse sale & leaseback transactions for which the margin is spread over the term of the agreement.

Econocom functioning as a lessee

The leases that fall within the scope of IFRS 16 apply mainly to office and vehicle rentals.

In accordance with IFRS 16, all leases are now recognised on the assets side with the recognition of a right of use, and on the liabilities side with a liability corresponding to the discounted value of future payments.

The rental term is determined on a lease-by-lease basis and corresponds to the firm period of the commitment, taking into account optional periods that are reasonably certain to be exercised, except for vehicles for which Econocom will retain the portfolio approach, through simplification, given that the contracts are somewhat similar irrespective of the country and that this simplification does give rise to material differences with regard to the recommended method set forth in IFRS 16.

For vehicles, the assumptions and measurement methods of this "portfolio" approach are as follows: a measurement is done at each period end, making it possible to update the lease liability and right of use; amortisations and financial expenses are then determined on a flat-rate basis based on an average term of use of the vehicles (amortisation) and on the rental payments actually paid for the difference.

5.1.2.2. Presentation of the impacts of the application of IFRS 16 on the financial statements as lessee

The Econocom Group has been applying IFRS 16 since 1 January 2019 according to the simplified retrospective approach. Consequently, the 2018 financial statements have not been restated.

Impacts on the consolidated income statement

In the first-half 2019 consolidated income statement, occupancy expenses are distributed between amortisations of the right of use in profit (loss) from continuing ordinary operations and financial expenses in financial income.

At 30 June 2019, the impacts of the application of the standard were as follows:

in € millions	First-half 2019
Revenue from continuing operations	-
Operating expenses	1.7
of which depreciation, amortisation and provisions	*(10.3)*
of which other operating income and expenses	*12.0*
Profit (loss) from continuing ordinary operations	**1.7**
Other non-recurring operating income and expenses	-
Operating profit	**1.7**
Other financial income and expenses	(0.9)
Profit before tax	**0.8**
Income tax expense	(0.1)
Profit	**0.6**

Impacts on the consolidated financial position

In the consolidated statement of financial position, the right of use is recognised on the non-current assets side and lease requirements are recognised on the liabilities side.

At 1 January 2019 and 1 June 2019, the impacts of the application of this standard were as follows:

Assets in € millions	30 June 2019	1 January 2019
Intangible assets, property, plant and equipment, long-term financial assets and goodwill	-	-
Rights of use assets	77.1	67.1
Other receivables	-	-
Deferred tax assets	0.8	0.9
Total non-current assets	**77.9**	**68.0**
Total current assets	**-**	**-**
Total assets	**77.9**	**68.0**

Liabilities in € millions	30 June 2019	1 January 2019
Total equity	**(1.6)**	**(3.0)**
Bonds and financial liabilities	-	-
Long-term lease liabilities	61.7	54.0
Provisions and other non-current liabilities	-	-
Total non-current liabilities	**61,7**	**54.0**
Bonds and financial liabilities	-	-
Short-term lease liabilities	17.7	17.0
Trade and other payables	-	-
Total current liabilities	**-**	**17.0**
Total equity and liabilities	**77.9**	**68.0**

Reconciliation table with lease commitments (IAS 17)

in € millions	30 June 2019
Operating lease liabilities	**83.2**
Payments for non-lease components	(0.5)
Present value impacts	(6.9)
Finance lease liabilities	+4.4
Other	(0.8)
Lease liabilities	**79.4**

Impacts on the statement of cash flows

The statement of cash flows shows rent payments as a decrease in lease liabilities.

At 30 June 2019, the impacts of the application of the standard were as follows:

in € millions	First-half 2019
Cash flows from operating activities after cost of net debt and income tax	**10.3**
Income tax expense	-
Cost of net debt	0.9
Cash flows from operating activities before cost of net debt and income tax	**11.2**
Net cash from (used in) operating activities	**11.2**
Net cash from (used in) investing activities	**-**
Net cash from (used in) financing operations	**(11.2)**
Change in cash and cash equivalents	**-**

5.1.2.3. Presentation of the impacts of the application of IFRS 16 on the financial statements as lessor

The Econocom Group has been applying IFRS 16 since 1 January 2019 according to the simplified retrospective approach. Consequently, the 2018 financial statements have not been restated.

In the consolidated income statement for the first half of 2019, revenue was reduced by €12.9 million while profit from continuing operations was not affected. The application of IFRS 16 to leases granted by Econocom in the first half of 2018 would have reduced revenue by €29.6 million and profit from continuing operations by €0.1 million.

The application of IFRS 16 had no impact on Econocom's lessor operations in the consolidated financial position or the statement of cash flows.

5.1.2.4. Standards and interpretations adopted by the IASB but not yet applicable as of 30 June 2019

The Group did not anticipate any standard or interpretation.

5.1.3. CHANGES IN ACCOUNTING POLICY

Econocom has not made any changes to its accounting policies since 31 December 2018, other than as required by IFRS 16, applicable from 1 January 2019.

However, the Group changed the presentation of the additional depreciation (superammortamento) in Italy. This approach, which was already used as of 31 December 2018, consists in presenting this tax reduction as recurring operating income while its retrocession to customers decreases revenue. The Group did not make any other changes in presentation.

5.1.4. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE, DISCONTINUED OPERATIONS

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, outlines the criteria for classifying to non-current assets held for sale and discontinued operations, and the methods for measuring, recognising and presenting these asset categories, and which information to provide.

Once these criteria are met, the standard requires that assets held for sale and the related liabilities are presented separately in the consolidated statement of financial position at the carrying amount or fair value net of costs to sell, whichever is lower. An asset that is classified as held for sale is no longer amortised.

The standard also states that profit or loss from discontinued operations is presented separately in the overall income statement, retrospectively for comparative data.

5.1.4.1. Cause of action and scope

In the first half of 2019, the Board of Directors identified a list of non-strategic operations and entities for which it issued sell orders. Given the progress in this regard, it is anticipated that they will be disposed of within 12 months.

For the most part, the entities belong to the Digital Solutions & Services (DSS) business, primarily in France and Eastern and Northern Europe, and to a lesser extent in Southern Europe.

5.1.4.2. Impact of discontinued operations on the income statement and statement of cash flows

As of 1 January 2019, profit from these operations is presented on a separate line of the income statement, under "Profit (loss) from discontinued operations". Cash flows from discontinued operations are also presented on a separate line of the statement of cash flows. In accordance with IFRS 5, comparative figures are restated.

The disposal of assets presented under assets/liabilities held for sale meets the criteria of IFRS 5 regarding discontinued operations.

The application of IFRS 5 impacts the first-half 2019 and first-half 2018 consolidated income statements as follows:

in € millions	First-half 2019	First-half 2018
Revenue from continuing operations	(89.1)	(86.2)
Operating expenses*	89.3	86.3
Profit (loss) from continuing ordinary operations	**0.2**	**0.1**
Other non-recurring operating income and expenses	3.0	4.4
Operating profit	**3.2**	**4.5**
Other financial income and expenses	0.4	0.2
Profit before tax	**3.6**	**4.7**
Income tax expense	0.2	(0.9)
Profit (loss) from discontinued operations	**(3.8)**	**(3.8)**

* In accordance with IFRS 5, in 2019 these operating expenses do not take into account amortisations of assets held for sale, amortisations which would have amounted to €4.2 million.

In the first half of 2019 and 2018, net cash from discontinued operations broke down as follows:

in € millions	First-half 2019	First-half 2018
Net cash from (used in) operating activities	0.4	3.8
Net cash from (used in) investing activities	2.9	3.4
Net cash from (used in) financing operations	1.8	(3.5)
Impact of change in exchange rate	-	-
Net cash from (used in) discontinued operations	**(5.1)**	**(3.6)**

5.1.4.3. Assets and liabilities held for sale

The assets and liabilities of these operations are presented solely at 30 June 2019, on separate lines of the statement of financial position. In accordance with the requirements of the standard, the statements of financial position at 30 June 2018 and 31 December 2018 are not restated.

At 30 June 2019, the application of IFRS 5 impacted the consolidated statement of financial position as follows:

in € millions	First-half 2019
Non-current assets	(123.1)
Current assets	(79.9)
Cash and cash equivalents	(4.1)
Assets held for sale	**207.1**
Non-current liabilities	(8.7)
Current liabilities	(77.5)
Liabilities held for sale	**86.3**

5.2. Changes in the scope of consolidation in the first half of 2019

5.2.1. ACQUISITIONS

No significant acquisition occurred in the first half of 2019.

5.2.2. CHANGES IN OWNERSHIP INTEREST

The main changes recognised are as follows:

Infeeny: in the first half of 2019, the Group exercised its purchase options regarding two non-controlling interests, increasing its stake from 86.02% to 95.68%.

Mobis: the Group acquired an additional 8.92% of shares, thus raising its interest to 93.92%.

5.3. Segment reporting

On 1 January 2019, the Group created a new reporting segment, Digital Services & Solutions (DSS), which combines the former Services and Products & Solutions segments. Over time, the distinction between these businesses had lost its relevance given the Group's positioning as an integrator of digital solutions that combine products, software and services.

Consequently, the Group's business is now broken down into two operating business segments:

- Technology Management & Financing (TMF);
- Digital Services & Solutions (DSS).

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 "Profit (loss) from continuing ordinary operations". This segment indicator, used for the application of IFRS 8, is used by management to monitor the performance of operating activities and allocate resources.

"Profit (loss) from continuing ordinary operations" corresponds to operating profit before non-recurring operating income and expenses and the amortisation of intangible assets from acquisitions (ECS customer portfolio).

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	Technology Management & Financing	Digital Services & Solutions	Total
First-half 2019			
Revenue from external clients	560.8	677.3	1,238.1
Internal revenue	8.9	103.8	112.7
Total - Revenue from operating segments	**569.7**	**781.1**	**1,350.8**
Profit (loss) from continuing ordinary operations	**15.6**	**24.6**	**40.2**
Amortisation of intangible assets from acquisitions	(1.0)	-	(1.0)
Profit (loss) from continuing ordinary operations	**14.6**	**24.6**	**39.2**
First-half 2018 restated*			
Revenue from external clients	613.1	619.6	1,232.7
Internal revenue	4.1	129.4	133.5
Total - Revenue from operating segments	**617.2**	**749.0**	**1,366.2**
Profit (loss) from continuing ordinary operations	**14.2**	**20.2**	**34.4**
Amortisation of intangible assets from acquisitions	(1.0)	(1.1)	(2.1)
Profit (loss) from continuing ordinary operations	**13.2**	**19.1**	**32.3**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.

5.3.2. BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

in € millions	First-half 2019	First-half 2018 restated*
France	631.3	590.1
Benelux	173.4	161.8
Southern Europe and Morocco	291.9	303.5
Northern & Eastern Europe / Americas	141.5	177.3
Total	**1,238.1**	**1,232.7**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.

5.4. Other non-recurring operating income and expenses

in € millions	First-half 2019	First-half 2018 restated*
Restructuring costs	(9.9)	(10.9)
Acquisition costs	(0.7)	(0.9)
Other expenses	(4.4)	(2.7)
Other operating expenses	**(14.9)**	**(14.5)**
Other income	1.3	0.3
Other operating income	**1.3**	**0.3**
Total	**(13.7)**	**(14.2)**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. In addition, in accordance with the approach used at 30 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

In the first half of 2019, restructuring costs net of reversals of provisions amounted to €9.9 million and concerned all of the Group's activities, and primarily the DSS business in France.

The €1.2 million incurred in costs to sell discontinued operations are restated from the non-recurring operating expenses and reclassified to profit from discontinued operations.

5.5. Net financial expense

in € millions	First-half 2019	First-half 2018 restated*
Financial income	**0.1**	**0.2**
Interest expense on bonds	(5.1)	(4.3)
Expenses on non-current liabilities	-	(0.2)
Interest cost of retirement benefits and other post employment benefits	(0.3)	(0.3)
Interest expense on lease liabilities (IFRS 16)	(0.9)	-
Interest on short-term financing	(1.3)	(0.8)
Financial expenses on factoring	(1.3)	(1.3)
Other financial expenses	(0.1)	(0.3)
Financial expenses	**(9.1)**	**(7.2)**
Other financial income and expenses	**(9.0)**	**(7.0)**

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases.

5.6. Income tax

in € millions	First-half 2019	First-half 2018 restated*
Profit before tax on continuing operations	16.6	11.1
Income tax on the profit of continuing operations	(7.4)	(6.8)
Effective tax rate as a percentage of profit before tax	44.5%	61.5%
Effective income tax rate on the restated profit (1)	28.5%	35.0%

* In accordance with IFRS 5 (see 5.1.4), income and expenses recognised in the first half of 2018 by operations considered discontinued in the first half of 2019 are also reclassified to profit or loss of the discontinued operations in the income statement for the first half of 2018. However, in accordance with the provisions of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2), the figures for the first half of 2018 are not restated for the impact of this standard on the leases. In addition, in accordance with the approach used at 30 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

(1) This is the effective income tax rate restated for the following items: CVAE in France, IRAP in Italy, amortisation of intangible assets from acquisition.

Income tax expense for the first half of 2019 was €7.4 million, including €2.7 million in taxes classified as income tax (compared to €2.9 million in the first half of 2018), 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 2018).

The average tax rate (as determined above) was estimated at 28.5% for the current period.

5.7. Basic and diluted earnings per share

The average number of shares outstanding used in the denominator to calculate earnings per share was 229,167,553 in the first half of 2019, as opposed to 236,488,856 in the first half of 2018.

The weighted number of ordinary shares outstanding used to calculate diluted earnings per share at 30 June 2019 was 231,746,479, compared with 236,488,856 at 30 June 2018.

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 the end of June 2019, the impact from the conversion of the OCEANE bonds had an anti-dilutive effect and therefore was not taken into account in determining diluted earnings per share.

5.8. Goodwill

For the purposes of impairment testing, goodwill is allocated between the two cash generating units (CGUs) as follows:

in € millions	Technology Management & Financing	Digital Services & Solutions	Total
Goodwill at 1 January 2019	**114.6**	**516.5**	**631.1**
Reclassification to assets held for sale	(0.8)	(91.5)	(92.3)
Adjustments to acquisition costs			-
Acquisitions			-
Foreign currency translation adjustments			-
Goodwill at 30 June 2019	**113.8**	**425.0**	**538.8**
Of which gross amount	113.8	**429.0**	**542.8**
Of which accumulated impairment	-	(4.0)	**(4.0)**

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.

At 30 June 2019, it was €162.3 million, down slightly from 31 December 2018. The portion of residual interest in leased industrial assets was approximately 10%.

in € millions	30 June 2019	31 Dec. 2018
Residual interest in leased assets non-current portion (between 1 and 5 years)	**124.0**	122.4
Residual interest in leased assets current portion (less than 1 year)	**38.4**	41.4
Total	**162.3**	**163.8**

At the end of June, residual interest represented 2.7% of the original purchase price of the leased equipment; this ratio was stable compared to the end of 2018. Residual interest in leased assets was refinanced in the proportion of 58.9% (59.9% at the end of 2018 and 56.7% at the end of June 2018). Corresponding debt is recognised on the liabilities side in gross liability for purchases of leased assets. This debt decreased from €98.1 million at the end of 2018 to €95.5 million at 30 June 2019 (of which €72.8 million was long-term debt and €22.7 million was short-term debt).

5.10. Current operating assets and liabilities

5.10.1. INVENTORIES

	30 June 2019			31 December 2018		
in € millions	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Equipment in the process of being refinanced	**24.5**	**(2.5)**	**22.1**	**16.5**	**(3.0)**	**13.5**
Other inventories	**61.9**	**(8.0)**	**53.9**	**55.5**	**(16.9)**	**38.6**
IT equipment	52.0	(2.6)	49.4	32.2	(2.5)	29.7
Spare parts	9.9	(5.4)	4.5	23.3	(14.5)	8.8
Total	**86.4**	**(10.5)**	**75.9**	**72.0**	**(19.9)**	**52.1**

The net amount of inventories reclassified at 30 June 2019 to "assets held for sale" was €4.3 million. In accordance with IFRS 5, no reclassification was made to the balance sheet accounts at 31 December 2018.

Net inventories increased between 31 December 2018 and 30 June 2019 in order to meet the deployment and delivery requirements in the TMF and DSS businesses in the coming months.

5.10.2. TRADE AND OTHER RECEIVABLES

	30 June 2019			31 December 2018		
in € millions	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Trade receivables	1,163.3	(62.7)	1,100.6	1,240.9	(57.9)	1,183.0
Other receivables	74.7	(5.6)	69.1	91.2	(5.6)	85.6
Trade and other receivables	**1,238.0**	**(68.3)**	**1,169.7**	**1,332.1**	**(63.5)**	**1,268.6**
Contract assets	**19.7**	**-**	**19.7**	**31.3**	**-**	**31.3**
Other current assets	**51.4**	**-**	**51.4**	**34.9**	**-**	**34.9**

The net amounts of "trade and other receivables" and "contract performance and award costs" reclassified at 30 June 2019 to "assets held for sale" were €69.1 million and €4.6 million respectively. In accordance with IFRS 5, no reclassification was made to these accounts at 31 December 2018.

In addition to the reclassification to "assets held for sale" (for €8.2 million), the change in other receivables can be attributed to the €9.8 million decrease in factoring receivables.

Change in trade receivables is broken down below by business:

	30 June 2019			31 December 2018		
in € millions	**TMF**	**DSS**	**Total**	**TMF**	**DSS**	**Total**
Receivables invoiced, net of impairment	337.9	193.9	**531.8**	326.3	232.6	**558.9**
Outstanding rentals	426.0	-	**426.0**	455.6	-	**455.6**
Revenue accruals	10.3	132.5	**142.8**	10.0	158.5	**168.5**
Total	**774.1**	**326.4**	**1,100.6**	**791.9**	**391.1**	**1,183.0**

The decline in "trade receivables" stemmed mainly from the reclassification to "assets held for sale" for €60.9 million and, for the rest, typical seasonal effects.

Provisions for impairment of trade receivables increased by €4.8 million, due primarily to credit risks identified in respect of certain customers:

in € millions	31 Dec. 2018	Additions	Reversals	Assets held for sale	Reclassification	30 June 2019
Impairment of doubtful receivables	(57.9)	(12.6)	6.2	1.7	-	(62.7)

5.10.3. TRADE & OTHER PAYABLES AND OTHER CURRENT LIABILITIES

“Trade and other payables” breaks down as follows:

in € millions	30 June 2019	31 Dec. 2018
Trade payables	781.2	854.0
Other payables	217.0	250.2
Trade and other payables	**998.2**	**1,104.2**

The amount of “trade and other payables”, reclassified to “liabilities held for sale”, was €43.9 million at 30 June 2019. In accordance with IFRS 5, no reclassification was made to these accounts at 31 December 2018.

Other payables include the following items:

in € millions	30 June 2019	31 Dec. 2018
Accrued taxes and personnel costs	182.9	235.3
Dividends payable	28.6	0.9
Customer prepayments and other payables	5.6	14.0
Other payables	**217.0**	**250.2**

The amount of “accrued taxes and personnel costs”, reclassified to “liabilities held for sale”, was €20.7 million at 30 June 2019. In accordance with IFRS 5, no reclassification was made to these accounts at 31 December 2018.

The other current liabilities comprise the following items:

in € millions	30 June 2019	31 Dec. 2018
Contract liabilities	**66.7**	**85.8**
Acquisition-related liabilities current portion	41.8	58.9
Deferred income	107.1	119.3
Other liabilities	5.1	11.1
Other current liabilities	**153.9**	**189.3**

The amount of "contract liabilities", reclassified to "liabilities held for sale", was €12.7 million at 30 June 2019. In accordance with IFRS 5, no reclassification was made to these accounts at 31 December 2018.

5.11. Net cash and net debt

The net debt presented here is understood to exclude lease liabilities caused by the application of IFRS 16 to the premises and vehicles leased by Econocom. At 30 June 2019, these lease liabilities were €79.4 million (of which €61.7 million were long-term lease liabilities and €17.7 million were short-term lease liabilities).

in € millions	31 Dec. 2018	Cash flows	Non-cashflows				30 June 2019
			Newly conso-lidated companies	Amortised cost of debt	Exchange rate impact	Other*	
Cash and cash equivalents	608.4	(108.2)	-	-	0.4	(4.1)	496.6
Bank overdrafts	(3.6)	(0.7)	-	-	-	0.6	(3.7)
Cash and cash equivalents net of bank overdrafts	**604.8**	**(108.9)**	**-**	**-**	**0.4**	**(3.4)**	**492.9**
Bank debt and commercial paper	(287.1)	(70.3)	-	-	-	0.1	(357.4)
Net cash at bank	**317.7**	**(179.2)**	**-**	**-**	**0.4**	**(3.3)**	**135.5**
Convertible bond debt (ORNANE)	(185.5)	1.0		(2.3)			(186.8)
Bond debt (Euro PP)	(102.2)	2.6		(1.4)			(101.0)
Bond debt (Schuldschein)	(149.8)	1.1		(1.5)			(150.2)
Leases refinanced with recourse	(97.2)	(0.2)					(97.4)
Factoring liabilities with recourse	(28.5)	23.5					(5.0)
Other liabilities with recourse	-						-
Finance lease liabilities	(6.1)					6.1	-
Sub-total	**(569.4)**	**28.0**	**-**	**(5.2)**	**-**	**6.1**	**(540.3)**
Net debt	**(251.7)**	**(151.2)**	**-**	**(5.2)**	**0.4**	**2.8**	**(404.8)**

* For net cash and cash equivalents, the "other" transactions apply to assets and liabilities from discontinued operations reclassified at 30 June 2019 to "assets and liabilities held for sale", in accordance with IFRS 5.

Cash and cash equivalents net of bank overdrafts

The -€111.9 million change in net cash as seen in the statement of cash flows includes -€108.9 million in monetary flows, -€3.4 million in reclassification to assets held for sale and €0.4 million in foreign exchange gains and losses.

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. Total 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 2018	**245,140,430**	**13,978,631**	**231,161,799**	**23.5**	**240.3**	**(64.6)**
Purchases of treasury shares, net of sales	-	2,917,104	(2,917,104)	-	-	(10.5)
Exercise of options and award of free shares	-	(85,000)	85,000	-	-	0.3
Capital increase	240,000	-	240,000	-	0.7	-
Refund of issue premium	-	-	-	-	(27.4)	-
At 30 June 2019	**245,380,430**	**16,810,735**	**228,569,695**	**23.5**	**213.5**	**(74.7)**

Following the exercise of 120,000 subscription options, Econocom Group SE issued 240,000 new shares on 21 June 2019, increasing its share capital to €23,512,749.67. The total number of shares with voting rights attached was thus increased to 245,380,430.

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 (the options granted between 2013 and 2016 each gave entitlement to two shares, factoring in the stock split that occurred in 2017):

Stock option plans	2013	2014 (1)	2015 (1)	2016 (1)	2017	Total
Options outstanding at 31 Dec. 2018	**250,000**	**1,784,000**	**357,500**	**95,000**	**90,000**	**2,576,500**
Options granted during the period	-	-	-	-	-	-
Options exercised during the period	-	(120,000)	-	-	-	(120,000)
Options lapsed or forfeited	-	(62,818)	(700)	(10,000)	-	(73,518)
Options outstanding at 30 June 2019	**250,000**	**1,601,182**	**356,800**	**85,000**	**90,000**	**2,382,982**
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
Rights granted in number of shares (comparable) at 30 June 2019	**500,000**	**3,202,364**	**713,600**	**170,000**	**90,000**	**4,675,964**
Option exercise price (in €)	5.96	5.52	7.70	11.48	6.04	-
Share purchase price (in €)	2.98	2.76	3.85	5.85	6.04	-
Average share price at the exercise date	-	5.52	-	-	-	-
Expiry date	**déc. 2020**	**déc. 2021**	**déc. 2022**	**déc. 2023**	**déc. 2023**	**-**

(1) In December 2014, the Board of Directors approved a plan to issue 2,500,000 stock subscription rights. These options were awarded by the Compensation Committee in 2014, 2015 and 2016. The formula adopted will allow Econocom Group to issue new shares upon exercise of these options.

5.12.3. FREE SHARE PLAN

The vesting of free shares allocated by the Econocom Group's Board of Directors may be contingent on the achievement of individual, collective, internal and/or external objectives.

Each tranche is contingent on employment within the Group until the end of the vesting period, and on performance conditions and quoted market price.

The number of free shares at 30 June 2019 was 1,170,000.

	2016	2018					Total
Tranches	3	1	2	3	4	5	
Free shares at 31 December 2018	140,000	15,000	402,500	342,500	342,500	342,500	1,585,000
Free shares allocated during the period	-	-	-	-	-	-	-
Free shares vested during the period	(70,000)	(15,000)	-	-	-	-	(85,000)
Free shares lost during the period	(70,000)	-	(65,000)	(65,000)	(65,000)	(65,000)	(330,000)
Free shares at 30 June 2019	-	-	**337,500**	**277,500**	**277,500**	**277,500**	**1,170,000**
Vesting date	**May 2019**	**Feb. 2019**	**March 2020**	**March 2021**	**March 2022**	**March 2023**	

5.13. Provisions

in € millions	31 Dec. 2018	Changes in scope of consoli-dation	Additions	Reversals (not used)	Reversals (used)	Other and exchange differences *	30 June 2019
Restructuring and employee-related risks	7.3	-	1.4	(1.0)	(1.1)	(1.4)	5.2
Tax, legal and commercial risks	17.4	-	2.9	(2.2)	(0.6)	(1.5)	16.0
Deferred commissions	1.7	-	0.1	(0.3)	-	-	1.4
Other risks	17.2	-	-	(1.3)	(0.5)	(5.1)	10.3
Total	**43.7**	**-**	**4.4**	**(4.7)**	**(2.3)**	**(8.0)**	**33.1**
Non-current portion	2.1		-	-	(0.1)	-	2.1
Current portion	41.6		4.4	(4.7)	(2.2)	(8.0)	31.1
Profit impact of additions/reversals							
Profit (loss) from continuing ordinary operations			0.9	(2.4)	(1.0)	-	-
Profit (loss) from discontinued operations			3.5	(2.1)	(0.9)	-	-
Income tax expense				(0.1)	(0.5)	-	-

* In accordance with IFRS 5, the reclassification to "liabilities held for sale" for €7.6 million is included here.

At the end of June 2019, the €4.4 million in additions mainly covered restructuring and commercial disputes.

The use of provisions in an amount of €4.7 million primarily covered employee departure costs and the resolution of commercial disputes in the first half of 2019.

During the period, additions to provisions net of reversals of provisions not utilised had a negative impact of €0.3 million on profit.

5.14. Consolidated statement of cash flows

in € millions	Notes	First-half 2019	First-half 2018 restated*
Profit from continuing operations		**9.2**	**4.3**
Cash flows from operating activities before cost of net debt and income tax**		**60.7**	**29.3**
Change in working capital requirement (1)	5.14.1.2	(138.4)	(106.8)
Tax paid net of tax credits		(17.2)	(15.0)
Net cash from (used in) operating activities	**5.14.1**	**(94.9)**	**(92.6)**
Net cash from (used in) investing activities	**5.14.2**	**(35.7)**	**(27.1)**
Net cash from (used in) financing activities	**5.14.3**	**23.3**	**165.3**
Impact of exchange rates on cash and cash equivalents		0.4	(0.1)
Net change in cash and cash equivalents from discontinued operations		(5.1)	(3.6)
Change in net cash and cash equivalents		**(111.9)**	**41.9**
Net cash and cash equivalents at beginning of period		**604.9**	**232.9**
Net cash and cash equivalents at end of period (2)		**493.0**	**274.8**

* In accordance with IFRS 5, the restatement of the first-half 2018 figures reflects the reclassification of operations considered discontinued in the first half of 2019 to net change in cash and cash equivalents from discontinued operations. However, in accordance with the provisions of this standard, the information from the first half of 2018 is not restated for the impact of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2). In addition, in accordance with the approach used at 31 December 2018, the tax saving related to the superammortamento (additional depreciation) method in Italy (recognised within income tax in the figures reported on 30 June 2018) and its retrocession to customers (recognised as non-recurring operating expenses in the figures reported on 30 June 2018) are now both recognised in profit or loss from continuing operations: this change in presentation reduces the non-recurring operating expenses and income tax expense for the first half of 2018 by €1.8 million compared to what they were in the figures disclosed in the 2018 half-year report.

** In accordance with IFRS 16, the share of rental payments that is considered an amortisation of rights of use is included in an amount of €10.3 million of this €60.7 million.

(1) Including €5.9 million in respect of investments in TMF contracts.

(2) Net of short-term bank overdrafts: €3.7 million at 30 June 2019 and €3.8 million at 30 June 2018.

5.14.1. NET CASH FROM (USED IN) OPERATING ACTIVITIES

Given the typical seasonality of the Group's operations, cash flows from operating activities were -€94.9 million in the first half of 2019 compared to -€92.6 million in the first half of 2018; the surplus in the increase in the working capital requirement was almost entirely offset by the surplus in cash flow.

The change in working capital requirement in the first half of 2019 was negatively impacted in an amount of nearly €30 million by delays within TMF in the procurement of refinancing caused by the revelation in late June of embezzlements targeting Econocom in Italy, and in an amount of nearly €20 million by the damage to the working capital requirement experienced by one of our subsidiaries following a major customer's postponement of the payment of its debts to July.

5.14.1.1. Non-cash expenses (income)

in € millions	First-half 2019	First-half 2018 restated*
Depreciation/amortisation of property, plant and equipment and intangible assets**	23.6	13.3
Net additions to (reversals of) provisions for contingencies and expenses	(2.1)	0.6
Change in provisions for pensions and other post-employment benefit obligations	2.2	0.9
Impairment of trade receivables and other current assets	7.1	6.7
Total provisions, depreciation, amortisation and impairment	**30.8**	**21.6**
Change in residual interest in leased assets (1)	**4.0**	**(10.4)**
Cost of discounting residual interest in leased assets and gross liability for purchases of leased assets (2)	(0.6)	(0.5)
Losses (gains) on disposals of property, plant and equipment and intangible assets	1.0	0.4
Gains and losses on fair value remeasurement	-	0.1
Expenses calculated for share-based payments	0.5	0.8
Impact of sold operations and changes in consolidation methods	0.5	-
Other non-cash expenses (income)	**1.4**	**0.7**
Non-cash expenses (income)	**36.2**	**11.9**

* In accordance with IFRS 5, the restatement of the first-half 2018 figures reflects the reclassification of operations considered discontinued in the first half of 2019 to net change in cash and cash equivalents from discontinued operations. However, in accordance with the provisions of this standard, the information from the first half of 2018 is not restated for the impact of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2).

** In accordance with IFRS 16, the share of rental payments that is considered an amortisation of rights of use is included in an amount of €10.3 million of this €23.6 million.

(1) Changes in the residual interest in leased assets takes account of the impact of discounting in prior periods. The €2.1 million impact of discounting for the period was eliminated in the "Other non-cash expenses (income)" item.

(2) Reflects the impact of discounting the residual interest in leased assets (-€2.1 million) and the liability for purchases of leased assets (+€1.5 million).

5.14.1.2. Change in working capital requirement

The increase in working capital requirement breaks down as follows:

in € millions	Notes	31 Dec. 2018	Change in working capital requirement in first-half 2019	Reclas-sifications to assets and liabilities held for sale	Total other changes (1)	30 June 2019
Other long-term receivables, gross		15.2	(4.0)	(3.3)	2.6	10.5
Inventories, gross	5.10.1	72.0	29.6	(15.1)	(0.1)	86.4
Trade receivables, gross	5.10.2	1,240.9	(10.6)	(66.4)	(0.2)	1,163.6
Other receivables, gross	5.10.2	91.2	(6.1)	(9.6)	(0.8)	74.7
Residual interest in leased assets	5.9	163.8	-	-	(1.5)	162.4
Current tax assets (2)		10.2	-	-	1.9	12.1
Other current assets	5.10.2	66.2	11.1	(6.1)	(0.1)	71.1
Trade receivables and other operating assets		**1,659.5**	**20.0**	**(100.5)**	**1.7**	**1,580.7**
Other non-current liabilities		(69.9)	(1.1)	-	8.1	(62.9)
Trade payables	5.10.3	(854.0)	46.5	27.3	(0.9)	(781.2)
Other payables	5.10.3	(250.3)	43.9	16.6	(27.3)	(217.0)
Current tax liabilities (2)		(14.9)	-	-	2.3	(12.6)
Other current liabilities	5.10.3	(275.2)	21.1	18.9	14.6	(220.6)
Gross liability for purchases of leased assets (3)		(98.1)	4.3	-	(1.7)	(95.5)
Trade and other operating payables		**(1,562.4)**	**114.7**	**62.8**	**(4.9)**	**(1,390.0)**
Other changes in working capital requirement		11.6	3.7	-	-	15.3
Total change in working capital requirement, of which:		-	138.4		-	-
Investments in self-funded TMF contracts		-	5.9		-	-
Other changes		-	132.5		-	-

* In accordance with IFRS 5, the restatement of the first-half 2018 figures reflects the reclassification of operations considered discontinued in the first half of 2019 to net change in cash and cash equivalents from discontinued operations. However, in accordance with the provisions of this standard, the information from the first half of 2018 is not restated for the impact of IFRS 16, which entered into force on 1 January 2019 (see 5.1.2.2).

(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 the 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 €35.7 million, primarily reflecting:

- €24.2 million in cash outflows following the acquisitions made during the period, €8.6 million in payments of contingent consideration, and €15.7 million in payments of deferred liabilities relating to acquisitions in prior periods;
- €10.6 million in investments in property, plant and equipment and intangible assets (licences and IT project costs, accommodation and infrastructure improvements...);
- €1.2 million in other financial investments, mainly acquisitions of shares in investment funds.

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

Net cash from financing activities amounted to €23.3 million, mainly reflecting:

- €84.7 million in increases in outstanding commercial paper;
- €33.9 million in net decrease in financial liabilities;
- €10.6 million in payment of financial interest in the first half of 2019;
- €10.4 million in net decrease from the application of IFRS 16;
- €10.2 million in cash outflows for purchases of treasury shares.

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 respect since the disclosures presented in Note 22.1 to the 2018 consolidated financial statements.

No material changes occurred in first-half 2019 as regards the other related-party transactions set out in Note 22.2 to the 2018 consolidated financial statements at 30 June 2019.

5.16. Subsequent events

On 29 July 2019, Northern Technology Limited (Jade), considered an asset held for sale in these financial statements at 30 June 2019, was sold to its managers and non-controlling shareholders. The capital gain from the disposal will be recognised in the financial statements at 31 December 2019.

At the same time, an agreement was signed with the non-controlling shareholders of the Gigigo Group, enabling the Econocom Group to purchase their 30% of the share capital of this satellite.