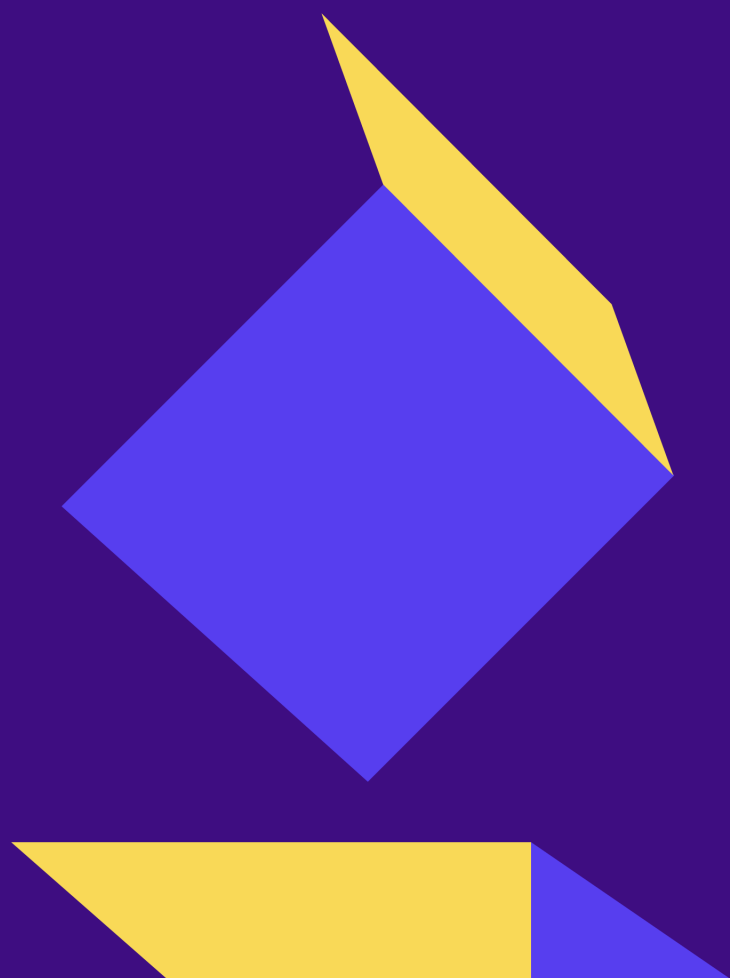


2019 annual report



econocom

01. THE ESSENTIALS	5
1. For a useful digital transformation that makes sense	7
2. The Econocom galaxy	9
3. 2019 Key figures	10
4. Performance and share capital	12
5. Governance	14
02. GROUP OVERVIEW	17
1. Group history	20
2. Group structure	22
3. Group positioning	24
4. Financial position and results	42
5. Corporate Governance	47
6. Research & Development	62
7. Principal investments	64
8. Additional information	66
03. CORPORATE SOCIAL RESPONSIBILITY	67
Our approach	68
Actions and highlights	69
1. Nurture our excellence through responsible commitment	72
2. Support the new responsible uses of our customers and users	86
3. Federate an ecosystem to create shared value	90
04. RISK FACTORS	97
1. Operational risks	98
2. Regulatory risk	101
3. Dependency risk	102
4. Financial risk	103

05. MANAGEMENT REPORT	107
1. Group's financial position and highlights	108
2. Profit for the year	111
3. Risk factors and disputes	124
4. Outlook for 2020 and shareholders' compensation	124
5. Corporate governance statement	125
6. Subsequent events	146
06. CONSOLIDATED FINANCIAL STATEMENTS	147
1. Consolidated income statement and earnings per share	148
2. Consolidated statement of financial position	150
3. Consolidated statement of changes in equity	152
4. Consolidated statement of cash flows	154
5. Notes to the consolidated financial statements	156
07. SHAREHOLDERS	255
1. Share performance and shareholders	256
08. STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	273
Statutory auditor's report to the general shareholders' meeting on the consolidated accounts	274
09. CHAIRMAN'S STATEMENT	281
10. CONDENSED PARENT COMPANY FINANCIAL STATEMENTS	283
1. Parent company statement of financial position	284
2. Parent company income statement	286
3. Parent company statement of cash flows	288
11. KEY CONSOLIDATED FIGURES	291



chairman's message

2019 was a pivotal year during which our hard work brought the Group back to growth with operating profit up 14%. In addition, extremely robust cash management measures, a successful ongoing cost reduction plan and initial sales of non-strategic assets have enabled us to keep a firm hand on our net debt.

Throughout the year we have proven we can successfully manage high calibre transformation projects for our customers. We are listening to our customers more than ever to ensure the digital solutions we build with them are 100% fit for purpose. With the innovation and synergy of our solutions, our excellent delivery, unfailing commitment and pertinent business model spanning the entire digital value chain, our customers know they can rely on us for the success and financing of their projects, large and small.

Early 2020 I appointed a close-knit, highly experienced team of managers who know our markets inside out and understand the complementarity of our business lines.

This team will work with us to implement our strategy to:

- strengthen our legacy business line, financing;
- refocus our Services on areas with higher potential for growth and added value, moving away from activities which require global coverage or contribute too little;

- sustain the solid growth of our Products & Solutions activities in key geographical regions, a growth that is driven by higher volumes of professional equipment and an increase in teleworking.

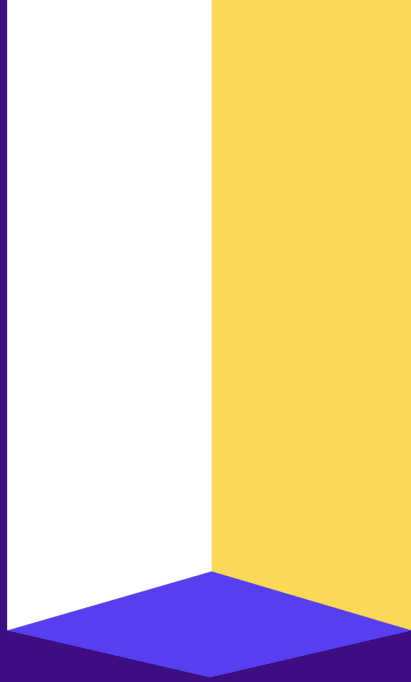
Our ongoing objective is to keep net debt under control. To do this, we are going to steadfastly pursue the transformation plan we embarked on at the end of 2018 to further accelerate our growing competitiveness and operating margin.

This will return us to the path to sustainable growth, backed by solutions which meet all our customers' criteria in a world where the way we work and live our lives is changing significantly. We will also need to step up the personal and professional development of those who drive the business forward and constantly inject innovation into our products.

At the time of writing, as we experience unprecedented circumstances and uncertainty, I am confident in our ability to stand strong and recover.

Jean-Louis Bouchard

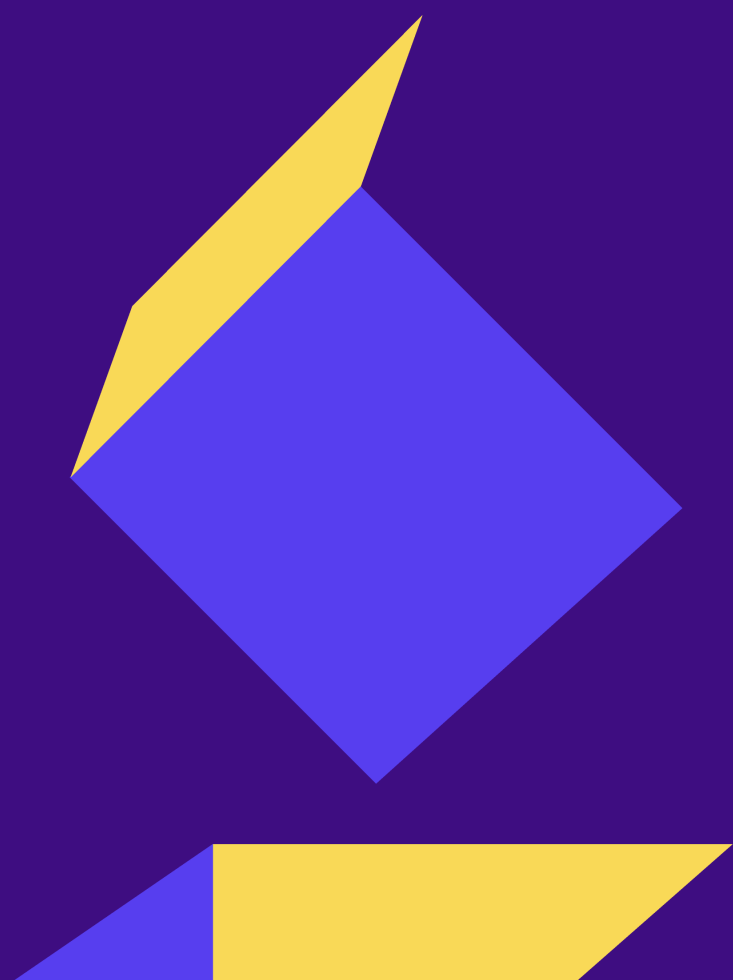
Chairman of the Board of Directors
and Chief Executive Officer



01

the essentials

1. For a useful digital transformation that makes sense	7
2. The Econocom galaxy	9
3. 2019 Key figures	10
4. Performance and share capital	12
5. Governance	14



1. For a useful digital transformation that makes sense

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

User satisfaction: a key success factor for digital transformation

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

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

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

**CYBER
SÉCURITÉ**



DIGITAL.SECURITY • EXAPROBE

MICROSOFT



ALTER WAY • DIGITAL SECURITY • INFEENY

**WEB APPS,
SAAS & CLOUD**



ALTER WAY • ARAGON-ERH • ASP SERVEUR •
ECONOCOM BRASIL • NEXICA • SYNERTRADE

**INFRASTRUCTURE
& NETWORKS**



ALTER WAY • ASYSTEEL ITALIA • ASP SERVEUR •
EXAPROBE • NEXICA

MOBILITY



ALTER WAY • BIZMATICA • DMS • ECONOCOM
BRASIL • GIGIGO • JTRS • RAYONNANCE

**DIGITAL
SIGNAGE &
MULTIMEDIA**



ALTABOX • CINEOLIA • ENERGY NET

CONSEIL



FIFTY EIGHT • HELIS

2. The Econocom galaxy

An agile organisation for sustainable digital transformation

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

The Planet: the group’s three legacy professions

At Econocom, we do business for the benefit of our customers and completely independently from manufacturers, telecom operators, software vendors and financial companies. A digital pioneer for 45 years, the Group is the only player on the market to combine technological and financial expertise through three activities:

- **Financing:** as a pioneer and leader in digital transformation financing, Econocom offers flexible and original financing solutions aligned with new methods of digital consumption: pay-as-you-go, subscriptions, etc.
- **Services:** personalised services to complement our customers' digital projects and quickly meet their business needs. These fall into three major areas: services to users with the Modern Workplace offer, cloud and infrastructure services and lastly digital transformation services with our expertise in applications and data engineering.
- **Distribution:** Econocom supports companies in the implementation of “turnkey” solutions as a service, integrated into their professional and user-oriented environments, from installation assistance, through storage, maintenance and recycling for all digital equipment.

Satellites: successful SMEs, positioned in strategic digital segments

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

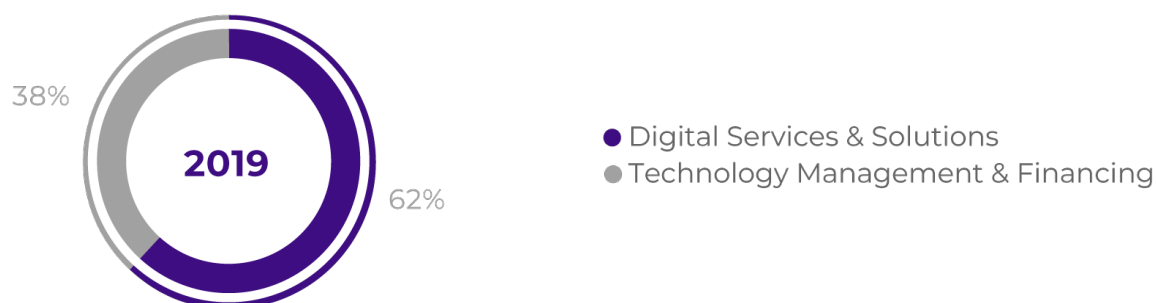
This model, which combines Econocom’s industrial power with the agility of its satellites, enables us to offer our customers comprehensive, tailor-made solutions integrated throughout the digital value chain. As their digital challenges evolve, we offer them solutions that are made for them rather than solutions they will find everywhere.

3. 2019 Key figures

Consolidated revenue *(in € millions)*



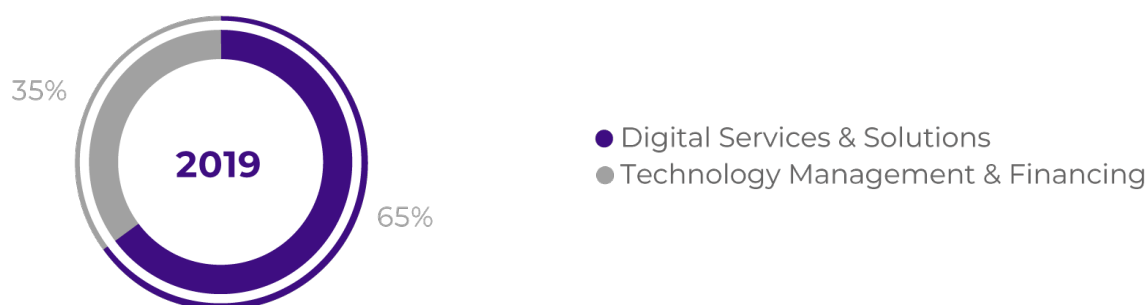
Revenue by business



Recurring operating profit⁽²⁾ *(in € millions)*



Recurring operating profit by business



(1) The 2018 income statement has been restated.
(2) Before amortisation of intangible assets from acquisitions.

Shareholders' equity (in € millions)

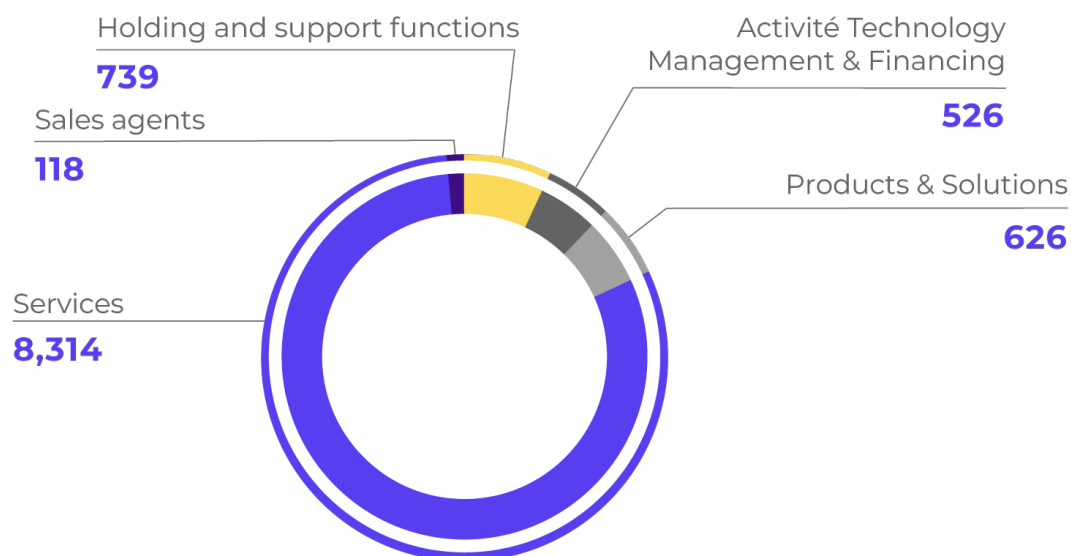


* Adjusted.

Net debt (in € millions)



Breakdown of staff at 31 December 2019

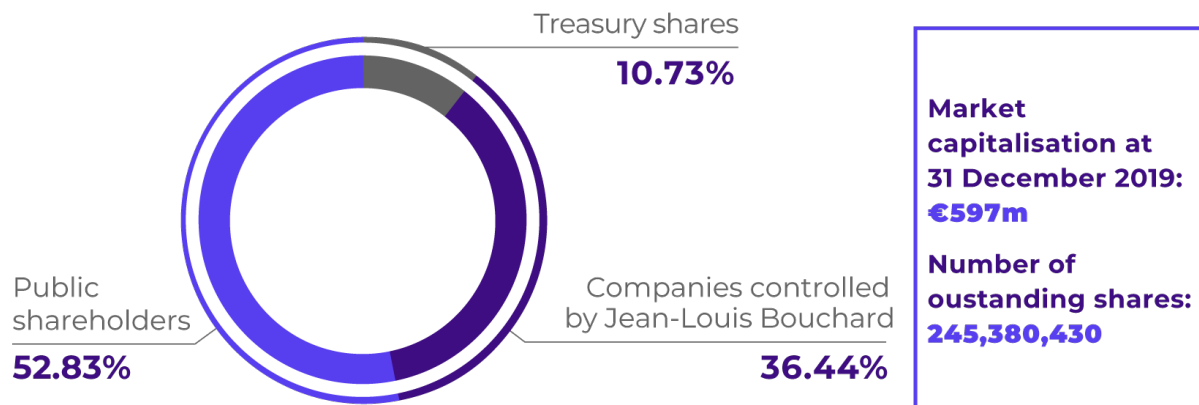



10 323
 employees

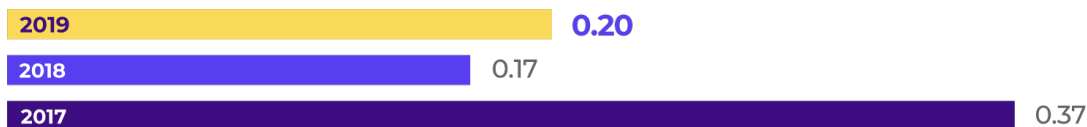

 in **18**
 countries

4. Performance and share capital

Distribution of capital at 31 December 2019



Basic earnings per share (in €)



Recurring earnings per share (in €)



Compensation per share (in euro cents)



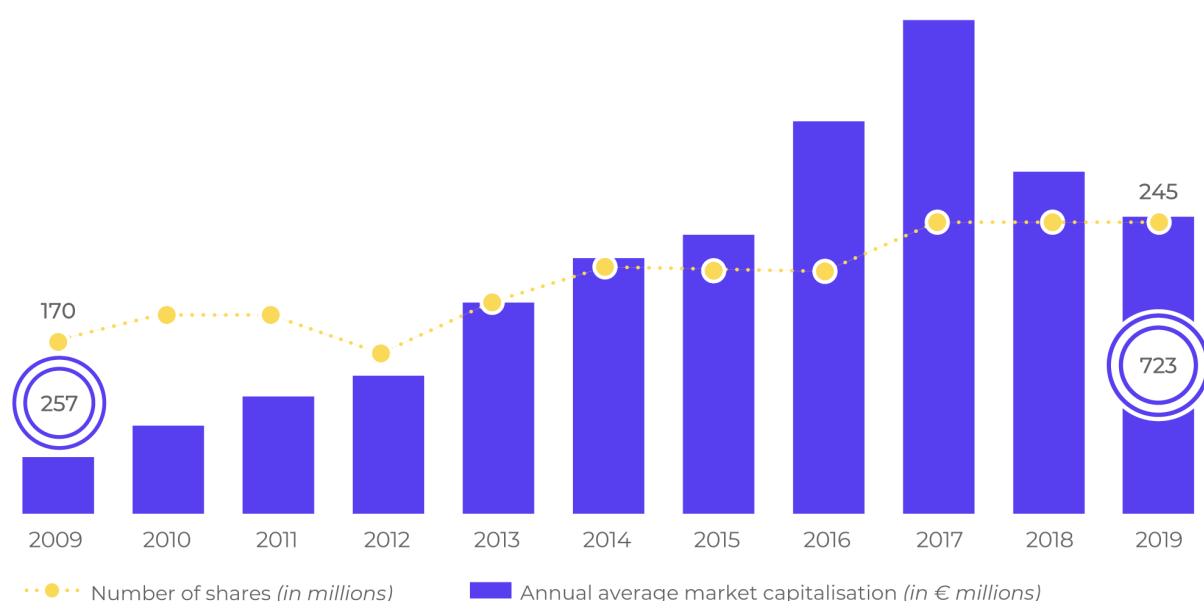
Refund of issue premium

At the Annual General Meeting to be held on 19 May 2020, the Board of Directors will recommend that shareholders receive a refund of the issue premium, considered as paid-in capital, in the amount of **€0.12 per share**.

Change in the share price

Year	Highest (in €)	Lowest (in €)	Last (in €)	Average daily volume of shares traded
2017	8.00	5.75	5.96	399,425
2018	7.30	2.28	2.91	833,060
2019	4.01	2.0	2.43	210,320

Change in market capitalisation



Shareholders' agenda

23-04-2020

Release of Q1 2020 revenue after trading

19-05-2020

Annual General Meeting

29-07-2020

Release of 2020 half-year results after trading

10-09-2020

Meeting to review the 2020 half-year results

22-10-2020

Release of Q3 2020 revenue after trading

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

Code ISIN: BE0974313455

Real-time financial information:

www.econocom.com

<http://finance.econocom.com>

5. Governance

At 31 December 2019

Board of Directors

Chairman and Chief Executive Office

Jean-Louis Bouchard

Vice-Chairman

Robert Bouchard

Executive Directors

Bruno Grossi

(Managing Director)

Non-Executive Directors

Véronique di Benedetto

Jean-Philippe Roesch

Gaspard Dürtleman

Rafi Kouyoumdjian

Independent Directors

Walter Butler

Adeline Challon-Kemoun

Anne Lange

Marie-Christine Levet

Jean Mounet



Jean-Louis
Bouchard



Robert
Bouchard



Bruno
Grossi



Véronique
di Benedetto



Jean-Philippe
Roesch



Gaspard
Dürtleman



Rafi
Kouyoumdjian



Walter
Butler



Adeline
Challon-Kemoun



Anne
Lange



Marie-Christine
Levet



Jean
Mounet

Executive Committee

Chairman and CEO

Jean-Louis Bouchard



Jean-Louis
Bouchard

Group Financial Controller

Eric Bazile



Éric
Bazile



Angel
Benguigui

Group Finance Director

Angel Benguigui

Country Manager ENEA

Laurent Caparros



Laurent
Caparros



Chantal
De Vrieze

Country Manager Belux

Chantal De Vrieze

Managing Director P&S France

Philippe Goullioud



Philippe
Goullioud



Bruno
Grossi

Executive Director

Bruno Grossi

Managing Director TMF France

Éric Lucas



Éric
Lucas



Laurent
Roudil

Managing Director Services France

Laurent Roudil

Statutory Auditor

PricewaterhouseCoopers

Company auditors, limited liability partnership (srl) represented by Alexis Van Bavel



group overview

1. Group history	20	5. Corporate Governance	47
2. Group structure	22	5.1. Board of Directors and Advisory Committees	47
3. Group positioning	24	5.2. Conflicts of interest	58
3.1. Technology Management & Financing	25	5.3. Biographies of Directors	59
3.2. Products & Solutions	26	6. Research & Development	62
3.3. Services	28	7. Principal investments	64
3.4. Digital solutions offered by Econocom Satellites	30	7.1. 2017	64
3.5. Combination of Planet and Satellite know-how	39	7.2. 2018	65
4. Financial position and results	42	7.3. In 2019	66
4.1. Highlights of the past three years	42	8. Additional information	66
4.2. Consolidated data for the year: comparison between 2018, 2017 and 2016	43	8.1. Legal and arbitration proceedings	66
4.3. Equity restrictions	46	8.2. Major contracts	66



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

Jean-Louis Bouchard

Econocom’s Founding President

Preamble

45 years of intuition, daring and independence

When Jean-Louis Bouchard created ECS in 1974, he deployed an economic model thereto unknown in the IT sector, in response to a customer request: leasing. The company began by renting IBM machines.

Keen on preserving its independence, it quickly established partnerships with most of the other manufacturers, becoming their indispensable financing partner. This mix of intuition, daring and independence, which was at the origin of the creation of Econocom, is still part of the company's values today. It has always been at the heart of the company's decisions, as it has grown and diversified

From leasing to services, including distribution and telecommunications

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

Agility through Satellites

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

1. Group history

● 1974

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

● 1985

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

● 1986

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

● 1993

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

● 1996

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

● 2000

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

● 2001

The Group employs 2,000 people.

● 2002

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

● 2004/2007

The Group steps up the pace of its development in the telecoms market with

the acquisition of Signal Service France, the corporate activity of Avenir Telecom, followed by the corporate division of The Phone House France.

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

● 2008

Acquires Databail, a French IT infrastructure financing company.

● 2009

Opens a nearshore remote service facility in Rabat, Morocco.

● 2010

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

● 2013

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

● 2014

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

2015

Econocom joins the Tech 40 index, selected by EnterNext from among 320 listed European high-tech stocks. In May, Econocom completes a €101 million private placement (Euro PP) split into two tranches with maturities of five and seven years, and coupons of 2.364% and 2.804% respectively. This helps strengthen, diversify and disintermediate the Group's financial resources while further optimising the financial conditions of its borrowings. Econocom Group becomes a European company (*societas europeae*) on 18 December 2015 to reflect its European identity and ambitions. Lastly, Econocom implements an external growth strategy geared towards acquiring majority stakes in medium-sized companies offering substantial scope for entrepreneurship. In this context, either directly or through its subsidiary Digital Dimension, the Group carried out several acquisition and investment operations, particularly in the area of security: Altasys, Clesys, Econocom Digital Security and one of the leaders specializing in open source with Alter Way.

2016

Econocom now employs over 10,000 people. At end-November, Econocom Group took advantage of favourable market conditions to launch a *Schuldschein* loan issue (private placement under German law) in a total amount of €150 million, thereby increasing its financial resources. During the year, Econocom Group continued its original "Satellites" external growth strategy, acquiring either directly or through its subsidiary Digital Dimension.

2017

Seven acquisitions are made:

- new Satellites: Aciernet (acquired by Exaprobe), LP Digital (acquired by Alter Way), Energy Net in Germany, Jade Solutions and JTRS in the United Kingdom;
- new Planet members: BIS in the Netherlands and Belgium, and Biboard in France.
- In April, Econocom completes the early conversion of its January 2014 ORNANE bonds due in 2019, boosting equity by €183 million.

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

2018

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

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

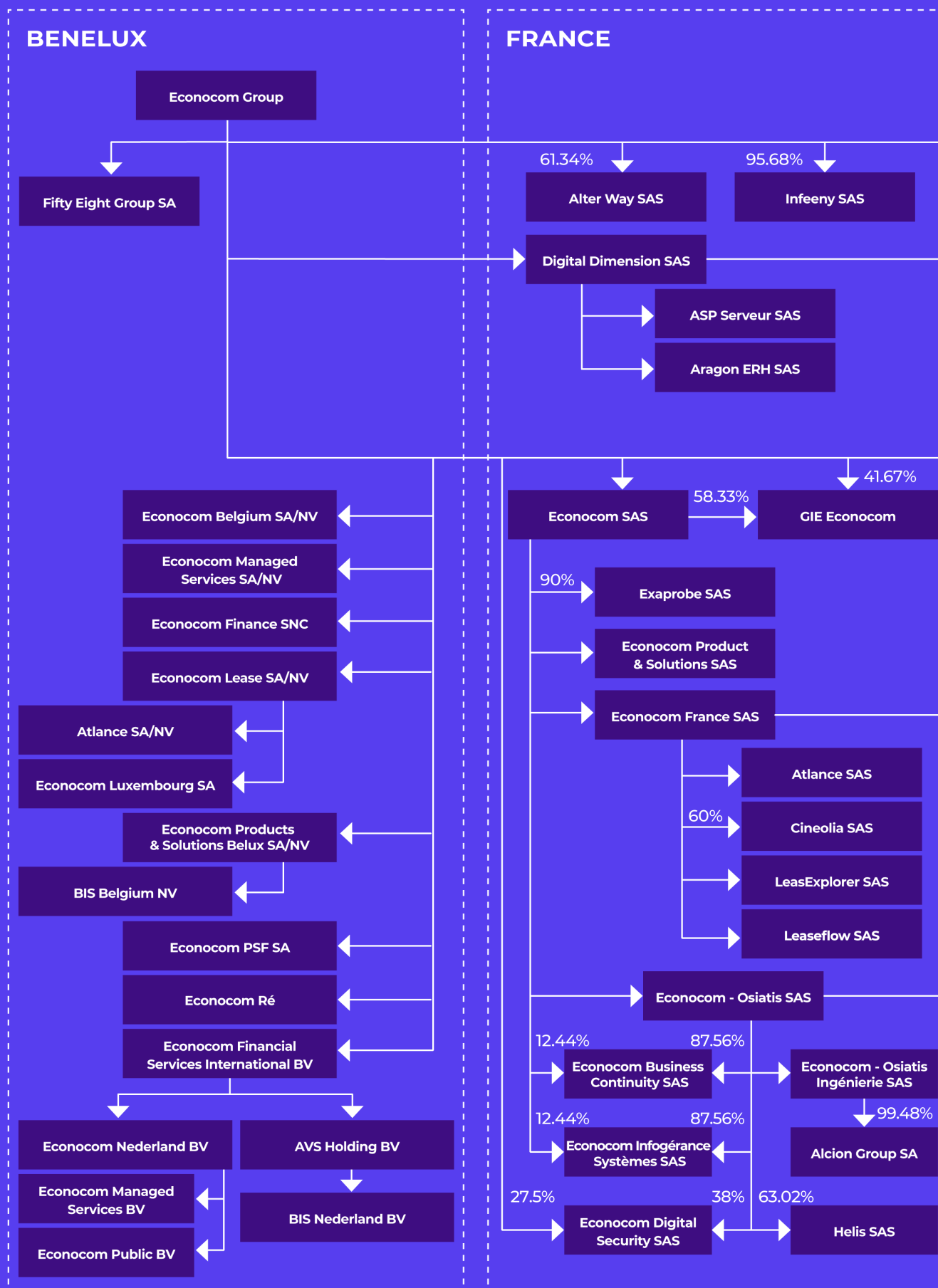
2019

The Group decides to shift its focus back to its historic business "TMF" and to all the synergistic activities with it within DSS.

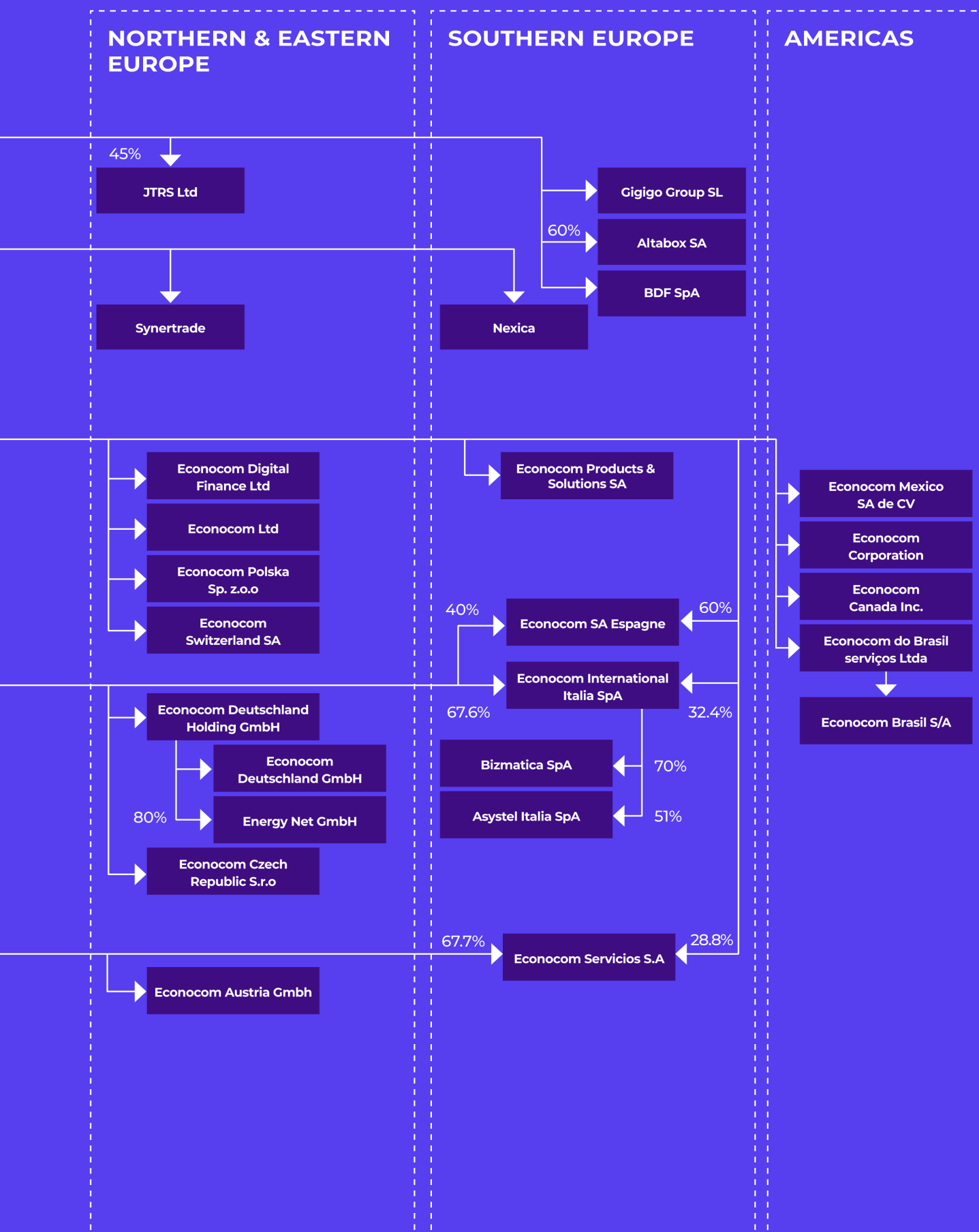
The Satellites Jade and Rayonnance are sold and 13 other non-strategic activities are identified in order to be sold or closed.

At the same time, the Group launches a major cost savings plan of €96.5 million spread out over three years, with thirty million already saved in 2019.

2. Group structure



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



3. Group positioning

Econocom, 360° expert in digital transformation

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

The strengths of the Group

Econocom group stands out from its competitors thanks to:

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

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

A unique development model

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

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

- Technology Management & Financing (see page 25);
- Products & Solutions (see page 26);
- Services (see page 28);
- the digital solutions of the Satellites (Cybersecurity, Microsoft, web apps, SaaS & Cloud, Infrastructure & Networks, Mobility, Digital Signage & Multimedia, Consulting) (see page 30);
- the combination of Planet and Satellites expertise: "end-to-end" transversal offers (see page 40).

3.1. Technology Management & Financing

3.1.1. MARKET: A DEMAND FOR GREATER FLEXIBILITY

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

Use rather than ownership

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

A trend reinforced by changes in accounting standards

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

technologies and associated service packages.

Leasing boosted by the circular economy

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

3.1.2. ECONOCOM: À LA CARTE FINANCIAL SOLUTIONS

A pioneer in leasing, the Econocom group generates 38.4% of its revenue through the Technology Management & Financing business. Today, the offer responds, more than ever before, to companies' expectations regarding financing. While 30% of them believe that the lack of financial resources is the greatest obstacle to their digital transformation⁽¹⁾, Econocom offers a wide range of adapted financial solutions. These solutions enable them to fast-track the completion of digital projects (connected devices, mobility, business hardware, IT & multimedia, industry hardware, energy, etc.), while meeting the financial and operational constraints of the players (CFOs, CIOs) and business lines involved.

Linearised payment methods

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

(1) Econocom, Sia Partners and Ifop.

Asset management service

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

Financing of green projects

Econocom also offers financing solutions for energy efficiency projects (see part 3 CSR report, page 69).

EDFL: the solution for financing the most complex transformation projects

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

Econocom has a unique position in its market, with no directly comparable competitors. Its competitors are, for the most part, either general or independent leasing companies, or specialist subsidiaries of hardware manufacturers or bank subsidiary leasing companies. These companies do not share Econocom group's same characteristics of independence or technological specialisation, while independent

competitors do not have distribution and service activities. Finally, Econocom is large enough to guarantee sustainability and a balanced force to its customers, compared with major hardware manufacturers and players in the digital sector.

3.2. Products & Solutions

3.2.1. A CONSTANTLY CHANGING MARKET

Companies must embrace the new technologies and the growing needs of users in terms of digitalisation; they are actively adapting their expenses depending on needs and on changes in the services associated with technological innovations.

In terms of supplies, the mission is somewhat complex for the CIO, who must integrate purchases of materials, subscriptions, licenses, contracts, tickets, commissioning fees, etc. with growing needs in terms of digital transformation, agility, confidence, user experience and operational excellence.

Innovation remains the driver of development through changes in technologies and in business models.

In this context, Econocom Products & Solutions is developing its positioning around "turnkey" solutions by proposing As A Service offers: a unique subscription for financing devices, applications and associated services. An even more comprehensive solution around products adapted to and associated with additional tailor-made services for builders and software vendors who assist companies in innovating, daring, adapting and rebounding for good in order to meet all their development needs:

- Consulting in the design and architecture of solutions;
- Supply, storage and deployment;
- Integration and environmental security;
- User support, assistance with change;
- Management of product life cycles;
- Developing offers as a service.

Econocom Products & Solutions uses, provides and develops efficient up-to-date tools: wide-ranging product base, hardware configurations, services configurations, extranet, tracking, supporting operational excellence and a relevant “Go To Market”.

Termination of Windows 7 support, migrations to Windows 10, and limits on availability of Intel processors were factors in the momentum of 2019 results in terms of volume and value.

3.2.2. INTELLIGENT WORKPLACE, A NEW DIMENSION

If there is one notion making its way around business circles, it is the notion of “office”. From a fully-equipped fixed physical station, the office is now any place from which you can work to boost productivity and sometimes it is not even an office. Of course, the boom in mobility has a lot to do with it.

These new user needs require a choice of products and adapted accessories, ready for use, the “zero touch”, enrolment, and MDM solutions for secure efficient deployment supporting hyper-personalisation with autonomous users and transparent integration.

Econocom Products & Solutions acts as an integrator of digital solutions to meet the needs of customers and simplify the daily lives of users. Econocom is a unique player in that it offers value-added supplies, additional services for its partner manufacturers (mainly Lenovo, Dell Technologies, HPinc, Apple, Samsung, Microsoft amongst more than 2,000 assets who recognise Econocom for its technical and business skills, its commitment, its quality of service, validated by high level certifications, and for its knowledge of markets and customers, both private and public. 30% of device purchases will be DaaS (Device as a Service) by 2025, according to IDC (IDC PCaaS MCS).

3.2.3. FRANCE'S SECOND LARGEST PLAYER IN DISTRIBUTION

In a dynamic, highly competitive market with more than 14,000 computer resellers in France, Econocom remains second (behind SCC) in this distribution market with 5% growth in 2019.

In the European market, it competes with Computacenter, SCC, Bechtle, Axians, Insight, Softwareone or Realdolmen.

In this complex context, Econocom Products & Solutions acts as a “one stop shop”, assisting its customers from end-to-end and working to develop digital uses to emphasise the importance of them and make them more attractive while keeping up with increasing needs and with the increasingly complete life cycle of computer equipment.

3.3. Services

3.3.1. A GLOBAL MARKET UP 5%

The digital services market performed well in 2019. This should continue in 2020 with a growth estimate of 4.4% for the EMEA (Europe, Middle East, Africa) zone, according to the firm Teknowlogy/PAC. An even more positive trend internationally, with 5.7% growth in 2019 and 5.3% expected for 2020.

For France, Syntec Numérique/IDC in its report released in December 2019, predicts differentiated progress depending on types of services: +2.9% for consulting and services delivered by digital services companies, +6.6% for software vendors and +4.4% for technology consulting, which is an average of 4.0% growth for 2020.

This sector will then account for more than €60 billion, of which 60% will come from consulting and services delivered by DSC.

Still according to Syntec Numérique/IDC, it is the transformation plans what will support growth. SMACS (projects around "Social, Mobility, Analytics, Cloud, Security") will account for €16.5 billion with growth of 16.5% between 2019 and 2020.

For consulting and services delivered by DSC, the growth engine for 2020 is based on new, high value-added offers (cybersecurity, artificial intelligence, cognitive systems) and the development of cloud services.

The sectors driving growth are "Banking - Insurance - Finance", "Services to professionals" and "Utilities".

Lastly, the digital sector continues to boom, creating jobs for the tenth year in a row, increasing the workforce by more than 510,000 jobs in 2019, with growth of +7.1% (excluding software) or six times more dynamic than the private sector as a whole (+1.2%).

3.3.2. THE THREE PILLARS OF THE ECONOCOM OFFER

The Services activity of the Econocom group is developing personalised services to complement its customers' digital projects and quickly meet their business needs. Our 8,300 Services employees located in ten countries operate in **three major areas**: services to users with the Modern Workplace offer, cloud and infrastructure services and lastly digital transformation services with its expertise in applications and data engineering.

Services to Users

Users want to receive in their company services aligned with the highest standards of richness and quality from A to Z. The Information Systems Department (ISD) must therefore offer them new services to correspond to new uses.

To assist them, Econocom designs, integrates and manages digital workplace environments, generally known as "Digital Workplace" made up of:

- IT infrastructure cloudified;
- cloudified office suite;
- standardised user devices;
- digitalised service desk;
- reinvented convenience services.

Moreover, Econocom is ranked by the firm Teknowlogy/PAC as the leading player in the users' outsourcing market in France for the third straight year.

Furthermore - through its satellite Infeeny, a Microsoft pure player - received from the software vendor the title of partner for the year 2019 in its "Modern Workplace - Microsoft 365 & Surface" category.

Services to users are being transformed with the hyper-automation of the work environment (PCs are now behaving like smartphones) and the emergence of user support boosted by artificial intelligence.

For reasons of productivity and quality, the service desk is delivered from our own service centres located in France and Morocco.

Services around the cloud and infrastructures

To meet the growing needs of customers, employees and partners of its ecosystem, the Information Systems Department (ISD) must provide IT services available 24/7, which are ever more efficient, flexible and secure and at the lowest cost.

Econocom transforms, implements and optimises the IT services of its customers by complying with the new market trends, particularly hyper-automation and the cloud distributed.

The four major services that position the Group as one of the leaders in the management of cloud and traditional environments are:

- consulting;
- transformation;
- managed services;
- and maintenance.

Our cloud advisers assist customers in adopting the cloud, providing insights into the business, technical, financial, operational effects as well as the effects in terms of organisation and security of adopting the cloud.

Our cloud architects assist our customers in creating a secure, reliable and efficient cloud environment and transferring their workloads to them, while guaranteeing operational excellence.

Our managed services cover the management of IS from business applications, security, IT data to infrastructure. Econocom operates the infrastructures of its customers wherever they are hosted: with the customer or on the major public cloud platforms, Microsoft Azure, Amazon or Google. For the same reasons of productivity and quality, our customers' production infrastructure managed services are delivered mainly from our own service centres located in France and Morocco.

Maintaining the data centre infrastructures is crucial to ensure the continuity of our customers' business. Econocom is ranked by Teknowlogy/PAC as the leading independent player (not including manufacturers in captive markets) on the French data centre maintenance market for the fourth consecutive year.

The Group offers its own IAAS (Infrastructure-as-a-Service) and PAAS (Platform-as-a-Service) from highly available and secure cloud infrastructures based in France (delivered by ASP-Serveur, Alter Way and Econocom) in Spain (by Nexica) and in Benelux (by Econocom).

Its Satellite Asystel, in Italy, offers a complete platform of digital services, with wide expertise in the areas of consulting, infrastructure and cloud outsourcing, security and applications architecture.

Digital transformation through our expertise in applications and data engineering

In an ever fiercer competitive context, Time To Market is a key criterion for our customers. Therefore, applications must evolve along with the needs expressed by the business lines. Econocom assists its customers in deploying the DevOps approach, based on agile design and development and continuous integration and deployment. Services are delivered mainly in our service centres in France.

Data management and valuation is another key criterion. To take full advantage of it, Econocom has placed data at the heart of its development model through the creation of an Advisory Data division aimed at defining the conditions of a new growth strategy and helping companies to widen access to the use of data in their organisations to benefit the most from it.

3.3.3. ECONOCOM: ISO 27001 CERTIFIED

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

awareness training for Services employees via MOOCs (Massive Open Online Courses).

3.3.4. ECONOCOM: FRANCE'S 8TH LARGEST DIGITAL SERVICES COMPANY

Ranked as France's 8th largest digital services company in 2019, Econocom competes with companies like Capgemini, Orange, IBM, Atos and Accenture on the services market. But unlike those companies, it is the only one to combine associated distribution, management and financing services. Digital solutions offered by Econocom Satellites

3.4. Digital solutions offered by Econocom Satellites

Launched in 2014, the Satellite model enables Econocom to rapidly take up a position on buoyant markets, (cybersecurity, cloud, mobility, etc.). Econocom Satellites are innovative SMEs, whose areas of expertise correspond to the strategic challenges of digital transformation today. In 2019, they accounted for 24% of the Group's revenue.

3.4.1. CYBERSECURITY

3.4.1.1. A critical issue, a dynamic market

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

(1) ISO standard 27001 concerns security and information management systems and helps organisations. "More information here: <https://www.iso.org/fr/isoiec-27001-information-security.html>".

The amount of digital data is multiplied by eight

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

The number of mobile devices and IoT will double by 2020

According to recent studies, there are currently more than 3 billion smartphones and over 20 billion connected devices worldwide by the end of the year. However, this raises the number of zones at risk and points open to attack.

80% of European companies have already had their computers hacked⁽¹⁾

The proliferation of computer attacks and the existence of an active, more or less professionalized external threat, boost the market.

Beyond the exponential growth in the number of devices and data, there are other factors that explain the strong market dynamics. The introduction of new and increasingly restrictive regulations such as the General Data Protection Regulation (GDPR) and the E-PRIVACY project⁽²⁾, or the eIDAS European regulation⁽³⁾, has of course also proven to be a driving factor. Artificial

intelligence, Big Data, blockchain technology and even cloud computing are opening up massive growth prospects for security, which must and should be seen as an essential component of any digital transformation project.

3.4.1.2. The Econocom offer: Exaprobe and Digital Security

Econocom has chosen to structure its security offering through two complementary entities. Exaprobe and Digital Security give the Group a suitable and recognised offer in the field of information systems security and cybersecurity.

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

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

(1) Source: European Community.

(2) European project that aims to strengthen the rules protecting Internet users' privacy, which may come into force in 2019.

(3) Regulation on electronic identification and trust services for electronic transactions, in effect since the second quarter of 2018.

Econocom Digital Security helps customers manage their digital risks

digital.security spans three areas of expertise: IT system security (ISS), Internet of Things (IoT) security, operational technology security (OT). **Our commitment is fourfold. We promise to:**

- offer customers high-level expertise in a package that's right for them without an escalating budget;
- assess security and compliance levels based on technical and regulatory benchmarks that can be applied to every context;
- anticipating new uses ensure our customers achieve optimum protection of their information assets as quickly as possible and maintain this level;
- unite and involve all stakeholders in risk control measures that are effective and coherent.

digital.security offers the following services: audit (assessing and suggesting improvements), consultancy (analysing risks and drawing up risk reduction policies), integration and project (managing cross-cutting security projects (IAM, SOC/SIEM, DLP, CASB,...) modelling solutions), operational security (maintaining

and running security solutions), training and education (passing on technical and functional knowledge). digital.security is the first TF-CSIRT⁽¹⁾ accredited CERT™ (Computer Emergency Response Team) IoT and founder of the first IoT security label: IQS (IoT Qualified as Secured). digital.security is listed on Datadock which means companies can obtain funding for OPCO (OPérateurs de COMpétences - French skilled operator) training for their employees.

digital.security consultants and experts are members of various working groups (ANR, CESIN, CLUSIF, ENISA, AFNOR, IRTSystemX...) and are involved in the standardisation and promotion of digital risks. They are fully conversant with the methods, benchmarks and standards that apply to IT risk management and hold the certificates to prove it: ISO 27001, ISO 27005, CISSP, CMMI, ITIL, COBIT...

digital.security is officially recognised by the European body TF-CSIRT which coordinates relations between the various CERTs worldwide and has the ANSSI's (French agency for IT system security) PASSI⁽²⁾ and PASSI-LPM accreditation⁽³⁾, so our customers can be sure that the security audit services we offer meet their high standards and are appropriate for the sensitivity level of their IT systems.

(1) TF-CSIRT: Task Force on Computer Security Incident Response Teams.

(2) Security Incident Response Teams.[1] IT system security audit provider – Military Planning Law: qualification awarded by the ANSSI.

(3) French agency for IT system security.

3.4.2. MICROSOFT TECHNOLOGIES

3.4.2.1. Market: new business models are changing the game

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

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

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

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

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

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

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

Infeeny by Econocom represents:

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

Infeeny: an exclusive Microsoft pure player in the Econocom group. Thanks to its expertise in Microsoft and Econocom group's business contributions, Infeeny offers innovative solutions around the modern workplace, modern apps, the Cloud and data valuation to provide businesses with a personalised environment, tailored to business and users.

3.4.3. SAAS & CLOUD, WEB APPS AND OPEN SOURCE

3.4.3.1. Double-digit market growth

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

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

permissions and tedious administrative tasks that require significant manual effort.

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

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

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

Web apps and open source: growth relays on the IA side

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

new generations of DevOps-oriented development tools, and cloud technologies.

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

Applications

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

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

- **one stop shop around open source technologies thanks to the expertise of the Satellite Alter Way.** This innovative SME, recognised as a key player specialising in web platforms and DevOps based on open source solutions, has a service offer ranging from user experience to managed services in the cloud including consulting, design, development and third party applications maintenance;
- **off-the-shelf software platforms**, in SaaS or on-premise mode, to rapidly deploy new digital processes.

The Satellite **Aragon-ERH**, software vendor of the SIRH solution covering the entire HR scope and of an Operational Planning solution, both full SaaS intended for the public and private sectors.

Synertrade offers a SaaS solution dedicated to purchases, and covering the entire expenditure chain.

Hosting and cloud offers

For Econocom, infrastructure performance is a key success factor to ensure a successful user experience. The Group supports CIOs in maintaining very high levels of performance, integrating more efficient and flexible cloud offers and enhancing security. As the 9th largest player in the cloud and datacenter outsourcing market in France, Econocom is positioned, with its “Satellites” as a genuine partner of businesses and governments.

The Satellites

- **Alter Way (France):** Alter Way is also a key player in cloud services in France, specialising in MoveToCloud consulting and the outsourcing of web critical open source platforms on its own infrastructures of those of its public cloud partners (Azure, AWS, Google, etc.).

Alter Way has a complete offer of containerisation on Docker, of orchestration via Kubernetes and 24/7 management of those platforms.

Regularly ranked among the best high availability web hosters (IP Label/BFM Business ranking);

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

Nexica has datacenters in Barcelona, Madrid and Marseille.

3.4.4. INFRASTRUCTURE & NETWORKS

3.4.4.1. A market undergoing major structural changes

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

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

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

Over the last several years companies have been shifting their IT workload to the public cloud.

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

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

- **New mutations for tomorrow**

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

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

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

Designing scalable infrastructures capable of integrating the innovations of tomorrow

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

Alter Way: see chapter 3.4.3.2.

Asystel Italia: infrastructure expert (Cloud solutions, outsourcing)

ASP Serveur and Nexica: see chapter 3.4.3.2.

Exaprobe: see chapter 3.4.1.2.

3.4.5. MOBILITY

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

The enterprise mobility market is divided into four main segments:

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

The mobility market is a dynamic market driven particularly by the adoption by users in the private sphere. Thus, according to Gartner⁽¹⁾, today the overall market share of mobile platforms is nearly three times larger than the share of the historic platform Windows (4.5 billion mobile devices - Google Android and Apple iOS - compared with 1.5 billion for Windows). On a company scope, the relationship between these two segments is close to parity (0.85 mobile terminal for 1 Windows terminal in Western Europe).

As a result, public and private organisations are arranging to take change of these new uses in their business line and support structures. Gartner⁽²⁾ predicts annual growth of 10.1% in mobility management and security activities to \$10.5 billion by 2023.

(1) Gartner, Forecast: PCs, Ultramobile and Mobile Phones, Worldwide, 2017-2023, 4Q19 Update.

(2) Gartner, Forecast Analysis: Enterprise Managed Communications Service Growth Trends, 09/2019.

Among the investment⁽¹⁾ priorities of corporate decision-makers is the securing of mobile terminals and applications (a priority for 44% and 33% of deciders, respectively). 27% of European companies plan to develop mobile application management (MAM) and 31% to invest in improving the user experience.

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

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

- **Alter Way (France)** responds to mobility issues on Android technologies: Kotlin, Java et iOS: Swift 4/5 -Objective-C;
- **Bizmatica (Italy)** provides solutions with vertical expertise in omnichannel solutions, IOT and network management for telecommunication companies, Big Data and analytics, enterprise applications, API management and monetisation;
- **DMS (France)** is a mobile technology expert specialising in the deployment and management of very large terminal fleets;
- **Econocom Brazil** accelerates the digital transformation processes of companies through strategic consulting, managed services and mobile outsourcing;
- **In Spain, Mexico and Brazil, Gigigo** supports companies in their mobile marketing strategy by offering customised mobile application development for consumers and a platform for generating and managing promotional marketing campaigns;
- **JTRS (United Kingdom)** specialises in technology solutions for education and

B2B (Apple Solution Expert, Google Partner, Microsoft Certification, LEGO® Education Partner);

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

3.4.6. DIGITAL SIGNAGE & MULTIMEDIA

3.4.6.1. A growing market driven by the expansion of retail

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

3.4.6.2. The Econocom offer: Altabox, Cineolia, Energy Net

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

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

(1) CCS Insight, IT Decision-Maker Survey 2019-2020, 04/2019.

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

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

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

Energy Net (Germany): Econocom strengthened its presence in Germany with the acquisition of Energy Net in 2017. This Satellite, specialised in the B2B distribution and integration of Apple products, allows Econocom to strengthen its historic partnership with Apple⁽¹⁾.

Energy Net enables Econocom to develop innovative solutions combining hardware, applications and services, charged as a fee.

3.4.7. CONSULTING

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

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

Fifty Eight (France) is a consulting company whose objective is to assist major companies in transforming their organisations and their business lines, by using digital innovation.

Fifty Eight, the Group's brand undergoing digital transformation

The objective? Helping businesses and their employees to align managerial uses and practices with business objectives to guarantee a lasting impact by transformation on performance. Technology supports this approach to smooth and facilitate these new ways of operating.

(1) Econocom is Apple's first B2B partner. The partnership has been in place for 30 years.

From business, organisational or cultural diagnostic to implementation of new digital processes and solutions to assisting with the change over time, Fifty Eight engages with its customers from end to end and helps them to combat “digital waste”: increasing costly, unused solutions.

Fifty Eight, through its approach focused on the needs of business lines and uses, serves as a bridge between the different cutting-edge technological skill sets within the Econocom Galaxy. The Group’s experience in pay-as-you-go models complements this panoply of 360° players in digital transformation.

3.5. Combination of Planet and Satellite know-how

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

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

3.5.1. HORIZONTAL TRANSVERSAL OFFERS

3.5.1.1. Econocom Mobility Offer

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

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

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

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

• Terminals & Connectivity:

- ▶ the distribution of consumer-grade or rugged terminals, traceability solutions and mobile payments;
- ▶ services to ensure complete lifecycle management (fleet deployment, maintenance and recycling, fleet and subscription management, optimisation of telecommunications expenditures);
- ▶ a data connectivity offer to guarantee the best market all over Europe;

• Security:

- ▶ strategy consulting and to be adopted and integration and management services in EMM solutions and mobile threat detection;
- ▶ partnerships with market leaders and an internally developed solution (Harmonie);
- ▶ an innovative solution to simplify the life of users during an EMM migration (Wave);

- **Applications:**

- ▶ tailor-made development of business applications with real expertise in retail, field forces, transport-logistics, construction and health;
- ▶ packaged applications to meet standard needs and a development and integration platform to simplify mobile application creation and management (App Factory);

- **Employee Experience:** services associating human assistance (specialised helpdesks, local support, on-site training) and selfcare (mobile support application, connected drop-off points) to ensure autonomy and user satisfaction.

3.5.1.2. Econocloud offer

Econocloud is another vision of cloud and IT outsourcing.

Launched in 2018 **to allow companies to manage all their cloud resources via a single console**, Econocloud is:

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

3.5.1.3. MarS (Master all Resources) offer

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

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

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

MarS: understanding real uses and succeeding in the transformation

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

(1) Source: <https://iaitam.org/wp-content/uploads/2015/12/The-Real-Cost-of-Unused-Software.pdf>

(2) 85% of companies do not know how to calculate the ROI of their digital initiatives and the IS projects have an average overhead of 45% (studies undertaken by Econocom, McKinsey, IE or Atos).

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

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

3.5.2. VERTICAL TRANSVERSAL OFFER

3.5.2.1. Econocom Retail

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

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

Econocom Retail is:

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

4. Financial position and results

4.1. Highlights of the past three years

2019 was notable for:

- revenue of €2,927 million stable over its continued activities at constant standards, identical to 2018. On an organic basis, it was down slightly by 0.8%. Restated for the drop in revenue of TMF in Italy, growth amounted to 4.5% (of which 3.7% organic growth);
- in the process of refocusing its activities, the Group placed 13 companies/activities in the IFRS 5 scope of application (discontinued activities);
- profit from continuing operations⁽¹⁾ which stands at €126 million for continuing activities;
- the companies Jade and Rayonnance were sold (however, the Group has retained 10% of Rayonnance);
- the Group launched a plan to reduce direct and indirect expenses by €96.5 million gross spread out over three years, resulting in savings of €30 million in 2019;
- net accounting debt remained stable compared with 2018. On the one hand, this reflects sound operating cash flow generation, the cash inflows received from the partial sale of Rayonnance in December, as well as the decline working capital requirements for EDFL and, on the other hand, the cash outflows in the year related to the acquisition of non-controlling interests in Satellites, to the redemption of the issue premium and to treasury share buybacks;
- as at December 2019, treasury shares totalled 9.56% of the share capital.

2018 was notable for:

- revenue of €2,999 million, reflecting organic growth of 2.7%. This revenue figure reflects the first application of IFRS 15;
- profit from continuing operations⁽¹⁾ stands at €110.9 million;
- in March 2018, the issue of an OCEANE bond maturing in 2023 for a nominal amount of €200 million. This convertible bond aims to support the Group's investments in its new strategic plan;
- the continuation of Econocom's investment strategy, initiated in 2014, through the acquisition of majority shareholdings in new subsidiaries (see below) while multiplying innovative initiatives on the Planet. These transactions were intended to strengthen the Group's know-how in the most buoyant market segments and to roll out its original model in the leading European countries;
- the return in October of Jean-Louis Bouchard, founder of the Group and Chairman of the Board of Directors, to the position of CEO;
- the continuation of the Group's cash management efforts, which significantly reduced the Group's working capital requirements and lowered net book debt.

2017 was notable for:

- the achievement of the objectives of the five-year Mutation strategic plan launched in 2013, with a two-fold increase in revenue (before the application of IFRS 15) and profit from continuing operations to €3 billion⁽¹⁾ and €154.4 million respectively;

(1) Before amortisation of intangible assets from acquisitions.

- the improvement in these indicators confirms the pertinence of the Group's model and investments, which bring together within its Galaxy a Planet comprising wholly owned entities alongside Satellites, small- and medium-sized companies that are highly effective in their area of expertise and in which founding entrepreneurs retain stakes. The stability and size of the Planet, which bolster the Group's credibility in relation to third parties, combined with the agility and innovation of the Satellites, help the Group conquer new markets;
- April 2017 saw the early conversion of the Company's January 2014 ORNANE bonds due in 2019, boosting equity by €183 million;
- the two-for-one split of Econocom group shares.

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

4.2.1. KEY FIGURES

<i>in € millions</i>	2019	2018 restated*	2017
Revenue from continuing operations	2,926.6	2,999.0	2,634.3
Profit (loss) from continuing ordinary operations (before amortisation of intangible assets from acquisitions)	126.2	110.9	154.4
Profit (loss) from continuing operations	124.2	106.7	150.2
Operating profit	99.4	86.8	131.1
Shareholders' equity (including non-controlling interests)	483.9	491.3	480.0
Net debt	252.2	251.7	278.6

* In accordance with IFRS 5, 2018 income and expenses of activities discontinued in 2019 are reclassified to the income statements of 2018 under "Profit (loss) of discontinued operations". However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases. In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries.

4.2.2. REVENUE

<i>in € million</i>	2019	2018 restated*	2017
Technology Management & Financing Services	1,124	1,321	1,379
Digital Services & Solutions	1,802	1,678	1,255
Total revenue	2,927	2,999	2,634

* In accordance with IFRS 5, 2018 income and expenses of activities discontinued in 2019 are reclassified to the income statements of 2018 under "Profit (loss) of discontinued operations". However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases. In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries.

For continuing operations, Econocom reported for financial year 2019 annual consolidated revenue of €2,926 million equal to €2,927 million at constant standards earned in 2018. Restated for the fall in revenue by TMF in Italy, growth reached 4.5% (3.7% organically).

This performance was driven by the good performance of Digital Services & Solutions, which contributed €1,802.4 million to consolidated 2019 revenue, with organic growth up 6.2%.

Technology Management & Financing

At 31 December 2019, Technology Management & Financing recorded revenue of €1,124 million compared with €1,321 million one year earlier, which is a decrease of 10%. This decline is related to the lesser contribution by the subsidiary TMF in Italy for around €134 million. Excluding this effect, growth would have been 0.6% in 2019.

Revenue for this segment increased by 1.6% in 2018, mainly owing to organic growth, recording an increase of 9.5% on 2017.

Digital Services & Solutions

Digital Services and Solutions posted revenue in 2019 of €1,802 million compared with €1,678 million in 2018, or an increase of 7.4% (6.2% organic growth). This activity continued to grow with major plans for IT equipment for high schools and large local authorities in France. In 2017, the Services business posted revenue of €902 million, an increase of 12.5% thanks to the increasing number of major outsourcing contracts. Products & Solutions reported revenue of €353 million; much of this growth was achieved in France, Belgium and the Netherlands following the acquisition of the BIS group at the beginning of the year.

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

4.2.3. PROFIT (LOSS) FROM CONTINUING OPERATIONS

<i>in € millions</i>	2019	2018 restated*	2017
Technology Management & Financing Services	43.9	52.3	92.4
Digital Services & Solutions	82.3	58.6	62.0
Total recurring operating profit	126.2	110.9	154.4

* In accordance with IFRS 5, 2018 income and expenses of activities discontinued in 2019 are reclassified to the income statements of 2018 under "Profit (loss) of discontinued operations". However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases. In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries.

The Group's profit from continuing operations before amortisation of intangible assets from acquisitions is €126.2 million, i.e. 4.3% of revenue. In the second half the Group amplified its cost reduction plan, resulting in gross savings of around €30 million offsetting the decline in the contribution by the Italian subsidiary.

In 2018 the Group's profit from continuing operations stood at €110.9 million, accounting for 3.8% of revenue, affected by the decrease in operating profit from Technology Management & Financing.

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

4.2.4. OPERATING PROFIT

The Group's operating profit was €81,899.4 million in 2019, compared with €131,186.8 million in the previous year, a decrease of 37,614.5%. Non-recurring

expenses stood at €28,624.8 million, up €9,54.9 million over 2018 under the effect of reorganisation measures and consequences of fraud, of which the Group was a victim in Italy.

In 2017 and 2018, non-recurring expenses amounted to €19.9 million in 2018 following adjustments to the accounting methods used for changes in the fair value of put options in debt instruments now recorded as equity.

4.2.5. FINANCIAL POSITION

The Group boasted a sound financial position at 31 December 2019, with net cash at bank of €284 million and net debt under control at €252.2 million, less than 1.4x its 2019 EBITDA.

At 31 December 2018, net debt stood at €251,7 million, less than 1,6x Group EBITDA in 2018.

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

4.3. Equity restrictions

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

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

interest rate until the ratio is brought back within the relevant bounds.

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

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

5. Corporate Governance

5.1. Board of Directors and Advisory Committees

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

- articles 7:85 *et seq.* of the new Belgian Companies Code;
- articles 14 *et seq.* of the Bylaws;
- the internal rules of the respective Committees, available on the Econocom website (www.econocom.com), *i.e.*:
 - (i) the internal rule of the Board of Directors' meeting of 19 May 2016 (the "Board of Directors' internal rule");
 - (ii) the internal rule of the Executive Committee (formally Executive Committee) of 7 September 2016 (the "Executive Committee's internal rule");
 - (iii) the internal rule of the Audit Committee of 22 November 2012 (the "Audit Committee's internal rule"); and
 - (iv) the internal rule of the Compensation Committee of 31 August 2011 (the "Compensation Committee's internal rule").

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

5.1.1. BOARD OF DIRECTORS

5.1.1.1. Composition of the Board of Directors

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

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

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

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

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

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

5.1.1.1.2. Vacancy (article 15 of the Bylaws)

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

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

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

The Chairman of the Board is responsible for:

1 Ensure the management by the Board, and in particular see to it that the Board is well organised, operates efficiently and performs its obligations and responsibilities. This involves:

- ▶ preparing, presiding and managing the sessions of the Board and making certain that in the meetings, sufficient time is reserved for a serious in-depth discussion of the relevant issues;
- ▶ drawing up the agenda for the meetings of the Board, in liaison with the Chief Executive Officer(s) and, where appropriate, the Executive Committee;
- ▶ ensuring that the Board receives the appropriate information and that the documents supporting proposals for decisions are relevant and readily available within a reasonable time prior to Board meetings;

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

- ▶ the assessment of the size, composition and performance of the Board of Directors or the Chief Executives, his Committees and the Executive Committee to ensure the efficiency of the decision-making process;
- ▶ appointing or re-electing members of the Board, the Chief Executive Officers, members of the Board's Committees and the Executive Committee;

3. "Liaising" between the Board and the Executive Committee. This involves:

- ▶ meeting regularly with the Chief Executive Officer(s) and other members of the Executive Committee;
- ▶ seeing to it that relations between the Board and the Executive Committee are of a professional and constructive nature and that the Executive Committee provides the Board with the information necessary to play its role in terms of evaluation, decision-making, supervision and control;
- ▶ if it deems it in the interest of the Company, the Board may turn over the position of Chairman to any Director who performs executive duties within Econocom;
- ▶ in the absence of the Chairman the Vice-Chairman replaces him. Should both the Chairman and the Vice-Chairman be prevented from attending a Board meeting, the Directors present elect a Chairman for the meeting in question.

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

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

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

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

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

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

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

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

It has the following duties and responsibilities, which it performs with the support of the Executive Committee and the Committees it has established:

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

5.1.1.3. Functioning of the Board of Directors

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

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

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

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

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

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

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

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

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

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

Decisions of the Board are adopted on the basis of a majority of votes cast; abstentions are not counted. In the event of a tied vote,

the Chairman or, in his absence, the Vice-Chairman or, in his absence, the Director replacing him, has the casting vote.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board of Directors and those responsible for day-to-day management, within the limits of the powers of day-to-day management, may grant special and precise powers to one or more persons of their choice, who need not be shareholders or Directors. Holders of these special powers may substitute one or more persons in the

exercise of their powers, subject to the consent of the Board of Directors or the person responsible for day-to-day management (as appropriate).

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

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

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

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

5.1.1.6. Representation (article 22 of the Bylaws)

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

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

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

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

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

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

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

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

The Board of Directors shall establish an Audit Committee within the meaning of article 7:99 bis of the new Belgian Companies Code, as well as a Compensation Committee within the meaning of article 7:100 of the new Belgian Companies Code. The composition of these Committees, their tasks and internal rules are established by the Board of Directors, pursuant to the provisions of the Belgian Companies Code.

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

5.1.2.1. Executive Committee (article 21 of the Bylaws, article 3 of the Board of Directors' internal rules and the Executive Committee's internal rules)

5.1.2.1.1. General information

Pursuant to articles 15:18 and 7:121 of the new Belgian Companies Code and article 21 of Econocom's Bylaws, the Board may establish an Executive Committee, consisting of several persons, Directors or not, and delegate to it the operational management of the Company, as well as special powers other than those relating to operational management, without prejudice to the day-to-day management powers conferred to the Chief Executive Officers.

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

5.1.2.1.2. Composition of the Executive Committee

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

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

The members of the Executive Committee are appointed for a maximum term of six years. They may be re-elected.

The Executive Committee is chaired by a Chief Executive Officer appointed by the Board.

5.1.2.1.3. Role of the Executive Committee

The Executive Committee's responsibilities include, but are not limited to:

- taking all steps necessary to implement the decisions or recommendations of the Board;
- proposing strategic guidelines to be set by the Board, and framing budgets within the strategic guidelines laid down by the Board;
- managing the Group's operating entities (in accordance with the powers of the

bodies of these entities), and supervising their financial and operating performance;

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

- representing Econocom in its dealings with trade union and employer representative bodies;
- drafting and signing all documents necessary for implementing the powers delegated to it.

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

- implementing internal controls;
- preparing full, timely, reliable and accurate financial statements in accordance with accounting standards and with Econocom's overall policies as defined by the Board;
- presenting the Board with an impartial and comprehensible assessment of the Company's financial position and, more generally, promptly providing the Board with all of the information it needs to perform its duties;
- the Committee may in turn delegate all powers assigned by the Board of Directors, both to Econocom employees and third parties.
- The powers conferred on the Executive Committee shall in no event include the powers reserved by law, the Bylaws or internal rules for the Board of Directors. It is also the responsibility of the Executive Committee to:
 - ▶ submit to the Board any question relating to a strategic transaction bearing on Econocom or the Group, without prejudice to the Board's powers to examine any issues relating to operational management;

- ▶ respect the day-to-day management powers delegated by the Board of Directors to one or more Chief Executive Officers and/or Managing Directors.

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

5.1.2.1.4. Functioning of the Executive Committee

With the exception of the matters described below, the rules set out in the Bylaws applicable to Board meetings, deliberations and minutes also apply to the Executive Committee.

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

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

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

The Executive Committee reports to the Board of Directors on its management and on any significant issues falling within the

scope of its responsibility. The Chairman of the Committee or any other Committee member appointed for the purpose issues a quarterly report in this regard for the Chairman of the Board of Directors; this report includes internal reporting of financial results for the quarter.

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

At 31 December 2019, the Executive Committee consisted of Jean-Louis Bouchard, Éric Bazile, Angel Benguigui, Laurent Caparros, Bruno Grossi, Philippe Goullioud, Eric Lucas, Laurent Roudil and Chantal De Vrieze.

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

5.1.2.2.1. General information

The Board of Directors has set up an Audit Committee in accordance with article 21 of Econocom's Bylaws and with article 7:99 of the new Belgian Companies Code.

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

5.1.2.2.2. Composition of the Audit Committee

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

The members of the Audit Committee are appointed by the Board of Directors. The three-year term of office is renewable.

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

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

At 31 December 2019, the Audit Committee consisted of Rafi Kouyoumdjian, Gaspard Dürreleman and Marie-Christine Levet. The Committee is chaired by Gaspard Dürreleman.

5.1.2.2.3. Role of the Audit Committee

The Audit Committee is responsible for the tasks described below:

1 Financial reporting

- ▶ monitoring the process of preparing financial information and ensuring its reliability, *i.e.*, the accuracy, completeness and consistency of the financial statements;
- ▶ discussing any material financial reporting issues with the members of the Executive Committee and with the Statutory Auditor. In particular, the Executive Committee informs the Audit Committee of the methods used to account for material and unusual transactions when several possible approaches exist, and of the existence and justification of activities carried out through special purpose vehicles;

2 Internal control – risk management

- ▶ understanding the risk management and control systems established by Econocom's management, assessing whether the systems are appropriate and, where applicable, making recommendations to mitigate any material risks;
- ▶ reviewing the results of any investigations undertaken within the Company in response to alleged fraud or errors, or for any other reason:

reviewing decisions taken at such times and, where appropriate, making its own recommendations;

- ▶ enquiring about the systems in place within the Company and its subsidiaries to ensure compliance with the main legal and regulatory requirements applicable to them;

3. Internal Audit

- ▶ reviewing and making recommendations on the proposals by the Executive Committee relating to the appointment or replacement of the head of Internal Audit as well as the annual budget allocated for its operation;
- ▶ taking note of the work programme of the head of Internal Audit and his reports;
- ▶ reviewing the effectiveness of the Internal Audit function, chiefly by analysing how management applies the findings and recommendations of Internal Audit;

4. External Audit

- ▶ formulating recommendations to the Board of Directors as to the appointment of the Company's Statutory Auditor of the renewal of his term of office, the amount of his compensation and any mention of his mission;
- ▶ ensuring Statutory Auditor independence, chiefly in light of the provisions set forth in the new Belgian Companies Code and the Royal Decree of 4 April 2003;
- ▶ identifying the Statutory Auditor's work programme and reports;
- ▶ periodically reviewing the effectiveness of the External Audit process and analysing how the Executive Committee follows up on any recommendations made by the Statutory Auditor;

- ▶ defining, together with the Company's Statutory Auditor, the nature, scope and cost of the Statutory Auditor's involvement in any work performed that is unrelated to the statutory audit engagement;

5. Other

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

5.1.2.2.4. Functioning of the Audit Committee

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

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

The Audit Committee takes care to preserve free and open communication with the Executive Committee.

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

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

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

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

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

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

5.1.2.3.1. General information

The Board of Directors has established a Compensation Committee in accordance with article 7:100 of the new Belgian Companies Code and article 21 of the Company's Bylaws.

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

5.1.2.3.2. Composition of the Compensation Committee

The Compensation Committee consists of three non-executive Directors. The majority of members are independent as defined by article 7:87, section 1 of the new Belgian Companies Code. The Compensation Committee has the necessary expertise in matters of compensation.

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

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

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

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

At 31 December 2019, the Compensation Committee consisted of Jean Mounet, Rafi Kouyoumdjian and Anne Lange. The Committee is chaired by Jean Mounet.

5.1.2.3.3. Role of the Compensation Committee

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

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

- making proposals and recommendations to the Board of Directors with respect to the policy for compensating Directors and members of the Executive Committee and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval;

- making proposals and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Executive Committee, including the variable portion and long-term bonuses (long-term share incentives) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval;
- making recommendations and proposals to the Board of Directors about setting and assessing performance targets linked to the individual compensation of Directors' and Executive Committee members;
- drafting the compensation report, in accordance with article 3:6 of the new Belgian Companies Code, which is subsequently appended to the corporate governance statement;
- commenting on the compensation report during the Ordinary General Meeting;
- submitting recommendations to the Board of Directors with respect to the terms and conditions concerning the Directors' and Executive Committee members' employment or other contracts;
- generally carrying out all the tasks assigned by the Board of Directors with respect to compensation.

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

5.1.2.3.4. Functioning of the Compensation Committee

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

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

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

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

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

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

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

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

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

5.2. Conflicts of interest

The Company's corporate officers must comply with the recommendations of article 7:96 (conflicts of interest between the Company and a Director) and 7:97 (intragroup conflicts of interest) of the new Belgian Companies Code.

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

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

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

The transactions covered by this section are submitted to the Audit Committee, whose task is to ensure that said transactions comply with the procedures outlined above or, where applicable, that they are normal transactions conducted under normal market conditions and guarantees generally applied to transactions of a similar nature. The Audit Committee found that almost all of agreements reached during the 2019 financial year were normal transactions conducted under normal market conditions.

All material agreements between Econocom group and its related parties are disclosed in note 22, "Related party information", to the consolidated financial statements in the 2019 annual report.

5.3. Biographies of Directors

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

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

Walter Butler, who has French and Brazilian citizenship, is a graduate of the *École Nationale d'Administration* (ENA). He began his career with the Inspectorate General of the French Ministry of Finance before going on to become Executive VP of Goldman Sachs in New York. He founded Butler Capital Partners (BCP) in 1991. His group currently specialises in private equity and credit in Europe (Butler Investment Managers in London), as well as investing in companies, including Osiatis. Walter Butler was formerly Chairman of the French private equity and venture capital association (*Association Française des Investisseurs en Capital* – AFIC), a member of the French Strategic

Investment Fund Committee (*Comité du Fonds Stratégique d'Investissement* – FSI) and France's National Economic Analysis Council (*Conseil d'Analyse Économique de la République Française*).

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

Gaspard Dürleman began his career with Basaltes group in 1982. He went on to head Econocom Trading from 1985 to 1987, then Innovation et Gestion Financière from 1987 to 1992. He was subsequently head of the leather goods division at Hermès until 2000, and then of Delvaux in Belgium until 2003. He then joined Arthus-Bertrand group, which he ran for three years. In 2009, he became Chairman and CEO of Cambour, a jewellery manufacturer, a position he held until the end of 2015. Since then, he has established a consultancy business with large French and international groups in the luxury goods sector and taught in a business school. Since then, in parallel with its consultancy activity with players in the luxury market sector, he has taught in a business school and in 2018 he was awarded a University Teaching Diploma in multi-disciplinary health studies in conjunction with Université Paris 7 Bichat.

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

Bruno Grossi worked for over 20 years at Accenture, where he was partner, in charge of the telecom and media sectors in France and in Benelux. Co-Chairman of Osiatis between 2010 and 2013, before its merger with Econocom group in September 2013, he is now its Chief Executive Officer.

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

Anne Lange began her career in the Office of the French Prime Minister, where she was in charge of the supervisory body for public broadcasting. She was then appointed head of e-business for Europe at Thomson, then Company Secretary of the Forum for Rights on the Internet. She went on to hold a number of senior management positions with Cisco, in France and in California. More recently, Anne Lange embarked on an entrepreneurial venture as co-founder and CEO of Mentis, a software company

specialising in the Internet of Things, which has since been sold. She now splits her time between her Directorships and her role as a Senior Advisor, working with CEOs and helping them deal with major digital transformation challenges. She is a Director of Orange, Pernod Ricard, FFP and Inditex. Her strong technological skills, especially related to the world of the Internet, give her a clearer understanding of the major changes underway in the digital world.

Marie-Christine Levet is one of France's pioneering figures in the Internet world and has over 25 years' experience in the new technologies sector as both an entrepreneur and investor. She has run several French Internet and media companies (Lycos, Club-Internet, Tests group, etc.) Leveraging her entrepreneurial experience, Marie-Christine Levet switched over to the investment sector, taking part in the founding of Jaina Capital, one of France's first investment funds specialising in seed funding. Convinced of the education sector's need to undergo transformation, Marie-Christine Levet founded Educapital, the first European investment fund devoted to the innovative education sector, in October 2017. She is also a Director of Iliad, Maisons du Monde, SoLocal and AFP. Her entrepreneurial experience as both an investor and Director of pioneering companies in the digital market as well as in digital transformation consulting is an asset in supporting Econocom group's development strategy.

Jean Mounet trained as an engineer (ESCPE Lyon). Holder of a doctorate in Physical Sciences, he graduated from Stanford

University in Strategic Marketing. He occupied a number of positions with IT manufacturers (IBM and Bull). In 1988, he joined Sopra Group as Managing Director, becoming Vice-Chairman in 2005. He is now a Director of Sopra Banking Software and Special Advisor to the Chairman. He was Chairman of Syntec Numérique from 2003 to 2010, and is now Chairman of the Statutory Committee. He is also a Director of Horizontal Software and Chairman of Trigone SAS, a management consulting firm.

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

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

6. Research & Development

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

In 2019, R&D efforts were pursued in continuity with the areas developed in prior years with the aim of providing intensive support and assistance for any innovative solutions produced by our customers.

R&D efforts focused particularly on the areas of data visualisation (DATAVIZ), decision support, developing integrated solutions in the area of IoT, image recognition in real time, 5G microservice billing and machine learning, applied to process automation.

Econocom has enhanced its research activities by recruiting young Ph.Ds who are experts in Data Analyst Business Intelligence to ensure the development of its DATA practice around the BiBoard and MarS offers.

Collaboration with the academic world took shape with the signing of training agreements, allowing our employees to specific training sessions at the Claude Bernard University in Lyons in the areas of Cloud Computing and the Interoperability of Information Systems.

Another research area focuses on the objectives of operational excellence, the study of complex data for forecasting

purposes applied to the IT infrastructure and more particularly to our managed services offers (supervision, operation, administration) devoted to the networks (LAN, WAN) and to telecommunications (telephony operators).

Optimising costs

Controlling the resources consumed by the public Clouds and the quality of service offered to its customers have led Alter Way to new partnerships and R&D projects in 2019. The 5GBiller solution, for billing of Telecom 5G platforms based on Kubernetes infrastructures provides configurable pricing rules and can be used to optimise the ratio between supplier costs and the price of the services or products sold to their customers. A consortium of international users was set up at the end of the year to participate in the pilot phase of the product, conducted by Engineering Group.

AI, a European research agreement

In the area of artificial intelligence, AlterWay had the honour of obtaining a European research agreement in connection with the OpenREQ project (H2020). Indeed, the Company has obtained preliminary results in automation by machine learning, surpassing 97% effectiveness in certain NLU classification exercises. With this degree of efficiency the Company can envisage placing some highly innovative automatic mechanisms in production among its customer support business units.

2019, first publications and contribution to the advancement of research on emerging technologies

2019 saw the first publications on the topics of orchestration and optimisation of the micro-services Cloud, as a continuation of the Wolphin Open Source project, but also doctoral work in R&D, which is promising from an academic standpoint with two articles already published in European conferences (OLA and ROADEF) for Q1 2020.

It also proved to be a gratifying year of exploration (5G, AI), both in terms of practical results with numerous contributions and a new product and in terms of new partnerships. Hence 2020 promises to be a year devoted to continuing to work on AI and Cloud platforms, and a

year devoted to optimisation and automation, with a business focus on decentralised infrastructures like Edge and Fog and their energy efficiency.

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

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

7. Principal investments

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

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

7.1. 2017

The deals carried out in 2017 are as follows:

- **Digital Services and Solutions**

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

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

At end-July, in the United Kingdom, Econocom acquired 85% of Jade Solutions, a specialist in crowd WiFi and professional mobility solutions for major companies,

particularly in the retail and logistics fields. Jade Solutions reported revenue of more than €13 million in 2017.

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

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

- **Changes in ownership interest**

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

OTHER INTERESTS ACQUIRED AND INVESTMENTS

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

7.2. 2018

The deals carried out in 2018 are as follows:

• acquisitions in “Digital Services and Solutions”

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

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

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

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

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

OTHER INTERESTS ACQUIRED AND INVESTMENTS

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

ASP Serveur: the Group acquired the minority interest (20%) in October 2018, thereby increasing its interest to 100%.

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

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

7.3. In 2019

OTHER INTERESTS ACQUIRED AND INVESTMENTS

Synertrade: the Group through its subsidiary Digital Dimension, acquired the minority stake (10%) in July 2019, thus raising its stake to 100%.

Gigigo: Econocom group SE acquired all the non-controlling interests (30%) in July 2019.

Infeeny: during the first half, Econocom group SE acquired 9.66% of the company's capital.

JTRS: Econocom group increased its stake in the company through the acquisition of shares from a minority shareholder (5%).

Altabox: at end-2019 the Group exercised part of its options on 15% of the company's capital, raising its interest to 85%

8. Additional information

8.1. Legal and arbitration proceedings

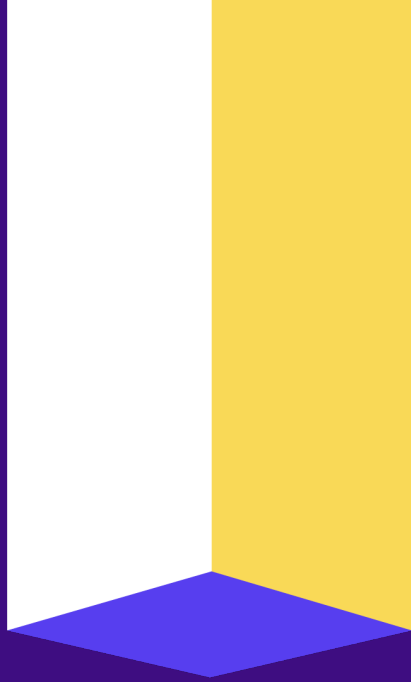
Governmental, legal or arbitration proceedings against the Group, pending or threatened, are subject to provisions established in accordance with IAS 37, taking into account all available relevant information on such proceedings.

The total consolidated amount of provisions for all of the Group's disputes (see note 16 to the consolidated financial statements) includes all outflows of resources (excluding any possible reimbursements) deemed likely for all types of claims and litigation to

which the Group may be party as a result of conducting its business. This amount was increased owing to a commercial dispute which could represent a counterparty risk for the Group.

8.2. Major contracts

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



03

corporate social responsibility

Our approach

- CSR stakes and mission
- The organisation
- Our roadmap

Actions and highlights

- References and standards
- Labels and certifications
- Commitments to the SDG (Sustainable Development Goals)
- Major aims and achievements:

1. Nurture our excellence through responsible commitment

- 1.1. Position ourselves as a committed employer
- 1.2. Conduct a demanding environmental policy
- 1.3. Be an ethical and responsible player

68

68

68

68

69

69

69

69

71

72

72

80

83

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

86

- 2.1. Develop our offer of green and responsible products and services
- 2.2. Promote useful and responsible digital business and the circular economy
- 2.3. Boost responsible innovation in internal and external collaborations

86

87

89

3. Federate an ecosystem to create shared value

90

- 3.1. Partnerships in the education and university sector
- 3.2. Become the partner of choice for innovative companies and integrate them into our offers
- 3.3. Develop our local roots

90

94

95

Our approach

CSR stakes and mission

According to a CNRS study of May 2018, digital services represent between 6% and 10% of the world's energy consumption. The same study estimates that only 18% of the materials used to manufacture portable computers are recycled in Europe. The Econocom group views these figures as a challenge, after having made the fight against digital waste a major focus of its CSR strategy.

How will this be done? Firstly by designing and deploying truly useful and responsible digital technologies for end users, that contribute to the overall performance and competitiveness of organisations. Secondly by ensuring the recycling and re-use of equipment. Econocom's mission regarding social responsibility is: to provide our customers and their users with effective and responsible digital solutions, generating a positive impact.

This commitment to useful digital services is evident in, amongst other things, the Group's efforts to improve the energy efficiency of its digital infrastructure, its sponsorship of organisations combating exclusion and its commitment to the re-use and recycling of its equipment through social support organisations. Finally, the Econocom Group's social responsibility cannot be envisaged without an appropriate HR strategy and a responsible environmental policy.

The organisation

Econocom's CSR policy involves all Group employees and is implemented by a dedicated organisational structure. The CSR Department is headed by Véronique di Benedetto, Vice Chairwoman France. This department presents the CSR policy to the Board of Directors and other management bodies.

The policy is managed by a CSR Steering Committee comprising 7 Directors representing the Group's main functions. It approves the strategic priorities and objectives of the CSR programme and ensures that objectives are met.

A panel of CSR functional and geographical correspondents has been created. These correspondents are part of the operational teams of members of the CSR Steering Committee. They are responsible for meeting objectives in their respective scopes. They are responsible for the operational implementation of the action plans approved in Committees, and they are also the ambassador for the policy with their teams.

Our roadmap

Econocom adopted a new CSR strategy in 2019 and implemented it in 2019. This ambitious and demanding road map includes all of the significant issues identified in the survey of internal and external Group stakeholders. It highlights the points which Econocom would like to develop over the next few years.

NURTURE OUR EXCELLENCE THROUGH RESPONSIBLE COMMITMENT

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

SUPPORT THE NEW RESPONSIBLE USES OF OUR CUSTOMERS AND USERS

- Guarantee an extensive and simple user experience, as a service.

- Promote useful and responsible digital business and the circular economy.
- Boost responsible innovation in internal and external collaborations.

FEDERATE AN ECOSYSTEM TO CREATE SHARED VALUE

- Support new uses linked to useful digital business in the education sector, and Green IT.
- Become the partner of choice for innovative companies and integrate them into our offers.
- Develop our local roots.

Actions and highlights

References and standards

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



Labels and certifications

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

Commitments to the SDG (Sustainable Development Goals)

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

PRIORITY COMMITMENTS:

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

ACTIVE CONTRIBUTION:

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

PARTICIPATION:

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



Major aims and achievements:

Gender balance

Achievement: creation and deployment of an internal programme, “Econocom Digital Women” and signature of the manifesto to provide retraining for women in the digital businesses.

Aim: the Econocom group aims to improve women’s access to IT jobs by 2022, to attract more female talent and to improve their integration into the Company.

Environment

Achievement: as part of its commitment to reducing IT waste, Econocom has registered a 28% reduction in the consumption of IT equipment by its employees.

Aim: by 2022, the Econocom group aims to control and reduce consumption throughout its information systems.

Solidarity

Achievement: 80% of all our reconditioned IT equipment is processed by companies which are partners in the social economy (which every year represents about 500,000 products).

Aim: the Econocom group aims to have all its IT equipment processed and re-conditioned by companies in the social economy by 2022.

Circular economy

Achievement: Econocom commits to the circular economy by developing essential project finance expertise for digital projects and technological equipment, *via* “as a service” finance solutions, and offerings which enable companies to manage their digital projects in real time and strictly adjusted to usage.

Aim: Econocom is aiming to accelerate, by 2022, the creation of unique financial and technological offerings which reduce the environmental IT footprint of its clients.

1. Nurture our excellence through responsible commitment

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

1.1. Position ourself as a committed employer

Through its hiring policy, professional development plans, after-work social events, health programmes and employee satisfaction surveys, Econocom has committed to making its employees the

driving force behind corporate social responsibility (CSR) and the Group's top ambassadors. At 31 December 2019, Econocom had 10,323 employees, with nearly 85% in Services.

Breakdown of workforce by business

	31 Dec. 2019	31 Dec. 2018
Technology Management & Financing	526	634
Services	8,314	8,891
Products & Solutions	626	441
Holding and support functions	739	728
Total employees	10,205	10,694
Sales agents	118	118
Total	10,323	10,812

Breakdown of workforce by geographical area

	31 Dec. 2019	31 Dec. 2018
France	7,173	7,444
Benelux	725	740
Southern Europe	1,932	2,001
Northern & Eastern Europe/Americas	493	628
Total	10,323	10,812

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

1.1.1. HIRING AND ONBOARDING POLICY

Talent acquisition

The Group wants every employee to be able to grow in an exciting and rewarding work environment, by carrying out diversified and meaningful assignments. This begins with putting the right skills in the right places, by managing hiring and mobility. Econocom has defined three priority areas of action to meet the expectations of both current and future employees:

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

A new module will be deployed in the second quarter of 2020 and will make it possible, *via* an employee area, to:

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

In 2019, the Group hired 1,840 people in France.

Number of new hires by region in 2019

	Number of new hires in 2019
Benelux	76
France (Planet + Exaprobe + Infeeny + other Satellites)	1,840
Spain	291
Italy	30
Other countries	235
	2,472

Talent integration

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

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

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

1.1.2. PROFESSIONAL DEVELOPMENT

Training

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

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

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

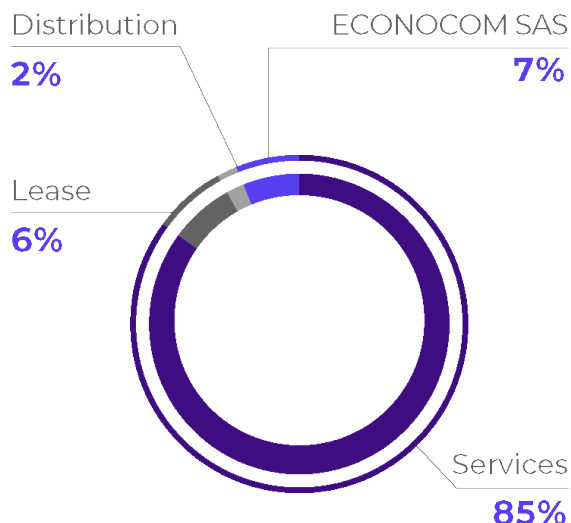
To meet the training requests of all employees and encourage them to engage in self-training, Econocom draws on the wealth of opportunities available through digital technology, and has redesigned its distance training offer. MOOCs are also offered throughout the year, particularly on subjects relating to the digital transformation of the Group's businesses.

In 2019, Econocom rolled out an innovative digital training offering in a SPOC format on soft skills: project management, flexibility, human resources, conflict management, organising meetings, communication and management. Almost 230 were able to benefit from this distance training, on a voluntary basis, after approval by management.

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

Econocom believes that training is a key factor in both employees' professional advancement and the Group's success. In France, 40,000 hours of training were provided in 2019.

Distribution of employees trained by business in France in 2019



Internal digital transformation

Econocom has introduced a digital acculturation training programme called the "digital passport". The goal is to improve employees' knowledge and awareness of the impact of digital technology on their business, and help them learn to use the new tools available to them so that digital solutions can be a true source of professional development. In 2017, almost 500 employees in France signed up on a voluntary basis to obtain the digital passport. The last training session was set up in 2019, training almost 90 more people.

Digital transformation also involves adapting workspaces. To this end, Econocom has redesigned the layout of its offices to create spaces where people can come together to share ideas under the watchwords of co-creation and collaboration. The Group's different sites are equipped with digital solutions, such as displays in walkways to enable staff to perform quick tasks (reserve a meeting room, find their way around, check available offices, etc.) and web conferencing solutions that can be used either from a meeting room or a work device, such as a computer, tablet, smartphone, etc. Nearly 3,000 employees benefit from working conditions adapted to changes in their business and work methods.

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

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

Career management

Career management and professional development of employees are prime concerns at Econocom and part of a structured process to target specific initiatives for different employee profiles. Econocom’s Talent Reviews feature top management from each business line, the Career & Development team and the operational HR team to discuss the business challenges which can be addressed by the human resources strategy. These reviews are conducted to prioritise individual development actions based on identity of employees and to ensure that HR programmes are in line with the requirements and expectations of each business line and with employee aspirations.

1.1.3. EMPLOYEE SATISFACTION

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

Share engagement programme

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

Easy Life: facilitate your day-to-day life

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

Flexi’work: adapt your organisation

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

Share Solidarity: support a community cause

In 2016, the “Engaged, now!” programme was launched. The purpose was to promote charity work performed by employees in their own time. Employees can therefore submit an application to support a charitable organisation for which they volunteer. The organisation will then receive a financial contribution from Econocom to support its development. The organisation’s charitable purpose must also be in line with the Group’s CSR policy. For three years, fifteen associations have received this support. The programme has been a huge success and lets employees draw attention to the action taken by their organisation and recruit potential volunteers.

In December 2019, the sites of Clichy, Noisy-le-Grand, Les Plessis Robinson, Villeurbanne and Les Ulis offered employees the opportunity to take part in the Father Christmases Green Collection, of Le Secours Populaires Français. In December employees gave new or second hand toys to children from under-privileged families.

In September 2019, following the move from the Puteaux site, a charitable sale was organised with employees, involving the sale of unused IT equipment at attractive prices. The proceeds from this sale were entirely paid to two associations supported by Econocom: Espérances Banlieues and Double Horizon. 30 computers were also processed and reconditioned by our partner Ateliers Sans Frontières and were given to Espérances Banlieues, to be used to train pupils at school in Asnières (92) in digital technologies.

We Care We Cure: protect your health

In 2017, Econocom launched its employee health programme in France:

This programme takes action in two key areas:

- prevention (awareness, screening, preventive action) is the first step towards improving employee health;
- Day-to-day support for employees in treating illnesses.

Happy Life @ Econocom

In 2015, the Group launched the Happy Dej and Happy Cheers initiatives at its sites in France. Econocom organises a Happy Dej every year on the biggest sites of France, and a National Afterwork which brings together all the 10 cities concerned. These events allow employees to meet in a friendly and relaxed atmosphere by participating in the various activities offered.

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

1.1.4. DIVERSITY POLICY

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

Gender parity

Econocom closely monitors gender parity within its workforce and encourages women to join this highly male-dominated industry *via*, for example, recruitment or engagements in favour of gender equality, especially in the digital sector. The Group ensures that fair treatment is applied in terms of representation and promotion to strengthen the balance between women and men. Econocom is particularly attentive to ensuring that men and women enjoy the same career opportunities, especially in access to training, professional development and management positions. Progress in gender parity cannot be made without raising the awareness of management and involving men in the process. The Group has increased the number of women on its Board of Directors. In 2017, three out of the four new Directors appointed were women. One third of it are now women, in line with the target set by the Group.

Gender equality index: 88/100 for the Services activity in France

In application of the decree of 8 January 2019, the Services activity gets a score of 88 out of 100 points. This index is based on five indicators:

1. Gender pay gap
2. Gap in rates of individual salary increases between women and men
3. Gap in promotion rates between women and men
4. Percentage of employees returning from paid maternity leave who receive a salary increase upon their return
5. Number of the least represented gender among the ten highest paid employees

Gender breakdown in France in 2019 (excluding Satellites)

France	Support functions	Products & Solutions	Services	Technology Management & Financing	Total
Women	58	103	370	65	596
Men	18	41	2,332	26	2,417
Total Non-managers	76	144	2,702	91	3,013
Women	125	48	331	78	582
Men	101	53	1,737	84	1,975
Total Managers	226	101	2,068	162	2,557
Total	302	245	4,770	253	5,570

Econocom Digital Women (Femmes du Digital Econocom): an internal programme to encourage women in the IT sector

In June 2019, the Econocom Digital Women internal programme was launched under the aegis of the Services activity. This ambitious programme set **3 targets** :

- create a national community in order to encourage dialogue and interactions between Services employees;
- attract and recruit more women in the workforce;
- innovate and showcase skills and expertise internally.

Aware of the added value that gender diversity gives to an organisation, Econocom would like to encourage the presence of women in its activities and make digital sectors, where women are under-represented, more attractive. The Group would thus like to take on a major challenge: to make the IT sector more female. By signing the **Retraining Women in the Digital Sector Manifesto**, Econocom is making a commitment, offering a support programme to women who have retrained. The task of Econocom Digital Women is also to raise awareness amongst young women through talks in schools and introductory internships.

Anti-discrimination policy

Professional integration of young people

For its Services business in France, Econocom group clearly encourages hiring young graduates and final-year students on work-study programmes. Econocom plays an important role in training by supporting young workers every year in internships and work-study programmes. These undergraduate and master's-level training programmes are monitored by tutors in technical and functional jobs. As Econocom's Services business has the highest recruitment needs, it has established special partnerships with more than 40 schools.

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

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

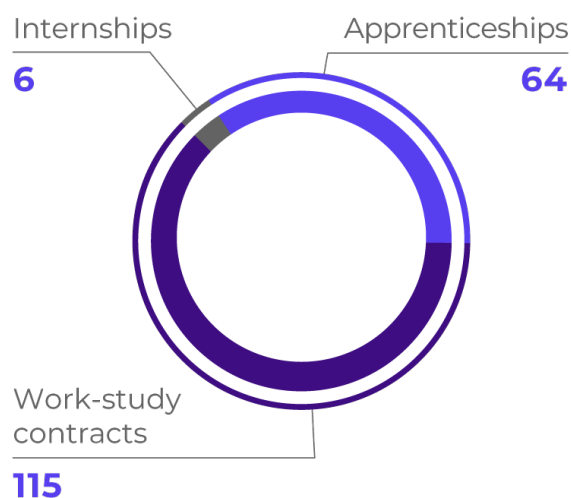
Taking its policy to support the professional integration of young people a step further, Econocom signed a generation contract for its different subsidiaries in France. This contract has **three main goals**:

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

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

In 2019, Econocom gave the opportunity to 50 of its co-workers in France to be Econocom ambassadors through a partnership with the platform **My Job Glasses**, which connects students with professionals. These meetings allow students who have completed their *baccalauréat* to connect with companies, and thus get the best advice on internships and jobs.

Breakdown of apprenticeships, internships and work-study contracts in France in 2019



Supporting employees aged over 45

Employees in France aged 45 and over can organise a career development meeting to discuss their situation and professional development plans. They are also given the option of having a skills assessment performed by an authorised independent organisation. In addition, these employees enjoy priority access to training programmes and support from the Human Resources Department to guide them through their internal mobility project. Employees aged over 55 also benefit from additional measures. They are granted one paid day of absence every two years to have a health check-up. They can also opt for flexible working time arrangements such as part-time work, adjusted hours and teleworking. In addition, the Group gives them the opportunity to pass on their expertise in a tutoring programme involving younger Econocom employees.

Encourage the hiring of those who have retrained

The POEI scheme (Operational Preparation for Individual Employment) trains new employees. The POEI scheme thus closes

the gap between the skills required for the job and the skills the candidate has. It finances all or part of the costs of internal or external training. It allows the unemployed to retrain, acquiring It enables retraining in IT skills.

In 2018 only 10 people (*i.e.* slightly less than 1% of new recruits) were recruited using this method. In 2019 we significantly developed this source of recruits, recruiting 114 employees on permanent and temporary contracts and on work/study placements *via* the POEI scheme, representing 8.4% of the 1,352 new staff hired in 2019 for the Services France entity.

For these 114 new recruits, the Group presents the following results:

- 44 women, *i.e.* 38.5%;
- 14 engineers, *i.e.* 10%;
- 6 disabled people, *i.e.* 5.2%;
- average age 30.4;
- 80% permanent contracts;
- the rate at the end of the trial period was identical to that registered for all new recruits (10%).

People with disabilities

Econocom has committed to a proactive approach to supporting people with disabilities. After the partnership agreement signed in 2014 with the *Association pour la Gestion du Fonds pour l'Insertion Professionnelle des Personnes Handicapées* (AGEFIPH), Econocom has reached a new level by signing an agreement in 2018 covering all of the Group's activities in France. With this agreement, Econocom is committed to increasing its employment rate for people with disabilities by the end of 2020, by implementing an employment policy which aims to meet **four major objectives:**

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

The Mission Handicap is very committed internally to raise awareness among all employees to disability, especially during the European Week for the Employment of Disabled People (SEEPH) and in the context of management training and recruitment teams. It is also present at recruiting fairs and school forums and participates in the *Commission Handicap du Syntec Numérique*. Additionally, Econocom has introduced several awareness initiatives aimed at all staff members, such as e-learning modules showing real-life situations of people with disabilities in the workplace, and a special intranet site.

1.2. Conduct a demanding environmental policy

In 2015, Econocom expressed its commitment to reducing its CO₂ emissions by 20% across a limited scope. This initial target enabled the Group to more clearly define its goals to reduce CO₂ emissions over a wider scope for its new strategic plan launched in 2018. Econocom has commissioned greenhouse gas emission audits for its businesses since 2012. Based on these audits, the Group has identified the breakdown of its CO₂ emissions and its main emission factors. The results show that the Group's main emission factors are its vehicles and the energy consumption of its buildings.

Econocom has decided to concentrate these actions on two emission sources. It also took actions to reduce the energy consumption of its IT system.

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

The share of the digital sector represents almost 52% of the electricity item of the Econocom group, according to the results of the Group's latest Carbon Audit (December 2019). This is one of the reasons why since 2017 the Group has analysed the energy consumption of its information system with Watt's Green.

Watt's Green is a tool, developed by Econocom, for measuring the energy performance of the information system (IS). The tool gives an overview of the IS's electricity consumption and energy performance, helping to initiate or improve a policy to reduce consumption. In order to analyse its information system, Econocom drew up an inventory of data related to datacentres, workstations, mobile equipment and meeting rooms. This data is then incorporated into the Watt's Green solution. Four key energy and environmental indicators emerged:

- annual electricity consumption;
- the weight of emissions in CO₂ equivalent;
- the annual cost of electricity consumed;
- the WEEE (Waste Electrical and Electronic Equipment) weight of the global fleet.

The results were then incorporated into the action plan put in place in 2017 in order to enable comparison between financial years. The aim was to analyse areas for improvement and to note the effects of reducing energy consumption and the consequent carbon impact.

For 2019, Econocom continued its optimisation policy, thanks to the introduction of the Green IT good practices. Energy consumption linked to employees' equipment was reduced by 28% in 2019, notably thanks to:

- the systematic replacement of fixed telephones with mobiles (removal of fixed handsets);
- the widespread use of second-hand mobile telephones;
- the reduction in the consumption of datacentres (rationalisation of servers etc.);
- replacing fixed telephones with the Skype tool;
- the complete renewal of the multi-function fleet (optimised and with energy criteria);
- the optimisation of the number of office and multimedia screens;
- the development of video-conferencing (reduction in travel).

These practices have allowed Econocom to continue to improve its digital carbon footprint and record a major reduction in its CO₂ emissions.

Thanks to this measuring tool, Econocom has significantly reduced the energy consumption of its equipment and infrastructure:

- Equinix Datacenter (Client and Econocom IT) **-18%**;
- Noisy Datacenter (Econocom IT) **-13%**;
- Optimisation of number of servers (Econocom IT) **-15%**;
- 100% renewal and optimisation of multi-function fleet (class A) **-28%**;
- Optimisation of number of multimedia screens **-17%**;

- Optimisation of number of laptops **-23%**;
- Optimisation of number of office screens **-39%**.

We note that, thanks to progress made, the IT organisation of the Econocom group is maturing in terms of Green IT on the "Usage" stage of the equipment life cycle. For 2020, Econocom will continue with its measures to reduce its energy consumption (particularly by its infrastructure) and will launch the environmental analysis of the "Manufacturing" and "End of cycle" stages with the Watt's Green solution.

1.2.2. RETHINKING TRAVEL TO REDUCE EMISSIONS

The vehicle fleet is the Group's largest source of CO₂ emissions. The target is to keep average emissions at less than 110g CO₂/km, for all types of vehicles. Econocom has also incorporated electric vehicles into its fleet. Employees in the Paris region and Villeurbanne can reserve electric vehicles that they can use for short-distance business travel, especially between sites.

With all these initiatives, the Group reduced the CO₂ emissions produced by its vehicle fleet for an average level of 99g CO₂/km in 2019, which is equal to 3,600 tonnes of CO₂ emissions for the entire fleet.

The Group favours low-emission transport methods and encourages its employees to use the train when possible. For travel by plane, Econocom uses companies which look to reduce their environmental footprint.

1.2.3. REUSE OF EQUIPMENT TO EXTEND THEIR USEFUL LIFE

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

1.2.4. WASTE PROCESSING AND RECYCLING WITH SOCIALLY SUPPORTIVE STRUCTURES

The recycling of electronic equipment is paramount in the Group's business. Every year, the Econocom group recovers 500,000 pieces of equipment, half of which in France. In order to process such volumes, essentially consisting of returned rented equipment (computers, screens, servers, tablets, smartphones etc.), Econocom uses *Ateliers sans Frontières* (ASF) and two specialist companies, ATF Gaia and Recyclea, which combine operations in circular and supportive economies.

Partnership with ATF Gaia

ATF Gaia gives businesses the means to be part of a more inclusive economy. On the one hand, by accompanying them in their compliance for the management of WEEE and on the other hand by allowing them to contribute more directly to the integration of people with disabilities through work. By sorting as closely as possible to the collection points in its approved centres, ATF considerably limits unnecessary transport,

optimising the carbon footprint as soon as the equipment is taken over. After recovery, sorting and survey, the equipment items are directed to the ATF repackaging centres or to the nearest dismantling and destruction sites. The Company also deletes data and preserves the anonymity of the equipment by performing a certified deletion, thus reducing the risks related to data security and guaranteeing compliance with the GDPR. ATF also provides Econocom a complete report, from the collection to the issue of the destruction certificate in compliance with the WEEE directive.

Partnership with Ateliers Sans Frontières

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

Ateliers Sans Frontières (ASF) is an integration project, which welcomes over 110 young and vulnerable young people a year, to help them build their life project, regain their dignity and bring them to a stable personal and professional situation. ASF promotes integration through solidarity activities with a strong social or environmental impact (recycling, circular economy, donation of upgraded equipment) that give meaning to the work done by employees and help motivate them. In 2017, ASF became one of Econocom's major partners, to whom we entrust approximately 30% of our French volumes to be processed.

A two-fold project, social and environmental

In September 2019, Emmanuel Macron and Muriel Pénicaud chose the backdrop of a visit to an *Ateliers Sans Frontières* (ASF) site to present the government's "Pacte Ambition IAE" (integration through economic activity) project. The French President and the Employment Minister could observe the operations of the ASF company, which collects and recycles computer equipment, mainly provided by Econocom. This unique partnership contributes to a two-fold objective: it has a social purpose, providing an opportunity to people in great difficulty, giving them inter-personal skills and know how which will facilitate their return to the workplace; it also plays an environmental role, reconditioning equipment and giving it a new lease of life. This specialised partnership audits equipment, tests it, deletes data and certifies the deletion (in accordance with GDPR) and repackages it, or as a last resort, dismantles it in order to recycle the parts. In accordance with the philosophy of a circular economy, this recycling only happens with a tiny minority of the Econocom equipment, 95% of which currently gets a new lease of life.

Since the start of the relationship between ASF and Econocom, their activity has registered continuous growth in volume and regular improvement in expertise in a climate of benevolent cooperation and mutual personal growth. As part of its CSR policy, Econocom has also extended its collaboration with the association, entrusting it with the preparation of computer donations. Econocom and ASF currently process 60,000 devices per year with a team of 15 people. Since the operation started, about a hundred of them have found a job thanks to this activity.

This effective collaboration with ASF, and also with ATF Gaia and Recyclea, enables Econocom to play a leading role on the reconditioned digital equipment market.

Over the last few years, this has become considerably more structured and professional, thanks to the introduction of more rigorous regulation, growth in large e-commerce platforms (FNAC, Cdiscount, Veepee etc.) and specialist players (Backmarket, Recommerce, etc.), and above all the popularity with consumers. It provides the opportunity to access technologies or brands which, new, would be too expensive, it presents new possibilities in terms of usage or equipment, and there are also environmental motivations. For all these reasons, more and more French people are attracted to the possibility of buying products from previous generations, often formerly owned by professionals and in perfect working order, for a fraction of the original price. This is why demand is extremely high. Econocom and its partners also offer this know-how to businesses, which also have to manage the end of their equipment assets' lifespan. Thanks to the processes put in place and the social commitment of its partners, Econocom contributes in this way to the CSR aims of its clients, ensuring that they respect environmental and safety regulations, as well as the complete traceability of the processing and final destination of the equipment.

1.3. Be an ethical and responsible player

Signatory since 2012 of the United Nations Global Compact, the Econocom group commits to respecting and promoting the 10 fundamental values linked to human rights, the fight against corruption and the protection of the environment. The affirmation of these values, underpinned by the Corporate Social Responsibility policy, shows how the Group wants to continue to be a responsible, honest company, embodying and promoting these values within its ecosystem.

1.3.1. THE ETHICS COMMITTEE

To consolidate its desire to operate as a responsible and ethical player in the economy, in 2019 the Econocom group appointed an Ethics Committee, whose job is to support the ethical behaviour of the Company in accordance with the various regulations which make up the Company's legal framework. This Committee is made up of four internal Group stakeholders, chosen according to their experience and additional expertise in ethical issues. It meets several times a year in order to check that the Group is complying with regulations, and also to ensure that the various alerts reported as part of the whistle-blowing mechanism are dealt with and followed up. It also ensures the update of the risk mapping and that employees have taken the ethical principles on board.

As part of its ethical commitment, the Econocom group is currently carrying out compliance work, in particular with the Sapin II law, and within a wider context, to increase transparency in the conduct of its business. The Group is equipping itself with a Code of Business Conduct whose subjects include how to combat corruption and influence peddling, and the publication of which is scheduled for the start of 2020. A whistle blowing mechanism will also strengthen the panoply of procedures and controls guaranteeing transparency and ethics. This mechanism, put in place at the start of 2020, is set to be applied to the entire Group ecosystem. The Group has used its risk mapping to implement measures to reduce risk in its areas of weakness.

1.3.2. THE CODE OF BUSINESS CONDUCT

Econocom has set out to unite all of its employees in support of a Code of Business

Conduct, which lays down behaviours to adopt on a daily basis. This code of conduct, produced in collaboration with unions, is based on the principles set out by the Sapin II law on transparency, the fight against corruption and the modernisation of the economy. The principles enshrined in this Code are intangible signposts set out to guide the actions of all Group employees. Employees must uphold its principles of integrity, respect, compliance, moral leadership, fairness and accountability. There will be a campaign in 2020 to raise awareness amongst all the Group's employees of the Code of Business Conduct, so that they can understand the importance of its principles.

1.3.3. WHISTLE BLOWING MECHANISM

Econocom has rolled out, across the Group, a mechanism for whistle blowing through an external provider, meeting the requirements of the Sapin II law and other European regulations. This mechanism is an external internet platform which any internal or external stakeholder has access to. It guarantees the protection of whistle blowers and monitoring of how reports are processed.

1.3.4. RESPECT FOR HUMAN RIGHTS

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

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

1.3.5. RESPONSIBLE PURCHASING

Lasting cooperation between a company and its suppliers contributes to driving performance for all parties. In 2015, Econocom group decided to structure its responsible purchasing policy to establish trust-based relationships with its suppliers by encouraging them to implement a CSR programme. As part of this policy, the Group introduced a supplier code of conduct based on the ten principles of the United Nations Global Compact. This code of conduct is systematically sent to all Econocom suppliers to reinforce its responsible purchasing policy.

Tender offers for the top two categories of purchases (mainly outsourced services) now factor in supplier selection criteria (social and/or environmental). Econocom champions the idea that CSR should above all be based on dialogue with its stakeholders and on pooling strengths and resources. That is how the Group and its stakeholders can make the best contribution to sustainable development.

1.3.6. GENERAL DATA PROTECTION REGULATION (GDPR)

The Econocom group is keen to protect the private life and data of its employees, clients and partners and in this respect ensures the respect of the applicable personal data protection law, and in particular the European law on General Data Protection no. 2016/679 of 27 April 2016 (GDPR), as well as all the national laws enacted as a consequence, and which may be applicable.

In order to ensure respect for the aforementioned regulation by the Econocom group and its entities, a certain number of measures have been implemented:

- Appointment of a DPO at the Group level;
- Drawing up of an internal charter serving as a framework for the processing of data by Group entities;
- Informing co-workers of how their data is used and raising their awareness about data protection regulation;
- Updating the IT Charter in line with regulations;
- Drawing up of a confidentiality policy for the Econocom group corporate site.

These measures are consistent with the steps to make Econocom group comply with applicable regulation, and they show the daily commitment both by the Group and by each Econocom group entity to a responsible use of personal data.

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

Aware of the challenges related to the environmental impact of digital technology, the Econocom group is innovating to strengthen the green aspect of its offerings, even creating a specific business unit dedicated to energy efficiency. As an expert

in digital transformation, the Group does not seek to promote digital technologies just for the sake of digital technologies. By proposing an approach aimed firstly at meeting the needs of users, it contributes to the fight against digital waste.

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

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

Econocom wishes to natively boost the responsible component in 100% of its new offers as well as in its existing offers. The idea is to create new generation support offers fulfilling new uses (autonomy, user experience, etc.) and the need for cost control requested by the DSI. Econocom is therefore trying to provide its clients with solutions for transforming the work environment (physical and digital) and associated infrastructure to increase user satisfaction and productivity while reconciling the responsible dimension in its portfolio of offers.

2.1.2. DEVELOPMENT OF THE GREEN & ENERGY BU

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

Through its Green & Energy Department, Econocom meets these challenges by

proposing global solutions ranging from support to the implementation and financing of energy performance projects for enhancing competitiveness and green growth of companies. These solutions accelerate the energy transition of our customers by enabling them to identify their potential energy savings, prioritise their energy efficiency actions while self-financing all or part of these projects through energy savings and usage generated.

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

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

Watt's Green, Responsible IT solutions and advice, analyses energy consumption and suggests concrete measures to optimise energy spending.

The objective of Watt's Green is:

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

Watt's Green is a single centre of expertise and four packaged services for managing responsible IT energy projects:

- Watt's Green Flash: audit of the energy consumption of Information System equipment;
- Watt's Green Dynamic: dynamic management of users' workstations;
- Watt's Green Datacentre: audit of the energy consumption of the datacentre;
- Watt's Green CSR: supporting communication and CSR strategy in Responsible IT.

2.2. Promote useful and responsible digital business and the circular economy

Econocom wants to offer effective and responsible solutions to generate positive impact for its customers and their users, without promoting digital for digital at any cost. As part of this approach of social responsibility, the fight against digital waste is one of the stakes that Econocom has set for itself.

2.2.1. MARS, A BIG DATA OFFERING TO BETTER UNDERSTAND DIGITAL USAGE WHILST IMPROVING EMPLOYEE SATISFACTION

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

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

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

2.2.2. A STRONG COMMITMENT TO RESPONSIBLE IT

Since November 2019, Econocom has been a member of the “Digital and Environment” working party managed by Syntec Numérique and bringing together several companies in the sector who want to develop in responsible IT issues. The aim of this working party is to share good practice in relation to responsible IT initiatives in member companies, in order to improve how the entire sector deals with these issues. This project is designed to unite digital players around three commitments:

- to recognise that climate change is a major issue for humanity, that IT companies have an impact and must take action ;
- to mobilise in order to contribute, and their level, to the COP21 target of limiting global warming to 2 degrees ;
- to offer training in responsible and ecologically efficient digital business.

2.2.3. TO BECOME A LEADER IN THE FINANCING OF THE CIRCULAR ECONOMY

Econocom is convinced that digital business can no longer be an end in and of itself, but is a means towards the common good. It must be ethical by design – *i.e.*, guided by values of respect for people and their environment, to provide, from conception, solutions to the problems posed. It must be responsible and sustainable, appropriate to everyone’s uses, designed for the long term with a view to an entire value chain. That is the purpose of “tech for good”, which puts innovation behind the common good.

For Econocom, usages are the key to transformation. Usages are, specifically, how we live, consume and work. Thinking of digital transformation in terms of usage provides the client with long-term solutions which respect people, the environment and society.

For over 40 years, Econocom has been supporting companies in their industrial changes, in particular by financing digital and technological solutions and assets. Thanks to this core-business and its technological surveys, Econocom provides companies and organisations with bespoke digital solutions, with contemporary consumer finance. By virtue of its “as a service” business positioning, Econocom participates and acts specifically to meet challenges of the circular economy.

At present, 32 to 47%⁽¹⁾ of companies have already adopted the circular approach to the purchase, design, production and recycling of products. However, only 12%⁽²⁾ of them adopt a business model which also offers products as a service. This low proportion of businesses that have succeeded in offering the “as a service” model is a seam of unexploited opportunities.

Specifically, Econocom has essential expertise in the financing of digital projects and technological assets *via* “as a service” financing solutions. Taking this concept further, the Group has specific technological offerings to enable companies to manage their digital projects in real time and closely adjusted to usages. The Group is committed to actively contributing to this change of model.

- Use’n’pay is a payment by usage solution; it is modular and capable of evolving, incorporating all components of digital projects according to the requirements of the company (payment by subscription, usage or license).
- the MarS (Master of All Resources) offering helps measure and understand the real digital usages of employees in a company, in order to improve the performance of the digital solutions deployed internally (optimisation of costs, preventing digital waste, improving user satisfaction) through the management of indicators measuring usage in real time, data analysis, and advice on digital solutions.
- Econocom Belux is a signatory of the “Green Deal”, a government initiative which aims to accelerate the switch to a circular economy. Alongside 229 other

Belgian companies, for two years now Econocom Belux has been making its active contribution to circular solution projects in the country.

2.3. Boost responsible innovation in internal and external collaborations

2.3.1. LISTENING TO OUR CUSTOMER'S NEEDS AND MEASURING THEIR SATISFACTION

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

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

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

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

Key figures of the programme in 2018:

- 150 employees involved in building and implementing corrective action plans;
- 750 customers surveyed in five countries;
- more than 20 short- and long-term actions implemented and 40 new actions identified across the Group.

(1) Model of the World Business Council for Sustainable Development and the Boston Consulting Group. See docs.wbcsd.org/2018/01/The_new_big_circle.pdf

(2) Model of the World Business Council for Sustainable Development and the Boston Consulting Group. See docs.wbcsd.org/2018/01/The_new_big_circle.pdf

3. Federate an ecosystem to create shared value

The Econocom group believes in the positive impact of digital technology on lifelong learning. The new teaching and collaboration models introduced through digital technologies are important levers to create shared value and develop digital inclusion.

With these convictions, the Group has made education one of the key pillars of its CSR strategy, as much through its partnerships and philanthropic actions as through support for the most innovative edtech start-ups.

3.1. Partnerships in the education and university sector

3.1.1. SUPPORT NEW USES LINKED TO USEFUL DIGITAL BUSINESS IN THE EDUCATION SECTOR, AND GREEN IT

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

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

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

- **equipment:** the world is changing and giving digital technology an increasingly important role in people's professional and personal lives. Students must therefore be prepared to face the challenges of tomorrow. Digital technology must "physically" enter the classroom so that all students can develop skills in using this equipment;

- **support for teachers:** this is a key point, as it will allow teachers to develop new relationships with their students based on the digital solutions available to them. Econocom regularly organises meetings with teachers to identify their needs and expectations in order to bring the right responses.

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

- **the development of a "Campus" offer,** which includes, in particular, the "Green" offers of the Econocom group, well adapted especially to a number of renovation and new campus opening projects, in France and abroad;
- **Econocom established a partnership with "Campus Managers".** Campus Managers is the first French network of French universities and colleges committed to sustainable development. Econocom and Campus Managers share common objectives: facilitate the dissemination and sharing of good sustainable development practices, tools and resources for campuses;

- **Éducapital:** finally, always with the aim of supporting young innovative companies that aspire to reinvent education, Econocom was the first player to invest in Educapital, the leading European venture capital fund dedicated to education and vocational training;
- **Econocom member of Impact IA:** in order to take part in the changes and debates on these issues, Econocom has been a member of Impact Intelligence Artificielle since 2018. Impact IA is a collective focused on reflection and actions with players involved in the area of artificial intelligence. The members share two main objectives: addressing the ethical and societal challenges of AI and supporting innovative and positive projects for the world of tomorrow. Econocom is a stakeholder in the “AI for Good” and Education action groups.

3.1.2. INVESTMENT IN EDUCATIONAL START-UPS

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

Econocom has acquired a stake in the share capital of Magic Makers, a start-up founded in 2014 to work with experts from the education and digital sectors. It offers three types of workshops: weekly workshops, holiday workshops and events workshops. Magic Makers has developed its own method, which allows children starting at age 6 to learn coding concepts with trained facilitators and innovative tools. Today, more than 1,000 eager children attend Magic Makers coding classes or holiday workshops. Note that Magic Makers introduced the IA in its teaching in 2019.

Magic Makers is also active in middle schools with initiatives designed to help struggling students. Coding courses for educators are available, mainly through the Class'Code

project supported by INRIA and a number of partners, and backed by the French Investment for the Future programme coordinated by the *Caisse des Dépôts et Consignations*. Children of Econocom employees are offered discounts for Magic Makers courses through the Group's Share engagement programme. A demonstration workshop has been held at Econocom's registered office, with the participation of about 15 children.

Kartable, the first full, free learning and study platform

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

3.1.3. SPONSORSHIP PROGRAMMES IN EDUCATION

A solid partnership with “Passerelles Numériques”

Econocom has been a partner to *Passerelles Numériques* since 2007. This organisation helps young people from underprivileged backgrounds in Cambodia, Vietnam and the Philippines to receive training and find skilled employment in the ICT sector. Since 2007, 480 students have been supported by the Group on the basis of promotions consisting of 50 students and for a period of two years per promotion. The partnership established with *Passerelles Numérique* also works in skills sponsorship.

Joint action with *Fondation Croissance Responsable*

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

Econocom, partner to *Double Horizon*

Since 2013, Econocom has been a partner of the *Double Horizon* association which supports the education of under-privileged people in France and abroad. Since 1992 *Double Horizon* has been offering other horizons:

- to children from emerging countries who often lack everything they need to learn, starting with a proper school, or, when this exists, school supplies,
- to children from France, who, in under-privileged districts, do not always have the resources, outside school, to discover the town, culture, the world.

For over six years now Econocom has been supporting the French activities of the association. *Double Horizon* has been operating since 2009 in two schools in the 20th district (of the priority education network): the Davout school and the Maryse Hilsz school. A survey at the Davout school, a few years ago, showed that the majority of children from this school had never visited Paris, its sites or museums, even by the end of secondary school. These children often face social, and sometimes cultural difficulties.

The *Double Horizon* projects aim to address this injustice by enabling children to access culture and to try and nurture an enjoyment of studying. The project, which involves the cooperation of teachers in both schools, has four aims:

- access to culture, getting about twenty children to explore Paris and its heritage;
- another kind of school, allowing children to experience school and learning in general as a pleasant and enriching activity and not as an obligation or a dead end;
- access for parents, involving parents in the trips in city of Paris;
- open mindedness, starting mentoring with students which will give them a positive experience of studying through discussion.

As part of this partnership, Econocom invites primary school children to its offices to introduce them to the business world and the digital solutions it provides for its customers. In January 2019, Econocom and Microsoft allowed a dozen children followed by the association to discover technologies and high-tech spaces. Immersed in the heart of this “immersive class” at the Microsoft offices in Issy-les-Moulineaux, the children were able to enjoy a connected space, designed to welcome CEI to secondary school students, to prepare them to play a part in a society transformed by digital technology.

Econocom and Digital Security sponsor the first 100% female class on cyber-security at Wild Code School

Digital technology is unavoidable in everyday life, and yet women are leaving digital professions. Whilst they represented 30% of staff in the 1980s, now the figure stands at 15%. The Wild Code School, in partnership with Econocom, Digital Security and the City of Paris, decided to open the first class of its new training on cyber-security to females only, in a bid to check the disparities between men and women in the digital professions. As part of this partnership, Econocom and Digital Security finance grants to support women involved in this training.

The Wild Code School is a network of 19 schools in Europe which offer web developer training. Founded in 2014, the school currently offers its students two specialities: web development and data analysis. It already has almost 1,500 former pupils and has a post-study employment rate of 87%.

Econocom and Digital Security, major players in the digital sector, both want to attract and recruit talent in order to meet the need for skills in the cyber-security sector. The launch of this new training meets a critical need on the part of companies which are constantly facing new threats. This 100% female class also

addresses a key issue for the Group in relation to the employability of women in the digital professions.

100% of the students in the first class of this training were women. Aware that the gap between men and women in cyber security is increasing, the Wild Code School opened this training to 15 women job-seekers, and they started last December, their professional training lasting three months. This was then followed by a four-month internship period in order to improve their employability and complete their training. Following this training, these women were able to develop their skills, notably by learning to audit an information system, carrying out an intrusion test, or responding to an incident. These women will then be able to apply, depending on experience, for positions as junior cyber security analyst, “pen tester”, ISSM assistant, or security correspondent in companies.

Finally, in order to better support its class of female students, the Wild Code School has turned to the Circle of Women in Cyber Security (CEFCYS), an association whose objective is to encourage and promote the presence and leadership of women in sectors related to information systems security.

Espérances Banlieues

In September 2019, Econocom formed a partnership with *Espérances Banlieues*. The Group committed itself to supporting the actions of this organisation which creates non-denominational schools in difficult districts. *Espérances Banlieues* is special in that it combines, with the school syllabus, the transmission of cultural and humanistic references and the codes of our country so that children can find their place in society, and grow with confidence and the desire to succeed. Preference is given to tailored educational methods which involve the parents, in order to support every child in discovering their talent. There are now 17 schools across France, welcoming about 700 pupils. Econocom's support essentially

involves encouraging access and the training of pupils in digital technologies, notably thanks to the joint action of Magic Makers.

100,000 Entrepreneurs

To build bridges between schools and businesses, and to pass on the entrepreneurial drive to young people, Econocom supports the action of the organisation "100,000 Entrepreneurs". "100,000 entrepreneurs" is a public-interest organisation that arranges for entrepreneur volunteers to speak at establishments, from secondary schools to university-level institutions. Led in close collaboration with the French Ministry of National Education and its academic representatives, these talks aim to raise students' awareness about entrepreneurship, provide them with concrete knowledge about the business world and show them the importance of subjects in their curriculum. More than 1,000 students have attended these talks since the beginning of our partnership.

Econocom, a founding member of the Femmes@Numérique foundation

To reverse the trend and encourage parity within digital channels, Econocom is one of the founding members of the Femmes@Numérique foundation created in 2018. The purpose of this foundation is to finance the actions undertaken by the Femmes@Numérique collective body to enable them to move to the necessary scale throughout the country and to massively raise awareness among the general and private public organisations, public authorities, players in the area of training and education.

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

Supporting and growing start-ups is one of the major lines of the Econocom CSR policy. It is also one of the ways of embodying and expressing the three group values: audacity, responsiveness and good faith.

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

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

The Prix des Technologies Numériques

For the past three years, Econocom has partnered with *Prix des Technologies Numériques*, a digital technology organisation, driven by Télécom Paristech, made up of more than 300 leaders and decision-makers. For the 2019 awards, the panel of the *Prix des Technologies Numériques*, including Véronique di Benedetto and other recognised figures from the digital industry, focused on Fintechs, thus giving some limelight to the entrepreneurs who have used their talent and creativity to invent new solutions in this area.

French entrepreneurship with Partech

Since joining the seed fund “Partech Entrepreneur” in October 2013, Econocom has furthered its collaboration with the fund to support the development of digital entrepreneurship in France. Open innovation has become a necessary component to support traditional R&D efforts of large companies, while start-ups need to be in contact with large companies to accelerate their business. As a Corporate Innovation Partner for the fifth year running, among its other roles in this capacity, Econocom leads an annual calendar of business events on innovation with other organisations involved in Partech.

Paris-Saclay Fund

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

3.3. Develop our local roots

Econocom intends to make a positive impact on all of its ecosystem. One of the priorities which the Group set itself is to build lasting relationships with the economic, social and community fabric close to the sites where the Group is active. Every site and subsidiary is therefore encouraged to get positively involved with

its direct ecosystem in order to put down firm local roots.

Overview of initiatives with positive impact in our subsidiaries:

Italy:

During the Christmas festivities, Econocom Italy rolled out an original, meaningful initiative with its co-workers. Acknowledging that there are thousands of children in Milan waiting for medical care, the Italian subsidiary of Econocom thought up a partnership with the “Medici in Famiglia” medical centre in Milan which offers medical visits, check-ups and specialist therapies at affordable prices. The idea was to suggest that employees make a “care” Christmas tree with each bauble representing a particular kind of care provision which Econocom would pay for. All the employees were thus able to contribute directly by choosing the Christmas ball of their choice corresponding to the medical visit to be gifted.

Belux:

In April 2019, Econocom Belux was a logistical partner of the 31st edition of the *Télévie*. The *Télévie* is a charitable event which raises funds for F.R.S.-FNRS and which has been taking place in French-speaking Belgium and Luxembourg since 1989. It is organised by RTL-TVI. It raises funds for scientific research in the fight against cancer and leukaemia, in both children and adults. About ten employees volunteered and installed over 200 laptops, used to code the donations.

As part of its quality of life in the workplace programme, Econocom Belux has recently made an electric bicycle available to its employees, to encourage them to use this method of transport for their local commutes.

United Kingdom:

In December 2018, Econocom UK suggested to its employees that, instead of the traditional Secret Santa, they should make donations to charities in the city of Birmingham. Econocom UK thus supported two of the charities of the Birmingham City Mission. One of them is a resource centre which distributes food, clothes and furniture to the needy. The charitable organisation distributes over 200 food parcels per month to people in difficulty. The charity has also given presents to about 3,000 children in the city. Econocom employees thus collected food, toys, household items and clothes from

mid-November onwards in preparation for the Christmas period.

In 2018, Econocom UK donated its surplus of surgical masks (over 8,000) to Operation Sunshine, a charity based in the United Kingdom and which works with communities in Africa. The charity works on reducing poverty and difficulties in developing communities in Africa (Zambia, Zimbabwe and Lesotho). It supports clinics, hospitals and schools by providing goods, time and knowledge. The surgical masks were given to rural hospitals and clinics, and also to schools and learning centres.



risk factors

1. Operational risks	98	2. Regulatory risk	101
1.1. Risks associated with Services contracts	98	2.1. Legal risks	101
1.2. Risk of sub-contractor default	98	2.2. Risks associated with tax inspections	101
1.3. Risks associated with price fluctuations and hardware obsolescence	99	2.3. Risks associated with regulations applicable to lessors' leasing business	101
1.4. Risks associated with competition	99	2.4. Risks associated with regulations applicable to Technology Management & Financing clients	101
1.5. Employee-related risks	99		
1.6. Environmental risks	99	3. Dependency risk	102
1.7. Insurance against risk	99	3.1. Dependence on refinancing institutions	102
1.8. Pledges, guarantees, collateral provided and borrowings	100	3.2. Customer dependency risk	102
1.9. Risks related to external growth	100	3.3. Supplier dependency risk	102
		3.4. Technology dependency risk	102
		4. Financial risk	103
		4.1. Market risk	103
		4.2. Credit and counterparty risk	104
		4.3. Equity risk	105

1. Operational risks

1.1. Risks associated with Services contracts

The Group offers three types of Services contracts:

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

- time-and-materials contracts, whereby the Group undertakes to provide technical skills and charges the client for the number of labour hours spent; Econocom manages these contracts by paying particular attention to the fee schedule and its consultants' fees.

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

1.2. Risk of sub-contractor default

For certain contracts, Econocom has performance obligations and sometimes calls upon the services of sub-contractors. Econocom's policy is to recover any penalties charged from its sub-contractors. However, it is possible that Econocom may incur a risk related to default by one of its sub-contractors. No single sub-contractor is sufficiently important to account for a significant portion of Econocom's business.

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

1.3. Risks associated with price fluctuations and hardware obsolescence

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

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

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

For its data centre maintenance and outsourcing activity, the Group keeps dedicated stock. The components and levels of stock are constantly monitored to ensure that they are in line with the volume and type of equipment under maintenance, which addresses the risk of obsolescence.

1.4. Risks associated with competition

The ICT services market is competitive. In each country where it has operations and in each of its businesses, the Group faces competition from international, national or local players. However, Econocom stands out from the competition due to the diversity of its activities and, especially, its expertise in Technology Management & Financing and the international scope of its activities.

1.5. Employee-related risks

As far as Econocom group Management is aware, the Group is not exposed to any employee-related risks other than those arising in the normal course of business for companies of a comparable size based in Europe. The majority of the workforce is employed in the Group's French, Belgian, Spanish, Italian, Moroccan and Brazilian subsidiaries.

1.6. Environmental risks

Econocom group does not destroy the machines purchased from refinancing institutions at the term of the related leases. In accordance with the WEEE (Waste Electrical and Electronic Equipment) Directive, the Group collects all the equipment it owns from clients and arranges for all electrical and electronic waste to be processed and recycled. Since 2013, Econocom has been a client of Ecologic, an environmental organisation which collects and processes WEEE from businesses all over France, in compliance with environmental legislation.

1.7. Insurance against risk

The Group is covered against liability claims and property damage *via* insurance policies taken out with first-rate insurers. It has elected not to take out business interruption insurance and insurance against risk of fraud.

The Group reviews and evaluates its risks on an ongoing basis in conjunction with its insurers and experts so as to ensure optimal coverage in both the insurance and reinsurance markets.

1.8. Pledges, guarantees, collateral provided and borrowings

Real security interests provided as collateral for borrowings or financial liabilities by the Group chiefly consist of receivables offered as collateral for its short-term funding. The amount of pledged and mortgaged assets is disclosed in note 20 to the consolidated financial statements.

1.9. Risks related to external growth

As part of its strategy, the Group continues to develop its business by seeking targeted acquisition opportunities.

Acquiring and integrating companies gives rise to certain risks, including higher-than-anticipated financial and operating expenses, failure of the operational integration, which can lead to loss of major clients or the departure of important members of the acquiree's staff and a decline in financial performance.

Integration of the acquired companies may also disrupt the Group's existing businesses and lead to insufficient resources, particularly in terms of management. The synergies expected from an acquisition may fall short of forecasts or take longer to achieve than initially announced, and the costs of implementing these synergies may exceed expectations. The above-mentioned factors may also have a negative impact on the goodwill recognised in the consolidated financial statements (see also note 9 "Goodwill and impairment testing" to the consolidated financial statements).

Several years ago, Econocom group put in place an original integration and governance model for some of these new acquisitions (called "satellites") so as to preserve their agility, boost their performance and competitiveness and generate synergies at Group level. The founding shareholders of these satellites have retained a non-controlling interest in the share capital and have a very broad level of managerial autonomy. The related integration risk is mitigated by the fact that taken individually, these transactions are relatively small.

2. Regulatory risk

2.1. Legal risks

The Group operates as a service provider in various Western European countries and is therefore subject to numerous different laws as well as customs, tax and labour regulations. In order to limit its exposure to legal risks, the Group has set up subsidiaries in each country run by managers who are familiar with the applicable local laws and regulations, who work alongside the Group's Legal Counsels and external consultants.

Econocom monitors on an ongoing basis any litigation and one-off situations that could result in a financial risk. Any pending litigation is covered by provisions for appropriate amounts calculated by Group Management.

Disclosures concerning litigation or arbitration likely to have a substantial impact on Econocom group's financial position, assets, business or the results of its operations at 31 December 2018, are presented in note 16 to the consolidated financial statements.

2.2. Risks associated with tax inspections

The Group undergoes regular tax inspections in the various countries in which it operates. Although the outcome of these inspections is uncertain, the Group has estimated as accurately as possible the associated risks and has recognised the appropriate provisions for those risks in its financial statements. The outcome of these inspections could have a negative impact on the Group's consolidated financial statements. However, this impact is limited on account of the provisions recognised.

2.3. Risks associated with regulations applicable to lessors' leasing business

Certain countries have decided to implement stricter legislation for leasing companies by aligning it with the legislation governing financial institutions. The associated risk, which is common to all companies in the industry, concerns the increase in administrative costs.

2.4. Risks associated with regulations applicable to Technology Management & Financing clients

The new IFRS standard applicable to lease agreements, IFRS 16, published in January 2016, entered into force on 1 January 2019. Under this new accounting standard, "lease liabilities" are presented on the Company's statement of financial position under liabilities, with the exception of small items with an insignificant unit value.

As anticipated, the impact of this new standard for the Technology Management & Financing business was limited due to the added value brought by the Group in its leases:

- upgrade management *via* leasing and in particular the Group's scalable offerings;
- asset management and expense management provided by Econocom's solutions (inventory tracking, telephone usage management, IT outsourcing for small and medium businesses, etc.), which give our clients optimal visibility and more effective management of their assets;
- better economic management of end-of-life assets;
- management of end-of-life assets in greater compliance with sustainable development commitments;
- smart and connected object (IoT) management capabilities.

3. Dependency risk

3.1. Dependence on refinancing institutions

In the course of its business, Econocom assigns most of its finance lease contracts to refinancing institutions.

These institutions generally focus on clearly-defined geographical areas or types of equipment. In addition, the Group strives to maintain a balanced portfolio of institutions in order to avoid being overdependent on one or more institutions.

Between 2018 and 2019, the proportion of the Group's five biggest funders was down year-on-year, accounting for 58% of the total value of refinanced rents in 2019. The Group's main funder in 2019 represented approximately one-quarter of the total value of refinanced rents.

3.2. Customer dependency risk

The Group continually strives to expand its client portfolio. This is a strategic development focus area aimed at gaining market shares. At 31 December 2019, no single client represented over 5% of the Group's consolidated revenue.

3.3. Supplier dependency risk

Given the broad choice of potential suppliers and the fact that they are largely interchangeable, Econocom's dependence on suppliers is very limited.

For the Technology Management & Financing, Products & Solutions and Services activities, the choice of suppliers is ultimately made by our clients. For these activities, in the event of a supplier default, an alternative supplier is chosen.

At 31 December 2019, no supplier accounted for more than 15% of the Group's total purchases.

3.4. Technology dependency risk

For its Technology Management & Financing, Services and Products & Solutions activities, the Group develops partnerships with hardware manufacturers, telecoms operators, software vendors and solutions providers. However, it strives to remain independent from these companies in order to offer the best possible solution in terms of architecture, hardware and software.

4. Financial risk

The Group's activities are subject to certain financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group's overall financial risk management policy focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis in the Services and Products & Solutions businesses.

4.1. Market risk

Financial market risks (interest rate and currency risk) and liquidity risks are handled by Group Management.

4.1.1. CURRENCY RISK

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as North and South America, the Group may be exposed to currency risk on other currencies. The currencies concerned are the pound sterling, the US and Canadian dollars, the Moroccan dirham, the Czech crown, the Swiss franc, the new Romanian leu, the Polish zloty, the Brazilian real and the Mexican peso. Since the large majority of subsidiaries' purchases and sales are denominated in the same currency, this

exposure is limited. Econocom group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge risks on internal flows.

4.1.2. INTEREST RATE RISK

Econocom's operating income and cash flows are substantially independent of changes in interest rates. Sales of leases to refinancing institutions are systematically based on fixed rates. Income arising on these contracts is therefore set at the outset and only varies if the contract is amended.

The Group uses a combination of fixed rates and floating rates to hedge its interest rate exposure.

At 31 December 2019, the Group's floating-rate debt comprises short-term borrowings (credit lines, commercial paper and bridge loans), and short-term factoring agreements. Partial hedges were in place as of 31 December 2019 on these floating-rate borrowings.

The Group's long-term debt is at fixed rates and comprises a euro private placement (Euro PP) for €102 million and a €150 million Schuldschein bond and a €189 million bond investment. Rate hedges are in place for the floating-rate portion.

4.1.3. LIQUIDITY RISK

The Finance Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating cash flow forecasts on a monthly basis for all of the Group's companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the Group's cash pooling system in order to offset cash surpluses and internal cash requirements.

In 2019, Econocom continued to optimise its diversified sources of financing with the aim of (i) reducing borrowing costs, (ii) extending the maturities of its borrowings and (iii) bank disintermediation.

In order to meet its short-term financing requirements, the Group now has new bank credit facilities with longer maturities. The Group mainly uses its commercial paper programme, capped at €450 million and with maturities of up to two years, of which €279 million was outstanding at 31 December 2019.

At that date, Econocom had €263 million in bilateral bank credit facilities of which €150 million committed.

Econocom also has €110 million in bilateral bank loans to finance its leases at rates that remain fixed for the duration of the loans.

To finance its development, Econocom issued:

- in May 2015, a private placement on the Alternext market for €101 million, broken

down into two tranches: €45.5 million maturing at five years and paying interest at 2.364%, and €55.5 million maturing at seven years and paying interest of 2.804%;

- in December 2016, a Schuldschein bond (German private placement) for a total amount of €150 million, with tranches maturing at five and seven years and paying interest at an average rate of 1.54%;
- in March 2018, the Group issued bonds convertible into new shares and/or exchangeable for existing shares (OCEANE). The issue was for a total of €200 million, maturing in 2023.

The Group intends to continue its policy of diversifying its sources of financing in order to optimise its borrowing costs and further reinforce its financial independence.

In addition to redeeming/renewing commercial paper, €45.5 million for the EuroPP will mature in 2020.

4.2. Credit and counterparty risk

The Group has policies in place to ensure that goods and services are sold to clients whose credit standing has been analysed in depth. The Group's credit risk exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Products & Solutions and Services businesses, as well as non-recourse refinancing with bank subsidiaries and credit insurance in the Technology Management & Financing business.

For its Technology Management & Financing business, the Group nevertheless has the option of retaining the credit risk on certain strategic transactions. These relate primarily to Econocom Digital Finance Limited (EDFL), the Group's internal refinancing unit with expertise in transaction security and non-standard contract financing.

At 31 December 2019, contracts on which Econocom bears the credit risk represented €235 million, or around 7.8% of total outstanding rentals for the Technology Management & Financing business (€246 million at end-2018).

The Group only invests with investment-grade counterparties, thus limiting its credit risk exposure.

4.3. Equity risk

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom group as of 31 December 2019 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.



management report

1. Group's financial position and highlights	108	5. Corporate governance statement	125
1.1. Changes in the scope for the year	109	5.1. Applicable corporate governance code	125
1.2. Principal investments	110	5.2. Exemptions from the 2009 Code	125
1.3. Financing transactions	110	5.3. Description des caractéristiques de contrôle interne et de gestion des risques	127
1.4. Research	110	5.4. Ownership structure and limits on shareholder rights	129
2. Profit for the year	111	5.5. The composition and functioning of the administrative bodies and Committees	129
2.1. Income statement	111	5.6. Composition of advisory bodies	136
2.2. Statement of financial position	116	5.7. 2019 Compensation report	136
2.3. Parent company 2019 financial statements of Econocom group SE	120	5.8. Appropriation of profit and dividend policy	142
3. Risk factors and disputes	124	5.9. Relations with major shareholders	142
4. Outlook for 2020 and shareholders' compensation	124	5.10. Mention des schémas d'intéressement du personnel	142
		5.11. Statutory auditor's fees	145
		5.12. Treasury shares	145
		6. Subsequent events	146

Management Report of the Board of Directors on the financial statements

for the year ended 31 December 2019 presented to the Annual General Meeting of 19 May 2020

In accordance with prevailing legislation and the Company's Bylaws, we submit to you for approval our report on the Company's operations and the financial statements for the year ended 31 December 2019, as well as the compensation report.

The definitions of the performance indicators are provided as an appendix to this report when they differ from the commonly accepted definitions.

The non-financial information required under articles 3 section 6 and 3 section 34 of the Belgian Companies Code (*Code des sociétés*) is reiterated in chapter 3, "Corporate Social Responsibility".

1. Group's financial position and highlights

In 2019 the Econocom group posted revenue of €2,927 million from continuing operations, identical, at constant standards to 2018 revenue in terms of organic growth, there was a slight decline of 0.8% compared to the previous year. Restated for the drop in revenue of Technology Management & Financing (TMF) in Italy, growth amounted to 4.5% (of which 3.7% organic growth).

Revenue from the TMF business totalled €1,124 million with a 10% decline due mainly to the contraction of the business of its Italian subsidiary amounting to almost €130 million on a full year basis. Excluding this impact, TMF revenue rose by 0.6% thanks to the performance of the other regions (mainly France, Belgium, Spain and the United Kingdom).

The Digital Services and Solutions business (DSS, comprising Products and Solutions and Services) stood at €1,802 million, an increase of 7.4%, including 6.2% in organic growth. This sharp increase was driven by the distribution of "products and solutions", with a revenue increase of more than 10% (to €1,132 million), with major projects in digital equipment for

secondary schools or main local authorities, for example. Lastly the Group benefited from the fine performance of the "services" entities, which posted a 2.9% increase in revenue, up €670 million, driven mainly by digital technologies.

In 2019, revenue from discontinued operations amounted to €161 million. As part of its effort to refocus its business activities, in the fourth quarter the Group slightly expanded the scope of application of IFRS 5 by adding five small entities to be discontinued.

The Profit from Continuing Operations ⁽¹⁾ amounted to €126.2 million despite the decreased contribution by TMF Italy compared with 2018. To achieve this result, in the second half the Group stepped up its cost-cutting plan, leading to gross savings of around €30 million for the entire Group (compared with the €20 million initially announced) which, combined with the positive business trend throughout the year, resulted in a significant increase in ROC over 2018 (more than 13%).

(1) Before amortisation of intangible assets from acquisitions.

The Group's net financial debt was €252.2 million as at 31 December 2019, equal to the figure at year-end 2018 (€251.7 million). The Net Debt to EBITDA ratio was 1.4 *versus* 1.6 last year. This net financial debt includes €238.5 million in self-driven TMF contracts.

On the one hand, this change reflects sound operating cash flow generation, the cash inflows received from the partial sale of Rayonnance in December, as well as the decline working capital requirements for EDFL and, on the other hand, the cash outflows in the year related to the acquisition of non-controlling interests in Satellites, to the redemption of the issue premium and to share buybacks.

2019 was also shaped by several important events:

- starting in January, the Group's Executive Committee was expanded with the incorporation of the Executives of the major operating entities. As at 31 December, it is composed of the following members: Jean-Louis Bouchard, Bruno Grossi, Angel Benguigui, Laurent Roudil, Eric Bazile, Laurent Caparros, Chantal De Vrieze, Philippe Goullioud, and Eric Lucas;
- 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. The Company is actively cooperating with the local authorities. In addition, steps were taken immediately to protect the interests of the Group's companies, their customers and their employees, namely:
 - ▶ all the persons allegedly involved have been suspended from their positions at Econocom in Italy,
 - ▶ a new management team has been appointed,
 - ▶ all relationships with any third parties potentially involved in the matter have been terminated.

- as announced at the beginning of the year, the Group has initiated a major transformation plan calling for Econocom to strengthen its legacy profession, TMF, refocusing on high-potential activities in its Digital Services & Solutions division and closing subsidiaries deemed sub-critical and disposing of some business operations. It also involves a major plan to make its processes and cost-cutting drives more efficient;
- the Group also redeemed the issue premium in the amount of €0.12 per share, identical to that of the previous year, paid to shareholders on 31 July 2019.

1.1. Changes in the scope for the year

1.1.1. DISPOSALS

In connection with the implementation of its transformation plan, Econocom carried out two disposal transactions during the year:

Jade: in July 2019, Econocom sold to the managers of the company the 85% held in Jade Solutions, a company established in the United Kingdom specialising in “crowd wi-fi” and professional mobility solutions for major companies, particularly in the Retail and Logistics fields.

Rayonnance: in December 2019, Econocom sold to Apax Partners Development a majority share in its satellite but continues to hold part of the capital. The conclusion of a business and marketing partnership agreement at the time of the sale is aimed at extending the relationship developed over the past few years. In particular, Rayonnance will continue to rely on financing and distribution offers for digital solutions of Econocom group.

1.1.2. CHANGES IN OWNERSHIP INTEREST

Synertrade: the Group through its subsidiary Digital Dimension, acquired the minority stake (10%) in July 2019, thus raising its stake to 100%.

Gigigo: Econocom group SE acquired all the non-controlling interests (30%) in July 2019.

Infeeny: during the first half, Econocom group SE acquired 9.66% of the company's capital.

JTRS: Econocom group increased its stake in the company through the acquisition of shares from a minority shareholder (5%). JTRS remains consolidated under the equity method.

Altabox: at end-2019 the Group exercised part of its options on 15% of the company's capital, raising its interest to 85%.

Alterway: the Group acquired the equity interest of a minority shareholder, increasing the percentage of its ownership interest from 3.01% to 64.45%.

1.2. Principal investments

In addition of the equity interests acquired as described above, the main investments made by the Group in 2019 in order to consolidate and transform its operations were related to creating new offers and recruiting for key positions and renewing teams.

1.3. Financing transactions

1.3.1. SHARE BUYBACKS

Econocom also continued to buy back its own shares in 2019. It acquired 10,209,425 treasury shares. After taking into account disposals and transfers of shares to managers with share-ownership plans, as at 31 December 2019 the Group held 23,458,144 shares or 9.56% of the Company's capital.

These transactions reflect the Group's commitment to limiting dilution for its shareholders and its confidence in its growth outlook going forward.

1.4. Research

In 2019, R&D efforts were continued, consistent with the areas developed in prior years with the aim of providing intensive support and assistance for any innovative solutions produced by our customers. R&D efforts focused particularly on the areas of data visualisation (DATAVIZ), decision support, developing integrated solutions in the area of IoT, image recognition in real time, 5G microservice billing and machine learning, applied to process automation.

2. Profit for the year

2.1. Income statement

<i>in € millions</i>	2019	2018 Restated⁽¹⁾	Change
Revenue	2,926.6	2,999.0	(2.4%)
<i>Technology Management & Financing (TMF)</i>	1,124.2	1,321.1	(14.9%)
<i>Digital Services & Solutions</i>	1,802.4	1,677.9	7.4%
Profit (loss) from continuing operations⁽²⁾	126.2	110.9	13.8%
Profit (loss) from continuing operations	124.2	106.7	16.3%
Other non-recurring operating income and expenses	(24.8)	(19.9)	24.3%
Operating profit	99.4	86.8	14.5%
Other financial income and expenses	(19.2)	(15.5)	23.7%
Profit before tax	80.2	71.2	12.5%
Income tax expense	(22.3)	(20.8)	7.1%
Profit from continuing operations	57.9	50.4	14.8
Profit (loss) from discontinued operations	(9.2)	(5.9)	58.1%
Profit for the period	48.6	44.6	9.1%
Non-controlling interests	3.9	5.2	(24.6%)
Profit for the period attributable to owners of the parent	44.7	39.4	13.5%
Recurring net profit attributable to owners of the parent⁽²⁾	72.1	62.4	15.5%

(1) The 2018 income statements are restated for the following changes in method:

- income and expenses of operations considered discontinued at 31/12/19 are restated to "profit or loss of discontinued operations" in both the 2018 and 2019 income statements;
- revenue is based on our new interpretation of IFRS 15 for 2018 and 2019 direct deliveries (excl. licences);
- however, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases.

(2) Recurring operating profit before amortisation of intangible assets from acquisitions/Recurring profit attributable to owners of the parent: to facilitate the monitoring and comparability of its operating and financial performances, Econocom Group presents two key indicators, "recurring operating profit before amortisation of intangible assets from acquisitions" and "recurring profit attributable to owners of the parent". Their definition is given in the notes to the financial statements.

Reconciliation of reported profit with recurring profit

<i>in € millions</i>	2019 reported	Amortisation of intangible assets from acquisitions	Other non- current items ⁽¹⁾	Profit (loss) from discon- tinued ope- rations suivies	2019 recurring ⁽¹⁾	2018 restated ⁽¹⁾ recurring
Revenue	2,926.6				2,926.6	2,999.0
Profit (loss) from continuing operations	124.2	2.0		-	126.2	110.9
Other non-recurring operating income and expenses	(24.8)		24.8		-	-
Operating profit	99.4	2.0	24.8	-	126.2	110.9
Other financial income and expenses	(19.2)				(19.2)	(15.5)
Profit before tax	80.2	2.0	24.8	-	106.9	95.4
Income tax expense	(22.3)	(0.7)	(7.4)		(30.4)	(27.7)
Profit (loss) from discontinued operations	(9.2)			9.2	-	-
Share of profit (loss) of associates and joint ventures	-				-	-
Profit for the period	48.6	1.3	17.3	9.2	76.6	67.7
Non-controlling interests	3.9		0.5		4.4	5.2
Profit for the period attributable to owners of the parent	44.7	1.3	16.9	9.2	72.1	62.4

⁽¹⁾ The 2018 income statements are restated for the following changes in method:

- income and expenses of operations considered discontinued at 31/12/19 are restated to "profit or loss of discontinued operations" in both the 2018 and 2019 income statements;
- revenue is based on our new interpretation of IFRS 15 for 2018 and 2019 direct deliveries (excl. licences);
- however, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases.

Net earnings per share attributable to owners of the parent

<i>in €</i>	2019	2018	Change
Earnings per share	0.20	0.17	17.1%
Basic earnings per share from continuing operations	0.24	0.19	23.0%
Basic earnings per share from discontinued operations	(0.04)	(0.02)	63.0%
Diluted earnings per share	0.19	0.16	15.5%
Diluted earnings per share from continued operations	0.23	0.19	21.0%
Diluted earnings per share from discontinued operations	(0.04)	(0.02)	60.1%
RECURRING EARNINGS PER SHARE	0.32	0.27	19.1%

Number of shares outstanding

	2019	2018
Average number of outstanding shares ⁽¹⁾	227,816,144	234,888,774
Total number of shares at year-end	245,380,430	245,140,430
Number of shares outstanding at year-end ⁽¹⁾	221,922,286	231,161,799
Econocom share price at 31 December (in €)	2.43	2.91
Market capitalisation at 31 December (in € millions)	597	713

⁽¹⁾ Excl. treasury shares.

Comments on the Group's key figures

In 2019 the Econocom group posted consolidated revenue of €2,927 million compared with €2,999 million in 2018. On a like-for-like basis, organic revenue fell by -0.8%.

Profit (loss) from continuing operations before amortisation of intangible assets from acquisitions was €126.2 million, compared with €110.9 million in 2018, an increase of €15.3 million.

The Group's operating profit was €99.4 million compared with €86.8 million in 2018, a year-on-year increase of 14.5%.

Non-recurring expenses amounted to €24.8 million, compared with €19.9 million in 2018. These expenses correspond to measures to adapt the organisation, to acquisition and disposal costs and include the capital gains from the disposal of Rayonnance at year-end 2019.

The net financial expense was up to €19.2 million compared with €15.5 million at year-end 2018. Two main effects should be stressed: the full year effect of the interest expense related to the OCEANE issued in March 2018 and the first time application by Econocom in 2019 of IFRS 16 to lease agreements.

2.1.1. KEY FIGURES BY BUSINESS

Revenue and profit (loss) from continuing operations * can be broken down by business as follows:

Revenue

<i>in € millions</i>	2019	2018 restated⁽¹⁾	change based on like-for-like standards	Like-for-like change
Technology Management & Financing	1,124	1,321	10.0%	(10.3%)
Digital Services & Solutions	1,803	1,678	7.4%	6.3%
Total revenue	2,927	2,999	0.0%	(0.8%)

⁽¹⁾ See chapter 5 § 2.1.

Profit (loss) from continuing operations

<i>in € millions</i>	2019	2018 restated⁽¹⁾	Total growth	Profit (loss) from continuing operations (as a % of 2019 revenue)	Profit (loss) from continuing operations (as a % of revenue 2018)
Technology Management & Financing	43.9	52.3	(16.1%)	3.9%	4.0%
Digital Services & Solutions	82.3	58.6	40.4%	4.6%	3.5%
Total profit (loss) from continuing operations*	126.2	110.9	13.8%	4.3%	3.7%

* Before amortisation of intangible assets from acquisitions

⁽¹⁾ cf. chapter 5 § 2.1.

At 31 December 2019, Technology Management & Financing posted revenue of €1.124 million, a decline of 10.3% due mainly to the contraction of the business of its Italian subsidiary amounting to €130 million on a full year basis. Excluding this impact, TMF revenue rose by 0.6% thanks to the performance of the other regions (mainly France, Belgium, Spain and the United Kingdom). Recurring operating income* from this activity was €43.9 million, compared with €52.3 million in 2018. This includes the lower contribution from TMF Italy which was partly offset by the improved profitability in France and the Benelux countries.

The Digital Services & Solutions business line reported revenue of €1,803 million in 2019, up 7.4% on the previous year's level of €1,678 million. The organic growth of 6.3% was driven by the sales of "products and solutions", including, for example, major projects to equip French local authorities and schools with IT equipment. Profit (loss) from continuing operations was €82.3 million compared with €58.6 million the previous year. This large improvement is the result of the organic growth of activity and cost control measures put in place since 2018.

* Before amortisation of intangible assets from acquisitions.

2.1.2. KEY FIGURES BY GEOGRAPHICAL AREA

Revenue breaks down as follows:

<i>in € millions</i>	2019	2018 restated⁽¹⁾	Change based on like-for-like standards
France	1,545	1,510	4.6%
Benelux	391	395	(1.1%)
Southern Europe/Morocco	529	621	(10.5%)
Northern and Eastern Europe	261	265	7%
Americas	200	207	(3.2%)
Total revenue	2,927	2,999	0.0%

(1) Before amortisation of intangible acquisition assets.

The increase in France stemmed from the good performance in the Digital Services & instead of Solutions business lines, which offset the slight decline in Technology Management & Financing.

Contraction in the Benelux area was driven mainly by Technology Management & Financing in the Netherlands, despite strong performance by the DSS business.

2019 Southern Europe turnover of €528.6 million breaks down as €306.4 million for Italy and €222.2 million for Spain. In 2018 the corresponding figures were €397.9 million for Italy and €201.4 million for Spain (after an IFRS 16 restatement of €21.9 million).

Restated for the fall in revenue of TMF in Italy, organic growth in Southern Europe and Morocco is estimated at about 10% thanks to good performances in Spain and of the DSS activity in Italy.

Northern and Eastern Europe recorded slight organic growth on a like for like basis, essentially thanks to the Technology Management & Financing activity in the United Kingdom.

The Americas region fell back slightly after two years of very strong growth, thanks primarily to major Technology Management & Financing contracts.

2.2. Statement of financial position

<i>in € millions</i>	2019	2018 restated ⁽¹⁾
Goodwill	512.9	631.1
Other long-term assets	182.7	159.7
Residual interest in leased assets	165.0	163.8
Other non-current assets	51.0	49.0
Trade and other receivables ⁽²⁾	1,093.7	1,268.6
Other current assets	136.6	128.5
Cash and cash equivalents	593.8	608.4
Assets held for sale	201.1	-
Total assets	2,936.8	3,009.2

(1) 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 chapter 6 sections 1.1.1 and 1.1.2).

(2) of which self-funded outstanding rentals: €238.5 million at 31 December 2019 versus €246.2 million at 31 December 2018.

<i>in € millions</i>	2019	2018 adjusted restated ⁽¹⁾
Equity attributable to owners of the parent	410.2	396.4
Non-controlling interests	73.7	94.9
Total equity	483.9	491.3
Bonds ⁽²⁾	441.4	437.5
Financial liabilities ⁽²⁾	404.6	422.6
Provisions	73.2	88.8
Gross liability for purchases of leased assets	101.5	98.1
Trade and other payables	980.6	1,104.2
Other liabilities	368.3	366.6
Liabilities held for sale	83.2	-
Total equity and liabilities	2,936.8	3,009.2

(1) 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 chapter 6 sections 1.1.1 and 1.1.2).

(2) After deduction of the €593.8 million of cash and cash equivalents posted to assets as at 31 December 2019 (€608.4 million at 31 December 2019), net debt was €252.2 million at 31 December 2019 (€251.7 million at 31 December 2018); this net debt includes €238.5 million at 31 December 2019 (€246.2 million at 31 December 2018) for self-funded TMF contracts and the anticipated rents from this activity.

The statement of financial position below expresses this more concisely:

- by posting the positive cash and cash equivalents from bond debt and other financial liabilities in liabilities to show net book debt directly on this side of the balance sheet for the share of TMF self-funded contracts;
- by showing trade receivables on the asset side and net debt in liabilities.

<i>in € millions</i>	31 December 2019	31 December 2018
ASSETS		
Goodwill	513	631
Other non-current assets	234	209
Residual interest in leased assets	165	164
Trade and other receivables	1,094	1,269
<i>of which outstanding on self-funded contracts</i>	239	246
Other current assets	137	129
Assets held for sale	201	-
TOTAL ASSETS	2,343	2,401

<i>in € millions</i>	31 December 2018	31 December 2018
LIABILITIES		
Total equity	484	491
Net debt	252	252
<i>of which net debt linked to self-funded contracts</i>	239	246
<i>of which net debt - other</i>	13	6
Gross liability for purchases of leased assets	102	98
Other non-current liabilities	131	124
Trade payables	981	1,104
Other current liabilities	311	332
Liabilities held for sale	83	-
TOTAL EQUITY AND LIABILITIES	2,343	2,401

Goodwill

Goodwill amounted to €512.9 million, down €118.2 million compared with the previous year. This decrease is due mainly to the reclassification of the goodwill operations held for sale to assets held for sale, as well as the disposals carried out during the year. There were no acquisitions in 2019.

Equity

Total equity stood at €483.9 million, down slightly by €7.3 million compared with end-2018. This decline includes the impact of around -€3.0 million from the application of IFRS 16 from 1 January 2019. Net income for

the year nearly offsets the redemption of the issue premiums and the equity transactions carried out during the year.

At 31 December 2019, Econocom group held 23,458,144 treasury shares valued at €57.0 million not recorded in its balance sheet (at the share price on 31 December 2019, i.e. €2.432).

The breakdown of equity attributable to owners of the parent and to non-controlling interests varies as a result of acquisitions. Accordingly, equity attributable to non-controlling interests stood at €73.7 million at 31 December 2018, compared with €94.9 million at the previous year-end.

Net debt

At 31 December 2019, net debt stood at €252.2 million and broke down as follows:

<i>in € millions</i>	2019	2018
Cash and cash equivalents	593.8	608.4
Bank debt and commercial paper	(310.3)	(290.7)
Net cash at bank	283.6	317.7
Convertible bond debt (OCEANE)	(189.2)	(185.5)
Non-convertible bond debt (Euro PP)	(102.3)	(102.2)
Non-convertible bond debt (<i>Schuldschein</i>)	(149.9)	(149.8)
Other	(94.3)	(131.7)
Net debt	(252.2)	(251.7)

Net book debt remained stable compared with end-2018 at €252.2 million, representing 1.4 times EBITDA in 2019, while gearing (net

financial debt to equity ratio) was 52.1%. This net book debt includes €238.5 million in TMF self-driven contracts.

Appendix - Definition of key performance indicators

Performance indicators not defined by accounting standards but used by Econocom group to assist the reader in assessing the Group's economic and financial performance are as follows:

Profit (loss) from continuing operations

Profit (loss) from continuing operations includes all income and expenses directly related to the Group's operations, whether recurring or not. It excludes other non-current income and expenses.

Profit (loss) from continuing operations before amortisation of intangible assets from acquisitions

Recurring operating profit before amortisation of intangible assets from acquisitions measures the level of operating performance after the amortisation of intangible assets acquired through business combinations. At 31 December 2018, the main acquisitions of intangible assets made by the Group and whose amortisation is not taken into account for the determination of this aggregate are the ECS customer portfolio and the Osiatis brand.

Econocom uses recurring operating profit before amortisation of intangible assets from acquisitions as the main indicator to monitor the operational performance of its businesses.

Other non-recurring operating income and expenses

"Other non-recurring operating income and expenses" include items that, by their frequency, amount or nature, are liable to undermine the pertinence of the Group's operating performance as a performance indicator. "Other non-recurring operating income and expenses" include impairment losses on goodwill and other intangible assets, the results of significant disposals of

fixed assets, restructuring expenses, costs relating to workforce adjustment measures, costs of relocating premises, changes in the value of acquisition-related liabilities (earn-out payments), as well as costs related to the various external growth transactions.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation)

The Group also uses an intermediate management balance known as "EBITDA". This financial indicator corresponds to recurring operating profit adjusted for depreciation and amortisation, additions to and reversals of provisions for asset impairment and provisions for contingencies and losses, and net impairment losses on current and non-current assets recognised in recurring operating profit.

Recurring profit attributable to owners of the parent

Since the first half of 2016, recurring net profit attributable to owners of the parent has been the key performance indicator used by Econocom to assess its economic and financial performance. Recurring profit attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, before the following items:

- amortisation of intangible assets from acquisitions (in the year ended 31 December 2018, amortisation of the ECS customer portfolio and the Osiatis brand), net of tax effects;
- adjustment of the fair value of the ORNANE embedded derivative component;
- other non-recurring operating income and expenses, net of tax effects;
- non-recurring financial income and expense, net of tax effects;

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

Net and gross debt

The definition of net debt used by the Group (see note 14.3 to the consolidated financial statements) is gross debt less gross cash and cash equivalents. It does not include the Group's gross liability for purchases of leased assets or its residual interest in leased assets.

Gross debt includes all interest-bearing debt and debt incurred by receiving financial instruments.

2.3. Parent company 2019 financial statements of Econocom group SE

Econocom group SE, as the Group's holding company, manages a portfolio of securities, receives dividends from its subsidiaries and oversees the Group's development.

It also provides services to the Group's subsidiaries in the areas of management, IT, cash, guarantees, provision of staff, consulting, communication and marketing. These services are billed according to normal market terms.

The revenue stated hereafter refers to Econocom group SE's parent company financial statements, prepared in accordance with Belgian legislation.

2.3.1. INCOME STATEMENT OF ECONOCOM GROUP SE

The cost of services rendered to the Group's subsidiaries during the year totalled €23.5 million, compared with €24.8 million in the previous year.

Operating profit for the year amounted to €2.6 million, compared with €5.1 million in 2018.

Recurring financial income totalled €19.5 million, compared with €14.3 million in 2018. It consists mainly of dividends received from subsidiaries in the amount of €18.7 million (compared to €19.0 million in 2018), income net of interest and guarantee commissions invoiced to the subsidiaries in the amount of €12.8 million (compared with €11.2 million in 2018), and the cost of external debt in the amount of €11.7 million (compared with €10.2 million in 2018) and the capital gains or losses on sale of treasury shares representing a net expense of €0.2 million this year (compared with a net expense of €5.7 million in the previous year).

Non-recurring financial expense totalled €39 million, compared with €21.4 million in 2018. It includes mainly capital losses on the disposals of Jade and Mobis, the €16.5 million impairment of securities, and the €9.6 million impairment of treasury shares.

Income tax expense came to €1.9 million.

Net loss totalled €19.1 million, compared with a loss of €2.3 million in the previous year.

2.3.2. BALANCE SHEET OF ECONOCOM GROUP SE

Econocom group SE's equity stood at €349.0 million, compared with €394.8 million in 2018. This change can be ascribed to the refund of the issue premium in July 2019 in the amount of €27.4 million and to the profit for the year (-€19.1 million).

The company's balance sheet shows losses in two consecutive financial years, so article 6:36 of the French Companies and Charities Code is applicable. These losses are mainly explained by the impairment of treasury shares. The continuity of the business is therefore in no way threatened and the application of valuation rules which assume a going concern is therefore justified.

Financial liabilities (non-Group) totalling a gross amount of €721.3 million correspond to the EURO PP of €102.5 million (issued in May 2015 with maturities of five and seven years), the *Schuldschein* note of €150.2 million (issued in November 2016 with maturities of five and seven years), the OCEANE worth €190.1 million issued in May 2018 with maturities of five years) and the commercial paper programme worth €278.5 million (with short-term maturities of between one and three months).

Receivables and equity investments in related companies increased by €79.9 million to €1,006.6 million due to new equity investments in August 2019 for the amount of €101.8 million for disposals and impairment see below.

2.3.3. SHARE CAPITAL

At 31 December 2019, Econocom group's share capital totalled €23,512,749.67, divided into 245,380,430 shares with no stated par value.

Changes in capital since 2010 have consisted of (i) capital increases in connection with the exercise of stock options by the Group's managers and (ii) capital increases either as part of external growth transactions to fund a portion of the acquisition price or as a result of the conversion of bonds.

The only items that could have an influence on Econocom group's share capital corresponding to the 2014 and 2017 stock option plans and the OCEANE convertible bond issued on 1 March 2018.

In December 2014, the Board of Directors approved a stock option plan ("2014 Stock Option Plan") and decided to issue, with cancellation of shareholders' pre-emptive subscription rights, 2,500,000 stock subscription rights entitling the holders to subscribe, under certain conditions, to a new Econocom group share. The Compensation Committee had two years to determine the beneficiaries of the 2014 Stock Option Plan.

A total of 2,480,000 stock options were granted to approximately 20 of the Group's managers under the 2014 Stock Option Plan. At 31 December 2019, taking into account the options lapsed due to departures and failure to meet performance conditions, a total of 2,041,420 of the 2014 stock options were still exercisable, which correspond to the maximum issue of 4,082,840 new shares, each option entitling holders to two Econocom group shares following the two-for-one split that took place in June 2017.

In June 2017, the Board of Directors also approved a stock option plan ("2017 Stock Option Plan") and decided to issue, with cancellation of shareholders' pre-emptive subscription rights, 2,000,000 stock subscription rights entitling the holders to subscribe, under certain conditions, to a new Econocom group share. The Compensation Committee had until 31 December 2019 to determine the beneficiaries of this plan. At 31 December 2019, taking into account the options forfeited by beneficiaries, the number of 2017 stock options allocated amounted to 90,000 corresponding to a maximum issue of 90,000 new shares.

On 1 March 2018, Econocom launched the issuance of convertible bonds and/or exchangeable for new and/or existing shares (OCEANE) with a par value of €200 million, maturing in 2023. The holders of Bonds will have a right to the award of Shares that they may exercise at any time from the Issue Date (*i.e.* 6 March 2018) and until the 8th business day (inclusive) preceding the normal or early redemption date on the basis of a conversion or exchange ratio of one Econocom Share per Bond and subject to any subsequent adjustments. In the event of request of conversion of Bonds, the Bond holders will receive, at Econocom's discretion, new and/or existing shares of Econocom. To date, the number of bonds outstanding is 24,213,075. If all the bonds were converted (if the conversion price of €8.26 was reached) into new shares, according to the current conversion ratio of 1 share for 1

bond, 24,213,075 new shares would be issued.

Finally, the Extraordinary General Meeting of 19 May 2015 renewed, for a five-year period, the authorisation given to the Board of Directors, in accordance with articles 7:198 and 7:199 of the new Belgian Companies Code (*Code des sociétés*), to carry out one or more capital increases of up to a maximum total amount of €21,563,999.86 (excluding issue premiums). At 31 December 2019, authorised unissued capital (excluding issue premiums) stood at €19,052,787.28.

The Company's ownership structure is described in section 5, "Corporate governance statement".

Treasury shares

Econocom group has a share buyback programme, which allows it to:

- deliver shares to avoid potential dilution of shareholders' interests due to the exercise of options;
- pay for any external growth transactions;
- award to free share plan beneficiaries;
- cancel shares acquired.

The Extraordinary and Special General Meeting of 21 May 2019 renewed for a five-year period the authorisation given to the Board of Directors to buy back treasury shares. The minimum purchase price was set at the equivalent of €2 and the maximum unit price at €10.

The maximum number of shares to be purchased throughout the five-year period is 49,076,086. Since the beginning of the buyback programme, 6,647,409 shares have been acquired at 31 December 2019.

In 2019, the following treasury share movements took place, (excluding liquidity agreements):

- Econocom group acquired 9,688,513 Econocom group shares, for an acquisition price of €26.6 million;
- Econocom group transferred 85,000 treasury shares to two Free Share Plan beneficiaries;

As at December 2019, Econocom group held 23,458,144 treasury shares acquired under its share buyback program. The treasury shares represent 9.56% of the total number of shares issued.

The voting rights associated with the shares held by the Company have been suspended. The shares held by the Company do not give entitlement to dividends.

Econocom group's distributable reserves (statutory data) stood at €197.6 million, in addition to retained earnings in the amount of €68.4 million.

Econocom group's non-distributable reserves stood at €57.0 million.

2.3.4. BUSINESS OVERVIEW

2.3.4.1. Acquisitions, disposals, equity investments and formations of subsidiaries

In 2019, Econocom group acquired additional equity investments in some of its satellites through buybacks of non-controlling interests and carried out disposals as part of the Group's transformation plan.

Thus, the Econocom group exercised its options in order to strengthen its stake in Infeeny and Gigigo group.

It sold its stakes in Jade Solutions and Rayonnance.

Moreover, as part of the management of its subsidiaries and the Group organisation chart:

- Econocom group acquired from Econocom Lease its equity investment in Econocom Finance, the Group's cash centre in charge of financing Group companies. Following that transaction, Econocom group directly holds 100% of Econocom Finance's capital. Moreover, Econocom group acquired from its subsidiary Econocom International Italia all the stock in the Italian company BDF;

- Econocom also subscribed to the capital increases carried out by its subsidiary Digital Dimension;
- lastly the Group created a reinsurance company, Econocom Ré aimed at better managing (in coordination with insurance companies) the hedging of the credit risks of its TMF business.

2.3.4.2. Legal reorganisation

As is the case each year, Econocom group implemented measures to streamline and simplify its legal organisation.

Measures performed in 2019 were aimed at combining companies with similar activities in the same country. In France, Exaprobe absorbed its subsidiary Aciernet, and in Spain Altabox absorbed Focus on Emotion.

Moreover, in order to streamline and simplify its organisation chart, the Group closed down certain non-operating subsidiaries in the Netherlands and Spain.

As a result of the reorganisations carried out in 2019, the number of legal entities within the Group was reduced by four, thereby streamlining the Company organisation.

3. Risk factors and disputes

Risk factors did not change significantly in 2019. They are described in note 19.

4. Outlook for 2020 and shareholders' compensation

The Management of the Econocom group will be paying particular attention to generating cash and maintaining rigorous cost management.

As a result of the Group's strong financial position, the Board of Directors will recommend to the General Shareholders' Meeting to proceed with a refund of the

issue premium, considered as paid-in capital, in the amount of €0.12 per share.

This refund represents stability compared to recent years.

Moreover, the Group plans to continue share buybacks. These shares are intended to cover the commitments made under stock option plans.

5. Corporate governance statement

5.1. Applicable corporate governance code

Econocom group confirms that it adheres to the principles of the Belgian Corporate Governance Code that came into force in 2009 (the “2009 Code”) and that it plans to adhere to the principles of the new Belgian Corporate Governance Code that comes into force on 1 January 2020. This Code is available at:

www.corporategovernancecommittee.be

Econocom publishes the various Internal Rules (in French only) that comprise its Corporate Governance Charter on its website:

www.econocom.com under Investors/ Governance/Board of Directors and Executive Committee.

The Board of Directors adheres to the Corporate Governance Code. The transformation of Econocom group into a European Company (*societas europaea*) on 18 December 2015 prompted the Board of Directors to change the Internal Rules of the Board of Directors and the Executive Committee on 19 May 2016. The Executive Committee’s Internal Rules again changed on 7 September 2016, and the Committee was renamed the Executive Committee at that time. In connection with the change in its corporate governance, the Econocom group in early 2020 was required to amend the Internal Rules of its Audit Committee and its Compensation Committee. The latter was renamed “Compensation and Nominations Committee” on that occasion.

5.2. Exemptions from the 2009 Code

Econocom group applies the recommendations of the 2009 Code, except for those which the Board has deemed ill-suited to Econocom group’s size, or that it intends to implement over the long term. The principles with which Econocom group does not comply, in whole or in part, are described below.

The Group currently only partially applies the recommendations of Principle 1 of the Code.

Jean-Louis Bouchard combines the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group’s Executive Committee. As such, the Group does not fully adhere to the principle of segregating the Board of Directors’ powers of control and executive powers. At 31 December 2019, Jean-Louis Bouchard indirectly held 36.44% of Econocom group’s capital. Such a system meets the characteristics of Econocom group’s shareholdings and is aimed at ensuring management stability as Econocom implements its long-term strategy.

Moreover, the Board of Directors has to date decided against appointing a Secretary to advise it on governance and report to it on compliance with the applicable procedures and rules. However, this function had been taken over informally by Galliane Touze, Company Secretary of the Econocom group until 31 July 2019 and by Antoinette Roche, Legal Director as from that date.

Since 23 November 2017, one-third of the members of Econocom group's Board of Directors have been women, pursuant to the conditions set out in article 7 section 85 of the new Belgian Companies Code. At 31 December 2019, the Board had four women members: Véronique di Benedetto, whose term was renewed in 2017, and Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet, appointed in 2016.

Following the entry into force of the European Market Abuse Regulation, on 18 May 2017 the Board of Directors modified the provisions of its Internal Rules laying down procedures for controlling market transactions.

Econocom group does not currently apply the recommendations in Principle 4 of the 2009 Code, which state that "the Board should draw up nomination procedures and selection criteria for Board members" and that "a Nomination Committee should recommend suitable directorship candidates". This principle also recommends a periodic assessment of each Director and of the Board of Directors and its Committees, in accordance with procedures set by the Board.

Up until now, the Board of Directors had not wished to establish a Nomination Committee, nor any formal procedures for appointing the members of the Board of Directors and the Executive Committee, given that this recommendation by the Code was not suitable for the Econocom group because of its size. As from 2020 the Board of Directors has decided to change the Compensation Committee to become the Compensation and Nominations

Committee, in charge of suggesting appointments to the Board of Directors.

Although the Group has no specific formal procedures for assessing the Board of Directors and its members and Committees or the members of the Executive Committee, such assessments take place on an ongoing basis. In 2019, the Board of Directors entrusted Spencer Stuart with the task of assessing the Group's governance. The findings were presented during the 4 September 2019 meeting of the Board of Directors.

In 2004, the Board of Directors of Econocom group established an Audit Committee. At 31 December 2019, its composition was not compliant with the 2009 Code, which requires that a majority of members of such Committees be independent. The Committee comprises three Non-executive Directors selected by the Board for their recognised accounting skills, but two of whom (Gaspard Dürrleman and Rafi Kouyoumdjian) are not independent.

The Chairman of the Board of Directors does not systematically attend Annual General Meetings, contrary to the recommendations of Principle 8 of the 2009 Code, but he ensures that the Board of Directors is always represented by at least one Chief Executive Officer.

Information about the main shareholders of Econocom group and their relationship with each other and the Company, are not published in the Corporate Governance Charter, but in the Management Report and updated each year.

5.3. Description of internal control and risk management procedures in the context of the preparation of the financial information

The financial information communicated by the Group refers to its consolidated financial statements and to the management accounting aspects of the financial statements published in compliance with IFRS as adopted by the European Union and approved by the Board of Directors.

This financial information is, at every reporting date, presented to the Group's Audit Committee, and explained to all the Directors.

5.3.1. FINANCIAL ORGANISATION

The Group's financial organisation is both local and global. The Group is organised by business line and country. Financial processes are implemented by finance teams, Finance Directors and financial controllers, all of whom report to the Group Financial Controller. Business and country Financial Controllers ensure that the reporting rules and practices are applied consistently across the business lines, irrespective of the country.

5.3.2. COORDINATION OF REPORTING AND CONSOLIDATION

The accounts are consolidated by a dedicated team on a quarterly basis. The consolidated companies send their detailed financial statements *via* the consolidation tool for inclusion in the consolidated financial statements.

Each entity (*i.e.*, company or business unit) draws up a budget. Profit forecasts are adjusted several times during the year and are monitored on a monthly basis based on the activity reports provided to Group

Management. These reports are drafted jointly by the entity's operational manager and Financial Controller.

The Group's Financial Controlling draws up schedules and specific instructions for the various budgets, reports and the items needed for the purpose of consolidation.

5.3.3. ACCOUNTING STANDARDS AND MONITORING

The Group's accounting principles are set out in an accounting principles manual which is used as the basis for preparing financial information. This manual describes the method for recording transactions and presenting financial information.

The team in charge of consolidation is also responsible for keeping abreast of changes to IFRSs.

5.3.4. IT SYSTEMS

The Information Systems Department oversees the various information systems used by the Group. It ensures the gradual harmonisation of the solutions implemented and the continuity of operations. In the preparation of financial information, information flows from IT tools specific to the various businesses are centralised in a single accounting management and reporting solution.

5.3.5. RISK FACTORS, SURVEILLANCE AND MONITORING

The monthly reports enable the various operational and financial managers and the Group's Management to verify that the Group's results are accurate and consistent with the targets set. At the end of each quarter, they contain a comparison between the management data and the Group's consolidated financial statements in order to ensure that the financial information is reliable.

The Group's Internal Audit Department completes the risk organisation, and is in charge inter alia of drawing up a risk map. It also reviews the subsidiaries' financial statements in order to ensure that they comply with Group rules, and verifies that the reports are accurate and that risks are adequately covered. The Group's Internal Audit Department reports directly to the Audit Committee and to the Chairman.

When identifying risks that may impact the achievement of financial reporting objectives, Group Management takes into account the possibility of misrepresentations and fraud, and undertakes the required actions to strengthen internal control, if necessary. The Internal Audit conducts specific audits, on the basis of the assessment of potential fraud risks, in order to avoid and prevent fraud. Any findings are systematically reported to the Audit Committee.

5.3.5.1. Risks associated with accounting systems

Risks associated with accounting systems are assessed on a regular basis with a view to implementing improvement plans.

The accounting systems used within the Group have now been harmonised, and are shared by all business lines and subsidiaries except the Satellite companies in which the Group has acquired stakes, some of which still use software other than that used elsewhere in the Group, more adapted to their size.

The various business line IT systems are interfaced with the accounting system in order to ensure that information on transactions is traceable, comprehensive and reliable.

The consolidation system is a standard tool.

5.3.5.2. Risks associated with accounting standards

The Consolidation Department, in conjunction with the Group Financial Controlling Department and the Business and Country Financial Controllers, monitors changes in IFRSs and adapts the Group's accounting principles accordingly. It also organises training for finance staff whenever necessary.

5.3.5.3. Main transaction control procedures

In order to ensure the reliability of the financial information on transactions, the "Financial Control" team verifies each month that the revenue and costs reported are in line with the flows expected at the time the transactions were approved.

The Group Financial Controlling draws up regular statistical analyses to ensure that the assumptions made when the lease contracts were recorded are prudent and appropriate.

The subsidiaries' Financial Controlling teams also carry out monthly verifications for each business line.

5.3.6. PERSONS RESPONSIBLE FOR THE PREPARATION OF FINANCIAL INFORMATION

The financial information is prepared under the supervision and responsibility of the Board of Directors, which, since 2004, has had an Audit Committee, the role of which is set out in section 5.5.3 below.

5.4. Ownership structure and limits on shareholder rights

At 31 December 2019, Econocom group's share capital consisted of 245,380,430 shares, held as indicated below:

	2019	2018
Companies controlled by Jean-Louis Bouchard	36.44%	36.44%
Public shareholders	54.00%	57.86%
Treasury shares	9.56%	5.70%
Total	100%	100%

Econocom group is informed that two shareholders outside the companies controlled by Jean-Louis Bouchard, crossed the 5% share-ownership threshold as at 31 December 2019. They are Butler Industries Benelux (and indirectly WB Finance and Walter Butler) and the US company FMR LLC (FIAM LLC, FMR Co., Inc. and Fidelity Institutional Asset Management Trust Company).

There are no shareholders with special controlling rights.

Each Econocom group share gives its holder the right to cast a vote at Annual General Meetings. Article 10 of the Company's Bylaws provides that the exercise of the voting rights and other rights attached to shares held in co-ownership or in which the usufruct and the bare ownership have been separated, or which are pledged, shall be suspended until such time as a sole representative has been appointed to exercise the rights attached to the shares in question. Treasury shares (9.56%) and shares held by the Belgian Caisse des Dépôts et Consignations (0.44% belonging to bearer shareholders who did not come forward when the Belgian Stock Market converted to electronic shares) also have no voting rights. There are no other particular legal or

statutory restrictions with respect to voting rights.

Similarly, with the exception of the provisions limiting purchases and sales by Econocom group of its treasury shares, the Company's Bylaws do not impose any restrictions on the transfer of its shares.

5.5. The composition and functioning of the administrative bodies and Committees

5.5.1. COMPOSITION OF THE BOARD OF DIRECTORS

At 31 December 2019, the Board of Directors had 12 members:

Jean-Louis Bouchard

(term of office expires at the May 2020 Annual General Meeting)

1 Avenue de Montmorency, Villa Montmorency, 75016 Paris (France)

Chairman of the Board of Directors and Chief Executive Officer of Econocom group

Chairman of Econocom International BV

Robert Bouchard

(term of office expires at the May 2021 Annual General Meeting)

23 Avenue de Boufflers, 75016 Paris (France)

Vice-Chairman of the Board of Directors and of Econocom group

Bruno Grossi

(term of office expires at the May 2023 Annual General Meeting)

13 Rue Molitor, 75016 Paris (France)

Chief Executive Officer of Econocom group

Véronique di Benedetto

(term of office expires at the May 2021 Annual General Meeting)

86 Rue Miromesnil, 75008 Paris (France)

Non-executive Director of Econocom group

Gaspard Dürreleman

(term of office expires at the May 2021 Annual General Meeting)

50 Avenue Bosquet, 75007 Paris (France)

Non-executive Director of Econocom group

Rafi Kouyoumdjian

(term of office expires at the May 2023 Annual General Meeting)

4 Avenue de la Bourdonnais, 75007 Paris (France)

Non-executive Director of Econocom group

Jean-Philippe Roesch

(term of office expires at the May 2020 Annual General Meeting)

21 Avenue de la Criolla, 92150 Suresnes (France)

Non-executive Director of Econocom group

Walter Butler

(term of office expires at the May 2023 Annual General Meeting)

30 Cours Albert 1er, 75008 Paris (France)

Independent Director of Econocom group

Adeline Challon-Kemoun

(term of office expires at the May 2020 Annual General Meeting)

32 Avenue Duquesne, 75007 Paris (France)

Independent Director of Econocom group

Anne Lange

(term of office expires at the May 2020 Annual General Meeting)

4 Avenue de Villiers, 75017 Paris (France)

Independent Director of Econocom group

Marie-Christine Levet

(term of office expires at the May 2020 Annual General Meeting)

91 Rue du Cherche-Midi, 75006 Paris (France)

Independent Director of Econocom group

Jean Mounet

(term of office expires at the May 2021 Annual General Meeting)

60 Quai du Parc, 94100 Saint-Maur-des-Fossés (France)

Independent Director of Econocom group

At 31 December 2019, the Board of Directors accordingly comprised:

- an Executive Chairman, Jean-Louis Bouchard. He is tasked with managing the Board of Directors and ensuring its efficient running, by monitoring its size and members and those of its Committees, and ensuring good communication with the Executive Committee to guarantee effective decision-making. The Committee appoints the Chairman from among the Vice-Chairs;

- a Vice-Chairman, Robert Bouchard. The Annual General Meeting of 19 May 2015, voted to establish a mandate for the Vice-Chairman of the Board, and on 21 May 2015 the Board of Directors appointed Robert Bouchard Vice-Chairman of the Board until the end of his term of office. The Board appoints one or more Vice-Chairs from its members. In the event that the Chairman is unable to attend, the Vice-Chair chairs the Board meetings;
- two Chief Executive Officers in charge of the day-to-day management of Econocom group, Jean-Louis Bouchard (appointed on 5 March 2018) and Bruno Grossi (appointed at the Board meeting of 4 November 2015, with effect from 18 December 2015);
- five non-executive Directors, Véronique di Benedetto, Robert Bouchard, Rafi Kouyoumdjian, Jean-Philippe Roesch and Gaspard Dürrleman. Véronique di Benedetto exercised operational functions within Econocom group companies at 31 December 2019. However, she is not considered to be an Executive Director, as this status is reserved for Directors holding executive positions at Econocom group itself, in accordance with a decision of the Board of Directors dated 24 November 2016;
- lastly, five independent Directors within the meaning of article 7:87 sections 1 and 2 of the new Belgian Companies Code, Walter Butler, Adeline Challon-Kemoun, Anne Lange, Marie-Christine Levet and Jean Mounet.

Jean-Louis Bouchard was appointed by the Board of Directors at its meeting of 5 November 2018 as Chief Executive Officer of the Econocom group.

During the course of the 2019 financial year, Mr Jean-Philippe Roesch continued with the assignment he accepted at the end of 2018, namely to advise and support the Executive Committee; initially via the company Orionisa Consulting, of which he is the Chairman and Shareholder, and then within the framework of a part-time, 6 month contract which ended on 31 July 2019. He is therefore considered Executive Director solely for the duration of this assignment.

The Bylaws do not contain any special rules for appointing Directors or for renewing their term of office. Nor do they impose any age limit on the Board.

Pursuant to a decision of the Extraordinary and Special General Meeting on 18 December 2015, the term of office for Directors has been reduced from six to four years in order to comply with the recommendations of the 2009 Code.

Other than their office on the Board of Directors of Econocom group, certain Directors have other offices, as set out below.

The Chairman of the Board of Directors has controlling interests in a number of companies outside Econocom group and serves as Legal Manager or Chairman within them. Jean-Louis Bouchard is Chairman of Econocom International BV and Château Fontainebleau du Var, and Legal Manager of SCI Orphée, SCI de Dion Bouton, SARL Écurie Jean Louis Bouchard, SCI JMB, SCI LBB, SNC Fontainebleau International and SCI 1 Montmorency.

In addition to serving on the Board of Econocom group and its subsidiaries, Bruno Grossi is Legal Manager of Vilnaranda II, non-executive Chairman of Vision d'Entreprise and Director of Araxxe.

Robert Bouchard is the permanent representative of GMPC, the legal entity that chairs APL France. He also serves as Chairman of Ecofinance SAS, Legal Manager of GMPC and Co-manager of SCI Maillot Pergolèse.

In addition to her corporate officer roles at Econocom Group and its subsidiaries, Véronique di Benedetto is Chairwoman of SAS Numeya. She is also an independent Director of Hexaôm, and serves on the Boards of a number of associations including Syntec Numérique (French professional federation of members of the digital industry) and *100 000 entrepreneurs*.

Gaspard Dürreleman does not serve on any other Boards outside those of Econocom group.

Rafi Kouyoumdjian is Chairman of RKO Management & Investment BV, and a Director of RKO Edith Grove Ltd.

Jean-Philippe Roesch is Legal Manager of La Criolla and Chairman of Orionisa Consulting and member of the Supervisory Board of Linkfluence SAS.

Walter Butler is Chairman and Chief Managing Director of Butler Industries,

Butler Capital Partners and WB Debt Partners, Legal Manager of SCI 30 Albert 1^{er}, Chairman of Amstar Entreprises and FBT Développement, Nexis Fiber Holding, Eden Innovations and Doc, Chairman of the Board of Directors of NXO Expansion, Chairman of the Supervisory Board of NXO France, member of the Supervisory Board of Groupe Partouche and Corum Asset Management, Director of Butler Industries Benelux, NXO Experts and NXO Sécurité, and Director of Butler Investment Managers Limited, Butler Management Limited, Almas Industries Ltd and Almas Industries UK. Walter Butler is also the permanent representative of Butler Capital Partners in his capacity as member of the Supervisory Boards of Access Industries and Colfilm, and as Director of Holding Sports et Evenements.

Adeline Challon-Kemoun is a Director of Bourbon Corporation.

Anne Lange is a Director of Orange, Pernod Ricard, FFP and Inditex.

Marie-Christine Levet is a Director of Iliad, Maisons du Monde, So-Local and AFP.

Jean Mounet is a Director of Sopra Banking Software. He is Chairman and Director of Horizontal Software and SAS Trigone. He is also a Director of ESCPE, Chairman and Director of the Fondation CPE Lyon Monde Nouveau and Chairman of the Statutory Committee of Syntec Numérique.

5.5.2. FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors meets as often as it deems necessary. It met six times in 2019.

The table below sets out the attendance of each Director at meetings of the Board and the various Committees in 2019:

	Board of Directors	Audit Committee	Compensation Committee
Jean-Louis Bouchard	6	-	-
Robert Bouchard	5	-	-
Bruno Grossi	6	-	-
Véronique di Benedetto	6	-	-
Gaspard Dürrleman	6	6	-
Rafi Kouyoumdjian	5	5	2
Jean-Philippe Roesch	6	-	-
Walter Butler	1	-	-
Philippe Capron	6	-	-
Adeline Challon-Kemoun	4	-	-
Anne Lange	6	-	3
Marie-Christine Levet	6	6	-
Jean Mounet	5	-	3
Total number of meetings	6	6	3

The Board of Directors is responsible for approving the Company's overall strategy proposed by the Chairman, authorising significant projects and ensuring that there are adequate resources to attain its objectives. It is entrusted with decision-making outside the scope of day-to-day management.

The Board of Directors entrusts the Company's operational management to the Executive Committee, within the limits of the powers stipulated in the Internal Rules of the Executive Committee. It also entrusts the day-to-day management to the Chief Executive Officers or, if applicable, the Managing Directors.

The Board appoints the members of the Executive Committee, the Audit and Compensation Committees and the Chief Executive Officer(s), and generally ensures

that a clear and effective management structure is implemented.

It also oversees the quality of the management duties performed and ensures that they are consistent with the Group's strategic objectives. To that end, it receives information every quarter including the budget and revisions thereto, a consolidated summary of the quarterly report and any other information it deems useful.

The Board may only validly debate and take decisions if at least half of its members are present or represented. Decisions are adopted on the basis of a majority of votes. In the event of a split decision, the person chairing the meeting has the deciding vote. In exceptional circumstances, when urgency and the best interests of the Company so dictate, decisions may be adopted pursuant to the unanimous consent of the Directors,

expressed in writing. However, this procedure may not apply in relation to the approval of separate financial statements financial statements and the issuance of authorised capital.

5.5.3. COMMITTEES CREATED BY THE BOARD OF DIRECTORS

Pursuant to the Bylaws, the Board of Directors is authorised to set up specific Committees and to determine their tasks and operating rules.

5.5.3.1. Executive Committee

The Board of Directors has set up an Executive Committee, whose creation was ratified by shareholders at the Extraordinary General Meeting of 18 May 2004.

Following the transformation of Econocom group into a European Company, the Board of Directors revised the Internal Rules of the Executive Committee on 19 May 2016 and 7 September 2016.

The Board entrusted the Executive Committee with Econocom's operational management, in accordance with article 15 section 18 of the new Belgian Companies Code and article 21 of the Bylaws.

The role of the Executive Committee is to recommend strategic guidelines for the Group, implement the strategy chosen by the Chairman and approved by the Board of Directors, approve the budgets accordingly, manage the Group's operational departments (within the scope of the powers of their governing bodies) and monitor their financial and operating performance.

The composition of the Executive Committee was modified several times during the year. The Board of Directors appointed a new Executive Committee on 28 January 2019. As at 31 December 2019, it was composed of the following members:

Jean-Louis Bouchard, Angel Benguigui and Bruno Grossi, Eric Bazile, Eric Lucas, Philippe Goullioud, Laurent Roudil, Laurent Caparros and Chantal de Vrieze effective 11 February 2019.

The Executive Committee meets at least ten times a year.

5.5.3.2. Compensation Committee

On 31 August 2011, the Board of Directors set up a Compensation Committee.

The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy. It is also charged with implementing plans for granting financial instruments (free shares, stock options, etc.). It drafts the compensation report, in accordance with article 3, section 6 of the Belgian Companies Code, which is subsequently appended to the corporate governance statement. One of its members will comment on the report at the Ordinary General Meeting.

The Board of Directors has also granted the Compensation Committee, in accordance with article 21 of the Bylaws, decision-making powers on behalf of the Board of Directors with respect to stock option plans or any other plans for granting financial instruments. In this respect, the Compensation Committee replaces the Stock Option Committee set up in February 2003. As from 23 January 2020 it became the Compensation and Nominations Committee.

The Committee has three members appointed by the Board of Directors for three-year terms that cannot exceed their term as Directors. As at 31 December 2019 it consisted of the following members: Jean Mounet, Rafi Kouyoumdjian and Anne Lange.

The Committee met three times in 2019.

5.5.3.3. Audit Committee

The Audit Committee was created by the Board of Directors on 18 May 2004.

As of 31 December 2019, two of its members are non-executive Directors and one is an independent Director. The Committee is chaired by Gaspard Dürrleman.

The term of office is three years, provided that it does not exceed the holder's term of office as Director.

The Audit Committee meets as often as required. It met six times in 2019, with all members in attendance (as stated in section 5.5.2 above), an executive Director, the Company Secretary, Éric Bazile, Group Financial Controller, and the head of Internal Audit. The members of the Audit Committee invite the Statutory Auditor and any other person deemed useful by the Committee as required by the agenda.

The Audit Committee is responsible for helping the Board of Directors perform its duty of controlling Econocom group's operations. In particular, it examines the quality and relevance of internal and external audit engagements, monitors internal control and risk management procedures, ensures that the accounting policies used are appropriate, and that the Group's financial data are complete and accurate.

Article 3:6 of the new Belgian Companies Code stipulates that companies must be able to demonstrate the independence and audit and accounting expertise of at least one of the members of the Audit Committee. Econocom complies with this requirement.

5.5.4. DAY-TO-DAY MANAGEMENT

The Board of Directors has entrusted the day-to-day management of the Econocom group to the Chief Executive Officers, in accordance with articles 15, section 18 and 7, section 121 of the new Belgian Companies Code.

All major decisions regarding the subsidiaries are made by the relevant body, with the assent of the Chief Executive Officer in charge of the issue or activity in question. The subsidiaries generally do not have any major decision-making powers other than those concerning day-to-day management. The powers of Group subsidiaries' managers and the limits to these powers are set out in an internal reference document.

The Executive Committee is in charge of operational management.

5.5.5. IMPLEMENTATION OF PROVISIONS GOVERNING CONFLICTS OF INTEREST

Article 7:96 of the new Belgian Companies Code provides for a specific procedure within the Board of Directors to address conflicts of interest involving one or more Directors when it makes decisions or concludes transactions.

At its meeting of 22 November 2012, the Board of Directors also adopted a procedure governing transactions or other contractual relationships between Econocom group and the Directors and members of the Executive Committee when such transactions or other contractual relationships are not covered by the provisions of article 7:96 of the new Belgian Companies Code.

Articles 7:96 and 7:97 of the new Belgian Company Code were not applied in 2019, nor was the Group's conflict of interest procedure.

5.5.6. IMPLEMENTATION OF THE DIVERSITY PROJECT

Econocom's commitments, objectives and actions in respect of diversity, as well as the results of this policy, are described in paragraph 1.1.4 of chapter 3, ("Corporate Social Responsibility"). They mainly concern gender equality and support for people from disadvantaged backgrounds and people with disabilities.

Since 23 November 2017, one-third of the members of Econocom group's Board of Directors have been women, pursuant to the conditions set out in article 7, section 86 of the Belgian Companies Code. At 31 December 2019, the Board had four women members: Véronique di Benedetto, Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet. Women also sit on each of the various Committees created by the Board of Directors, namely the Executive Committee (Chantal De Vrieze), the Audit Committee (Marie-Christine Levet) and the Compensation Committee (Anne Lange).

Econocom's policy in favour of people from disadvantaged backgrounds is deemed* not to be designed for the Group's senior staff. Despite having made particular efforts in this regard, Econocom has not yet hired a senior manager with a disability.

5.6. Composition of advisory bodies

Econocom group's Statutory Auditor is PricewaterhouseCoopers *Réviseurs d'Entreprises* SRL (Woluwe Garden, Woluwedal, 18 1932 Saint Stevens Woluwe [Belgium]). Its term was renewed at the May 2019 Annual General Meeting and expires at the May 2021 Annual General Meeting.

Econocom group's Statutory Auditor is represented by Alexis Van Bavel, company auditor.

5.7. 2019 Compensation report

This report was drafted in accordance with the provisions of articles 7:100 and 3:6 section 3 of the new Belgian Companies Code. Its purpose is to describe in detail the policy for compensating Directors (executive and non-executive), as well as members of the Executive Committee of Econocom group.

5.7.1. COMPENSATION POLICY FOR DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE

5.7.1.1. Procedure adopted to define compensation for Directors and members of the Executive Committee and set their individual compensation

On 31 August 2011, the Board of Directors set up a Compensation Committee. The Committee comprises three non-executive Directors, two of whom are independent as defined in article 7:87 section 1 of the new Belgian Companies Code. The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy. It is also charged with implementing plans for granting financial instruments (free shares, stock options, etc.).

More specifically, the Compensation Committee is in charge of:

1°) upon recommendations of the Chairman and Chief Executive Officer:

a) making proposals and recommendations to the Board of Directors with respect to the policy for compensating Directors and members of the Executive Committee and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval,

* Before amortisation of intangible assets from acquisitions.

b) making proposals and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Executive Committee, including the variable portion and long-term bonuses (long-term share incentives) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval,

c) making proposals and recommendations to the Board of Directors about setting and assessing performance targets linked to the individual compensation of Directors and Executive Committee members appointed by the Board of Directors;

2°) drafting the compensation report, in accordance with article 3:6 section 3 of the new Belgian Companies Code, which is subsequently added to the corporate governance statement;

3°) commenting on the compensation report during the Ordinary General Meeting;

4°) submitting recommendations to the Board of Directors with respect to the procedure and conditions concerning the Directors' and Chairman's Council members' contracts;

5°) generally carrying out all the tasks assigned by the Board of Directors with respect to compensation.

In accordance with article 21 of the Bylaws, the Board of Directors also grants the Compensation Committee the power to implement Board decisions with respect to stock option plans or any other existing or

future plans for granting financial instruments such as warrants or free shares, i.e., issuing stock options or other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Committee is accountable.

The Compensation Committee met thrice in 2019.

5.7.1.2. 2019 compensation policy

Board of Directors

The Bylaws provide for attendance fees for Directors.

The Extraordinary General Meeting of 18 December 2015 decided to increase the compensation of non-executive Directors from €3,000 to €5,000 per Board meeting from January 2016, subject to actual attendance at meetings.

Executive Directors do not receive any compensation in respect of their directorships for Econocom Group. Their compensation comes from contractual relationships or their terms of office with one or more Group companies; At its meeting of 24 November 2016, the Board of Directors clarified the status of executive Director, excluding from the concept Directors having an operational function within subsidiaries but not holding executive positions at Econocom group. People in this position are considered to be non-executive Directors. However, they do not receive attendance fees.

Directors not exercising any operational function do not receive any compensation other than the above-mentioned attendance fees.

A summary of the nature of the compensation paid to Directors is as follows:

	Terms of office at 31 Dec. 2019	Nature of compensation
Jean-Louis Bouchard	Chairman and Chief Executive Officer	No direct compensation for services provided by the holding company EIBV
Robert Bouchard	Vice-Chairman non-executive Director	Attendance fees
Bruno Grossi	Managing director	Compensation received as an employee
Jean-Philippe Roesch	Executive then non-executive Director	Consultancy provided to the company Orianisa Consulting and compensation received as an employee, plus attendance fees
Véronique di Benedetto	Non-executive Director	Compensation received as an employee
Gaspard Dürrleman	Non-executive Director	Attendance fees
Rafi Kouyoumdjian	Non-executive Director	Attendance fees
Walter Butler	Independent Director	Attendance fees
Philippe Capron	Independent Director	Attendance fees
Adeline Challon-Kemoun	Independent Director	Attendance fees
Anne Lange	Independent Director	Attendance fees
Marie-Christine Levet	Independent Director	Attendance fees
Jean Mounet	Independent Director	Attendance fees

Committees

At the Extraordinary General Meeting of 18 December 2015, the compensation of Chairs and members of the Audit and

Compensation Committees was increased from €2,000 to €3,000 per meeting from January 2016, subject to actual attendance.

Executive Directors, non-executive Directors with operational functions and members of the Executive Committee

The compensation of executive Directors and members of the Executive Committee appointed by the Board of Directors is set by the Chairman and Chief Executive Officer, based on advice from the Compensation Committee.

The compensation of executive Directors and members of the Executive Committee includes a significant variable portion, which accounts for between 20% and 50% of the total compensation. At the Extraordinary General Meeting of 28 September 2011, the Board of Directors was granted an exemption from article 7:91, paragraph 2 of the new Belgian Companies Code pertaining to the rules governing the distribution of the variable portion of compensation for 2011 and 2012. At the Annual General Meeting of 21 May 2013, this exemption was renewed indefinitely. The variable portion of compensation paid to executive Directors and Executive Committee members was set in 2019 based on annual performance criteria.

2019 variable compensation paid to executive Directors and members of the Executive Committee was subject to the achievement of objectives, both qualitative and quantitative. A significant proportion of compensation paid to members of the Executive Committee was subject to the achievement of a joint quantitative objectives relating to the Group's budget targets, and in particular recurring profit, revenue and the net debt of the Group and or areas of responsibility specific to each manager. The other qualitative and quantitative objectives are specific to each Executive Committee member and

executive Director, and depend on the scope of their duties and responsibilities.

As is the case with all Econocom group employees, the executive Directors and Executive Committee members who are employees of the Group, are assessed on a continuous basis throughout the year by their managers and at the annual appraisal, which is held in the first quarter of the following year.

The compensation of non-executive Directors with operational functions is set by the Chairman or a member of the Executive Committee.

The compensation policy for 2020 is consistent with the compensation policy for 2019. Compensation includes a variable component of at least 30% of total compensation. The variable compensation of executive Directors, non-executive Directors with operational functions and Executive Committee members is subject to the achievement of qualitative and quantitative objectives specific to each person, based on their duties and responsibilities. These objectives concern the (I) results (revenue and profit before tax) of the Group and of the activity for which they are responsible, (II) revenue targets or development targets in strategic market segments or offers for the Group, targets relating to productivity and compliance with financial ratios, including working capital requirements and net debt, and lastly, (III) qualitative objectives, based in particular on quality indicators.

The Board of Directors did not deem it necessary, given the reliability of the Group's financial information, to implement a system for retrieving variable compensation granted on the basis of incorrect financial information.

5.7.2. COMPENSATION PAID IN 2019

5.7.2.1. Non-executive Directors

This section sets out the individual compensation and benefits paid directly or indirectly to non-executive Directors by Econocom group or any of the Group's other companies in 2019.

Compensation paid in 2019, including payroll costs

<i>in €</i>	
Walter Butler	5 000
Philippe Capron	30 000
Adeline Challon-Kemoun	20 000
Gaspard Dürrleman	48 000
Rafi Kouyoumdjian	46 000
Anne Lange	39 000
Marie-Christine Levet	48 000
Jean Mounet	34 000
Jean-Philippe Roesch	5 000
Robert Bouchard	25 000
Total	300 000

5.7.2.2. Compensation paid to the Chairman of the Board of Directors

Jean-Louis Bouchard performs the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Executive Committee. He receives no compensation whatsoever for these duties, and does not benefit from any special pension or insurance, or any other benefits paid either directly or indirectly by either Econocom group or any companies in the scope of consolidation. Econocom International BV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom group and its

subsidiaries for managing and coordinating the Group. These fees amounted to €2.3 million in 2019, compared with €2.7 million in 2018.

Three-quarters of this amount is composed of employee benefits expenses and the remainder of chargebacks of costs incurred by EIBV on behalf of Econocom (management seminars, etc.).

5.7.2.3. Total compensation paid to the executive Directors of the Board of Directors, non-executive Directors with operational functions and members of the Executive Committee in 2019

This section sets out the overall compensation and benefits paid directly or indirectly to executive Directors of the Board, non-executive Directors with operational functions and members of the Executive Committee by Econocom group or any of the Group's other companies in 2019.

Total compensation paid in 2019, including payroll costs

<i>in €</i>	
Fixed portion ⁽¹⁾	3,700,251
Variable portion ⁽²⁾	1,461,061
Pensions and other compensation, including benefits in kind ⁽³⁾	2,495,095
Payroll costs ⁽⁴⁾	1,733,059
Attendance fees	
Total	9,389,466

⁽¹⁾ Of which €67 thousand in respect of 2018 and prior years and paid in 2019.

⁽²⁾ Of which €1,125 thousand in respect of 2018 and prior years and paid in 2019.

⁽³⁾ Of which €537 thousand in respect of 2018 and prior years and paid in 2019.

⁽⁴⁾ Of which €307 thousand for 2018 and prior years, and paid in 2019.

Total compensation for 2019, including payroll costs

in €

Fixed portion ⁽¹⁾	3,729,418
Variable portion ⁽²⁾	2,176,833
Pensions and other compensation, including benefits in kind ⁽³⁾⁽⁴⁾	889,374
Payroll costs ⁽⁵⁾	1,947,404
Attendance fees	
Total	8,743,029

(1) Of which €29 thousand in respect of 2019 and paid in 2020.

(2) Of which €1,840 thousand remaining to be paid in 2020. The non-finalised variable portions were recorded on the assumption that 100% of targets were met.

(3) Of which €889 thousand yet to be paid in 2020.

(4) Of which €313 thousand in respect of departure transactions.

(5) Of which €644 thousand yet to be paid in 2020.

This information refers to compensation including payroll costs paid to executive Directors and Executive Committee members in office in 2019, as well as compensation paid to non-executive Directors with operational functions, namely Véronique di Benedetto.

Eleven of the managers with operational functions were compensated under their employment contract as employees of Econocom group's companies. Five indirectly received compensation through a company controlled by Econocom group, as a corporate officer of an Econocom group company and/or as a service provider. This lump-sum compensation is included in the summary table above.

Lastly, the compensation paid to Jean-Louis Bouchard, Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Executive Committee, is set out in section 5.7.2.2.

Six of the executive Directors, Executive Committee members and non-executive Directors with operational functions have a company car.

5.7.2.4. Stock options and free shares granted

Some of the executive Directors, Executive Committee members and non-executive Directors with operational functions benefit from stock option and/or performance share plans.

Moreover, the Annual General Meeting of 17 May 2016 approved the terms of a free share plan involving 1,125,000 shares (or 2,250,000 shares after the share split). At its meeting of 19 May 2016, the Board of Directors awarded 220,000 (440,000 after share split) of those free shares to one executive Director and member of the Executive Committee, of which 70,000 (140,000 after share split) vested in 2017, 80,000 (160,000 after share split) in 2018, and 35,000 (70,000 after share split) in 2019; the remainder of those shares (35,000, or 70,000 after share split) was lost as a result of a failure to meet performance conditions. At its meeting of 26 February 2018, the Board of Directors awarded 15,000 of those free shares to one member of the Executive Committee; 15,000 shares vested in 2019.

At 31 December 2019, the executive Directors, Executive Committee members and non-executive Directors held 1,137,157 stock options entitling them to 2,274,314 Econocom group shares (after the share split) at a total subscription price of €6.6 million, as well as 750,000 Econocom group performance shares.

5.7.2.5. Termination benefits and other contractual obligations

The employment contracts of the executive Directors, Executive Committee members and non-executive Directors with operational functions in office at 31 December 2019 contain standard clauses, in particular as regards notice period. They contain no specific clause with respect to pension benefits. Three members of the Executive Committee receive a specific termination benefit (under certain conditions)

5.8. Appropriation of profit and dividend policy

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

This refund represents stability in the gross shareholder compensation per share over the last two years.

In addition, the Group will also continue its share buyback policy.

5.9. Relations with major shareholders

On 12 November 2019, Econocom group received notification of a threshold crossing from Econocom International BV, the SCI of Dion Bouton and Econocom group stating that they held 45.04% of the Company's capital. This crossing above of the 45% threshold results from successive buybacks of shares in the Company by Econocom group SE as part of its share buyback programme authorised by the General Shareholders' Meeting of 21 May 2019.

At 31 December 2019, the number of shares issued by Econocom group totalled 245,380,430, of which Jean-Louis Bouchard held 36.40% *via* Econocom International BV and SCI de Dion Bouton. Shares held in treasury by Econocom group do not carry voting rights, meaning that, at 31 December 2019, Jean-Louis Bouchard held 40.25% of the Company's voting rights, directly and indirectly (excluding treasury shares held under the liquidity agreement).

Relations with the majority shareholder, Econocom International BV, correspond to the provision of standard services on arm's-length terms. In addition, the Econocom group signed lease agreements in France with companies controlled by Jean-Louis Bouchard: SCI Maillot Pergolèse, SCI of Dion Bouton and SCI JMB. These leases were signed on arm's length terms.

5.10. Econocom group employee share ownership

The Group has set up several incentive plans for its personnel, employees, managers and executives. Three stock option plans set up in 2013, 2014 and 2017 are still in progress and have given rise to awards each year since 2013 and a free share allocation plan approved by the Annual General Meeting in May 2016 has given rise to awards in 2016 and 2018.

During the year, 85,000 free shares were transferred to the beneficiaries of this plan, resulting in the transfer of an equivalent number of treasury shares, and 120,000 options relating to the 2014 stock option plan were exercised by one beneficiary, resulting in the issuance of 240,000 free shares.

An updated summary of the Group's commitments in respect of these plans at 31 December 2019 is provided below:

Plan	Grant year	Number of options and free shares	Number of corresponding shares*	Expiry date	Exercise price (in € per option)	Exercise price (in € thousands)
Options	2013	250,000	500,000	Dec. 2020	5.96	1,490
	2014	1,599,620	3,199,240	Dec. 2021	5.52	8,830
2014 subscription options	2015	236,800	473,600	Dec. 2022	7.74	1,833
		120,000	240,000	Dec. 2022	7.61	913
	2016	40,000	80,000	Dec. 2023	9.57	383
		45,000	90,000	Dec. 2023	13.60	612
2017 subscription options	2017	90,000	90,000	Dec. 2023	6.04	544
Free shares	2018	197,500	197,500	March 2020	-	-
		197,500	197,500	March 2021	-	-
		197,500	197,500	March 2022	-	-
		197,500	197,500	March 2023	-	-
Total	-	-	5,462,840	-	-	14,605

* Each one of the options granted prior to the two-for-one share split (in June 2017) entitle the holder to two Econocom Group shares.

These plans cover Econocom group shares listed on the Euronext Brussels stock exchange. They are granted with a view to involving employees, managers and executives more closely in the Group's operations and business development.

The granting of some of the stock options and free shares, comprising between 50% and 100% of the stock options and shares allocated, is contingent on their beneficiaries achieving individual, collective, internal and/or external performance goals. The exercise price is set in accordance with current legislation.

The options may not be transferred and Econocom group does not hedge its exposure to decreases in the share price.

The options awarded in 2013 were and will be covered by existing shares.

The stock options granted in 2014, 2015 and 2016 are part of a stock option plan approved by the Board of Directors on 17 December 2014. If exercised, these options will result in the issuance of new shares.

The free share plan issued in 2016 was approved by the General Shareholders'

Meeting of 17 May 2016. The different awards made as part of this plan were approved by the Board of Directors meetings dated 19 May 2016, 26 February 2018 and 27 December 2018. The vesting of free shares by the beneficiary will result in delivery of existing shares.

The stock options granted in 2017 are part of a stock option plan approved by the Board of Directors on 22 June 2017. If exercised, these options will result in the issuance of new shares.

At 31 December 2019, unexercised free shares and options entitling their holders to a total of 5,462,840 Econocom group shares, including 4,172,840 shares yet to be issued and 1,290,000 existing shares. They represented 2.23% of the number of shares outstanding at the end of the year. Lastly, of the total number of shares corresponding to stock options and free shares granted and not yet exercised, 11.12% were subject to the achievement of quantitative and/or qualitative, and individual and/or collective performance conditions.

The exercise of all these options would result in an equity increase of €14.6 million.

5.11. Statutory auditor's fees

<i>in €</i>	31 Dec. 2019	31 Dec. 2018
Statutory Auditor's fees for auditing the consolidated financial statements	353,648	430,848
Statutory Auditor fees or fees for similar assignments performed in the Group by individuals related to the Statutory Auditor	841,490	874,400
Fees for non audit-related engagements or specific assessments carried out by the Statutory Auditor for Econocom group	-	-
Non-audit certification engagements	21,500	-
Tax advisory work	-	-
Other external audit-related assignments	73,000	-
Fees for one-off tasks or specific assessments carried out for Econocom group by persons related to the Statutory Auditor(s)	-	-
Non-audit certification engagements	33,150	0
Tax advisory work	198,991	252,401
Other external audit-related assignments	356,500	0

5.12. Treasury shares

See section 2.3.3 above.

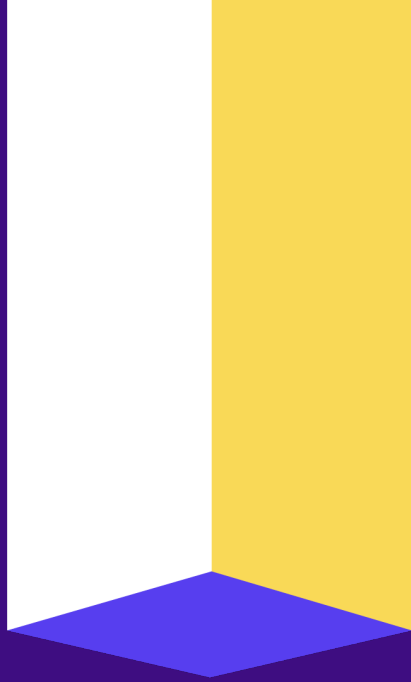
6. Subsequent events

As of 1st January 2020, Anne Lange, Rafi Kouyoumdjian and Jean Mounet stepped down as directors.

On 10 February 2020, Econocom Group was informed an agreement had been entered into under the terms of which Econocom International BV undertook to purchase the 5.4% equity interest (i.e. 13,278,091 shares) held in Econocom Group SE by two companies controlled by Walter Butler. The selling price agreed was €3 per Econocom Group SE share. The sale is subject to the usual condition precedent that Econocom International BV obtains a bank loan for the full purchase price.

On 28 February 2020, Econocom announced it had entered exclusive negotiations with the Chequers Capital investment company with a view to disposing of its subsidiary Econocom Business Continuity which is responsible for all maintenance activities in France. This planned disposal is part of its strategy to refocus its activities, announced and embarked upon in 2019. The disposal is subject to the approval of the competition authorities.

In order to face the COVID-19 pandemic and ensure the continuation of activity, the Group adopted relevant measures and is gradually adapting these over time. The consequences of this pandemic did not have a significant effect on Econocom Group's business in January and February 2020. Its rapid spread across Europe and in particular, Italy, Spain and France, since the beginning of March, has led Econocom to anticipate an ongoing uncertain impact on its first quarter revenue in 2020. Part of the projected decline may only translate into a deferral to the second quarter if the lock-down measures are not further renewed beyond the end of April. At this stage, it is still quite difficult to measure the impact on the full year of 2020. However, regarding the financial position for the year ended 31 December 2019, the Group believes that the consequences of the health crisis did not have a significant impact and do not call into question the assumptions and estimates used for this closing.



06

consolidated financial statements

1. Consolidated income statement and earnings per share	148	4. Consolidated statement of cash flows	154
2. Consolidated statement of financial position	150	5. Notes to the consolidated financial statements	156
3. Consolidated statement of changes in equity	152		

1. Consolidated income statement and earnings per share

For the years ended 31 December 2019 and 31 December 2018

<i>in € millions</i>	Notes	2019	2018 restated*
Revenue from continuing operations	4.1	2,926.6	2,999.9
Operating expenses		(2,802.5)	(2,892.3)
Cost of sales		(2,068.4)	(2,116.2)
Personnel costs	4.2	(521.3)	(545.8)
External expenses**	4.4	(158.1)	(187.0)
Depreciation, amortisation and provisions**	4.5	(47.4)	(27.6)
Net impairment losses on current and non-current assets	4.6	(7.3)	(14.6)
Taxes (other than income taxes)		(9.2)	(11.7)
Other operating income and expenses	4.7	4.5	8.2
Financial income – operating activities	4.8	4.7	2.5
Profit (loss) from continuing operations before amortisation of intangible assets from acquisitions		126.2	110.9
Profit (loss) from continuing operations		124.2	106.7
Other non recurring-operating income and expenses	5	(24.8)	(19.9)
Operating profit		99.4	86.8
Other financial income and expenses	6	(19.2)	(15.5)
Profit before tax		80.2	71.2
Income tax expense	7	(22.3)	(20.8)
Profit from continuing operations		57.9	50.4
Share of profit (loss) of associates and joint ventures		-	-
Profit (loss) from discontinued operations	2.2.5	(9.2)	(5.9)
Profit for the period		48.6	44.6
Non-controlling interests		3.9	5.2
Profit for the period attributable to owners of the parent		44.7	39.4
Recurring profit attributable to owners of the parent⁽¹⁾		72.1	62.4

<i>Earnings per share attributable to owners of the parent (in €)</i>	Notes	2019	2018 restated*
Basic earnings per share – continuing operations		0.24	0.19
Basic earnings per share – discontinued operations	2.2.5	(0.04)	(0.03)
Basic earnings per share	8	0.20	0.17
Diluted earnings per share – continuing operations		0.23	0.19
Diluted earnings per share – discontinued operations	2.2.5	(0.04)	(0.02)
Diluted earnings per share	8	0.19	0.17
Recurring net earnings per share⁽¹⁾	8	0.32	0.27

* In accordance with IFRS 5 (see 2.2.5), 2018 income and expenses of activities discontinued in 2019 are reclassified to the income statements of 2018 under "Profit (loss) of discontinued operations". However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases (see 1.1.1.1). In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries (cf. 1.2.2.).

** Changes in these two items came mainly from the introduction on 1 January 2019 of IFRS 16 on Leases (see 1.1.1.1).

⁽¹⁾ Recurring net profit attributable to owners of the parent has been the key performance indicator used by Econocom to assess its economic and financial performance. It 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 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

<i>in € millions</i>	2019	2018
Profit for the period	48.6	44.6
Items that will not be reclassified to profit or loss	0.4	1.4
Remeasurements of the net liabilities (assets) under defined benefit plans	0.8	1.9
Deferred income tax expense on the remeasurement of the liabilities (assets) for defined benefit plans	(0.3)	(0.5)
Items that may be reclassified to profit or loss	0.4	(0.8)
Change in value of cash flow hedges	(0.2)	(0.9)
Deferred taxes arising on change in value of cash flow hedges	-	0.3
Foreign currency translation adjustments	0.6	(0.2)
Other comprehensive income (expense)	0.8	0.6
Total comprehensive income for the period	49.4	45.2
Attributable to noncontrolling interests	3.9	5.1
Attributable to owners of the parent	45.5	40.1

2. Consolidated statement of financial position

Assets

<i>in € millions</i>	Notes	31 Dec. 2019	31 Dec. 2018*
Non-current assets			
Intangible assets	10.1	57.2	83.4
Goodwill	9	512.9	631.1
Property, plant and equipment	10.2	34.6	48.6
Rights of use assets	10.2	57.9	-
Long-term financial assets	10.3	32.9	27.7
Residual interest in leased assets	11.1	131.9	122.4
Other long-term receivables	10.4	13.6	15.2
Deferred tax assets	7.2	37.4	33.8
Total non-current assets		878.6	962.3
Current assets			
Inventories	12.1	60.1	52.1
Trade and other receivables**	12.2	1,093.7	1,268.6
Residual interest in leased assets	11.1	33.0	41.4
Current tax assets		18.1	10.2
Contract assets	12.2	30.6	31.3
Other current assets	12.2	27.8	34.9
Cash and cash equivalents	14.1	593.8	608.4
Assets held for sale	2.2.5	201.1	-
Total current assets		2,058.2	2,046.9
Total assets		2,936.8	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 1.1.1.1).

** of which self-funded outstanding rentals: €238.5 million at 31 December 2019 versus €246.2 million at 31 December 2018

Liabilities

<i>in € millions</i>	Notes	31 Dec. 2019	31 Dec. 2018*
Share capital		23.5	23.5
Additional paid-in capital and reserves		342.0	333.5
Profit for the period attributable to owners of the parent		44.7	39.4
Equity attributable to owners of the parent	15	410.2	396.4
Non-controlling interests	15.4	73.7	94.9
Total equity		483.9	491.3
Non-current liabilities			
Bonds**	14.2	390.0	431.1
Financial liabilities**	14.2	61.6	73.0
Gross liability for purchases of leased assets	11.2	81.1	73.0
Long-term lease liabilities		37.7	-
Provisions	16	3.3	2.1
Provisions for pensions and other post-employment benefit obligations	17	37.4	45.1
Other non-current liabilities	12.5	42.4	69.9
Deferred tax liabilities	7.2	10.2	6.6
Total non-current liabilities		663.6	700.8
Current liabilities			
Bonds**	14.2	51.5	6.4
Financial liabilities**	14.2	343.1	349.6
Gross liability for purchases of leased assets	11.2	20.4	25.1
Short-term lease liabilities		21.5	-
Provisions	16	32.6	41.6
Current tax liabilities		18.0	14.9
Trade and other payables	12.3	980.6	1,104.2
Contract liabilities	12.4	68.7	85.8
Other current liabilities	12.4	169.7	189.3
Liabilities held for sale	2.2.5	83.2	-
Total current liabilities		1,789.3	1,817.1
Total equity and liabilities		2,936.8	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 1.1.1.1).

** After deduction of the €593.8 million of cash and cash equivalents posted to assets as at 31 December 2019 (€608.4 million at 31 December 2018), net debt was €252.2 million at 31 December 2019 (€251.7 million at 31 December 2018); this net debt includes €238.5 million at 31 December 2019 (€246.2 million at 31 December 2018) for self-funded TMF contracts and the anticipated rents from this activity.

3. Consolidated statement of changes in equity

<i>in € millions</i>	Number of shares	Share capital	Additional paid-in capital	Treasury shares
Balance at 31 December 2017	245,140,430	23.5	253.0	(58.1)
Impact of IFRS 9 on impairment of receivables	-	-	-	-
Balance at 1 January 2018	245,140,430	23.5	253.0	(58.1)
Profit for the year	-	-	-	-
Other comprehensive income (expense), net of tax	-	-	-	-
Total comprehensive income for 2018	-	-	-	-
Share-based payments	-	-	-	-
Refund of issue premiums/Payments to shareholders	-	-	(29.4)	-
OCEANE equity component	-	-	16.7	-
Net treasury share transactions	-	-	-	(6.5)
Put and call options on non-controlling interests - Change in fair value	-	-	-	-
Put and call options on non-controlling interests - Initial recognition	-	-	-	-
Other transactions and transactions with an impact on non-controlling interests (see note 15)	-	-	-	-
Balance at 31 December 2018	245,140,430	23.5	240.3	(64.6)

<i>in € millions</i>	Number of shares	Share capital	Additional paid-in capital	Treasury shares
Balance at 31 December 2018	245,140,430	23.5	240.3	(64.6)
IFRS impact on leases	-	-	-	-
Balance at 1 January 2019	-	23.5	240.3	(64.6)
Profit for the year	-	-	-	-
Other comprehensive income (expense), net of tax	-	-	-	-
Total comprehensive income for 2019	-	-	-	-
Share-based payments	-	-	-	-
Refund of issue premiums/Payments to shareholders	-	-	(27.4)	-
Capital increase	240,000	-	0.7	-
Net treasury share transactions	-	-	-	(26.3)
Put and call options on non-controlling interests - Change in fair value	-	-	-	-
Put and call options on non-controlling interests - Initial recognition	-	-	-	-
Other transactions and transactions with an impact on non-controlling interests (see note 15)	-	-	-	-
Balance at 31 December 2019	245,380,430	23.5	213.6	(90.9)

Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total equity
171.0	(8.6)	380.8	102.4	483.2
(3.2)	-	(3.2)	-	(3.2)
167.8	(8.6)	377.6	102.4	480.0
39.4	-	39.4	5.2	44.6
-	0.6	0.6	-	0.6
39.4	0.6	40.0	5.2	45.2
1.1	-	1.1	-	1.1
1.1	-	(28.3)	-	(28.3)
-	-	16.7	-	16.7
(5.9)	-	(12.4)	-	(12.4)
(10.3)	-	(10.3)	-	(10.3)
(10.3)	-	(10.3)	10.3	-
22.3	-	22.3	(23.0)	(0.7)
205.2	(8.0)	396.4	94.9	491.3

Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total equity
205.2	(8.0)	396.4	94.9	491.3
(3.0)	-	(3.0)	-	(3.0)
202.2	(8.0)	393.4	94.9	488.3
44.7	-	44.7	3.9	48.6
-	0.8	0.8	-	0.8
44.7	0.8	45.5	3.9	49.4
-	0.7	0.7	-	0.7
-	-	(27.4)	-	(27.4)
-	-	0.7	-	0.7
-	-	(26.3)	-	(26.3)
3.2	-	3.2	-	3.2
-	-	-	-	-
20.5	-	20.5	(25.2)	(4.7)
270.6	(6.5)	410.3	73.6	483.9

4. Consolidated statement of cash flows

<i>in € millions</i>	Notes	2019	2018 restated*
Profit from continuing operations		57.9	52.2
Elimination of share of profit (loss) of associates and joint ventures	18.1.1	-	-
Provisions, depreciation, amortisation and impairment**	18.1.1	70.1	36.9
Elimination of the impact of residual interest in leased assets	18.1.1	3.2	(17.8)
Other non-cash expenses (income)	18.1.1	24.0	0.3
Cash flows from operating activities after cost of net debt and income tax		107.1	71.6
Income tax expense	7	17.8	21.2
Cost of net debt	18.1.2	15.2	12.9
Cash flows from operating activities before net borrowing cost and income tax (a)		140.1	105.7
Change in working capital (b), o/w:	18.1.3	15.3	41.2
Investments in self-funded TMF contracts		7.7	(39.0)
Other changes in working capital requirement		7.6	80.2
Tax paid before tax credits (c)		(29.6)	(27.0)
Net cash from (used in) operating activities (a + b + c = d)	18.1	125.8	119.9
Acquisition of property, plant and equipment and intangible assets		(23.0)	(43.1)
Disposal of property, plant and equipment and intangible assets		1.9	11.8
Acquisition of long-term financial assets		(6.0)	(5.0)
Disposal of long-term financial assets		0.7	1.9
Acquisition/disposal of companies and businesses, net of cash acquired/disposed		(0.7)	(13.1)
Net cash from (used in) investing activities (e)	18.2	(27.1)	(47.5)

* In accordance with IFRS 5, the restatement of the 2018 figures reflects the reclassification of operations considered discontinued in 2019 to Net change in cash and cash equivalents from discontinued operations. However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for their impact on leases (see 1.1.1.1).

** Includes €25.3 million in 2019 for the share of rental payments that is considered an amortisation of rights of use, in accordance with IFRS 16.

<i>in € millions</i>	Notes	2019	2018 restated*
Issue of convertible bonds (OCEANE)		-	183.3
Equity component (OCEANE)		-	16.7
Exercise of stock options		-	3.7
Capital increase		0.7	-
Purchases of treasury shares (net of sales)		(26.0)	(15.6)
Payments to shareholders during the period		(27.5)	(28.4)
Changes in refinancing liabilities on lease contracts and liabilities on self-funded contracts		(6.9)	(11.6)
Increase in financial liabilities		1.8	51.9
Decrease in financial liabilities		(40.9)	39.5
Net change in commercial paper		23.6	152.9
Main components of payments coming from leases		26.9	-
Interest paid		16.0	(14.5)
Net cash from (used in) financing activities (f)	18.3	(118.0)	298.9
Impact of exchange rates on cash and cash equivalents (g)		0.6	0.6
Net change in cash and cash equivalents from discontinued operations (h)	2.2.5	(10.5)	-
Change in net cash and cash equivalents (d + e + f + g + h)		(29.3)	372.0
Net cash and cash equivalents at beginning of period⁽¹⁾	14.1/18	604.8	232.9
Change in cash and cash equivalents		(29.3)	372.0
Net cash and cash equivalents at end of period⁽¹⁾	14.1/18	575.6	604.8

⁽¹⁾ Net of bank overdrafts: €18.2 million at 31 December 2019 and €3.6 million at 31 December 2018.

* In accordance with IFRS 5, the restatement of the 2018 figures reflects the reclassification of operations considered discontinued in 2019 to "Net change in cash and cash equivalents from discontinued operations". However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases (see 1.1.1.1).

Key movements in the consolidated statement of cash flows are explained in note 18.

5. Notes to the consolidated financial statements

1.	Basis of preparation	157
2.	Basis and scope of consolidation	164
3.	Segment reporting	173
4.	Profit (loss) from continuing operations	176
5.	Other non-recurring operating income and expenses	184
6.	Net financial expense	185
7.	Income tax	186
8.	Basic earnings per share	189
9.	Goodwill and impairment testing	191
10.	Intangible assets, property, plant and equipment and long-term financial assets	195
11.	Residual interest in leased assets and gross liability commitments for purchases of leased assets	205
12.	Operating assets and liabilities	207
13.	Financial instruments	211
14.	Cash, gross debt and net debt	216
15.	Equity	222
16.	Provisions	230
17.	Provisions for pensions and other post-employment benefit obligations	232
18.	Notes to the consolidated statement of cash flows	237
19.	Risk management	241
20.	Off-balance sheet commitments	246
21.	Information on the transfer of financial assets	247
22.	Related-party information	250
23.	Subsequent events	253
24.	Assessments made by Management and sources of uncertainty	254

1. Basis of preparation

The consolidated financial statements of Econocom group ("the Group") for the year ended 31 December 2019 include:

- the Financial statements of Econocom group SE;
- the Financial statements of its subsidiaries;
- the share of the net assets and profit (loss) of equity-accounted companies (joint ventures and associates).

Econocom is an independent group that designs, finances and oversees companies' digital transformation.

Econocom group SE, the Group's parent company, is a European company (societas Europaea) with its registered office at Place du Champ de Mars, 5, 1050 Brussels.

The Company is registered with the Brussels companies registry under number 0422 646 816 and is listed on Euronext Brussels.

The Board of Directors Meeting of 9 March 2020 adopted and authorised the publication of the Consolidated financial statements for the year ended 31 December 2019. These financial statements will only be deemed final once they have been approved by the shareholders at the Annual General Meeting on 19 May 2020.

1.1. Accounting policies

As required by European Commission Regulation No.1606/2002 dated 19 July 2002, Econocom's consolidated financial statements for the 2019 fiscal year have been prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union.

The accounting principles applied at 31 December 2019 are the same as those used for the year ended 31 December 2018, except for the new standards and interpretations applicable as of 1 January 2019 (see 1.1.1.), and the changes in presentation and methods (see 1.2.2.).

These financial statements do not take into account any draft standards or interpretations which, at the end of the reporting date, were being developed as exposure drafts by the IASB (International Accounting Standards Board) or IFRIC (International Financial Reporting Interpretations Committee).

All the standards adopted by the European Union are available on the European Commission website at the following address:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr#overview

1.1.1. STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION AND APPLICABLE AT 1 JANUARY 2019

The standards, amendments to standards and interpretations, published by the IASB and presented below are mandatory since 1 January 2019.

The following standard had an impact on the Group's financial statements:

- IFRS 16 – Leases.

The following standards did not have a material impact on the Group's financial statements:

- Interpretation of IFRIC 23 – Uncertainty over Income Tax Treatments;
- 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;
- Amendments to IAS 1 and IAS 8 – Modification of the definition of the term “material”;
- Annual Improvements to IFRS 2015-2017:
 - ▶ IFRS 3 and IFRS 11 – Recognition by Stage of a Business Previously Classified as a Joint Venture;
 - ▶ IAS 12 – Tax Consequences of Dividends;
 - ▶ IAS 23 – Borrowing Costs.

1.1.1.1. 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 its TMF business; and
- lessee (premises and vehicles).

Econocom functioning as a lessor

Virtually all of Econocom's lease transactions involving the Group as lessor relate to finance leases, and Econocom acts as dealer lessor. In such cases, there are no changes 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 premises 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.

The accounting exemptions set out in the standard for the short-term contracts (term below or equal to 12 months)– and leases on low value assets, have been applied.

As with IAS 17, the lease durations are analysed for each lease. The term takes account of the reasonably certain renewal and cancellation options.

The discount rate applied on the date of transition is based on the Group's incremental borrowing rate.

Following the application of IFRS 16, the Group has recorded deferred taxes for the net amount of deductible and taxable temporary differences.

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

The Econocom group applies IFRS 16 according to the simplified retrospective approach, which means the impacts are recorded in the opening statement of financial position at 1 January 2019. Consequently, the 2018 financial statements have not been restated.

Impacts on the consolidated income statement

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

At 31 December 2019, the application of the standard impacted the income statement for:

- -€25.3 million under "Depreciation, amortisation and provisions";
- +€26.9 million under "External expenses"; and
- -€1.6 million under "Other financial income and expenses".

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 31 December 2019, the application of this standard impacted the consolidated financial position as follows:

- €57.9 million under "Rights of use assets" (compared with €67.1 million at 1 January 2019);
- €37.7 million under "Long-term lease liabilities" (compared with €54.0 million at 1 January 2019); and
- €21.5 million under "Short-term lease liabilities" (compared with €17.0 million at 1 January 2019).

Impacts on the statement of cash flows

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

At 31 December 2019, the application of this standard impacted the statement of cash flows as follows:

- +€25.3 million under "Cash flows from operating activities after cost of net debt and income tax";
- +€1.6 million under "Cost of net debt" and
- -€26.9 million under cash flows from (used in) financing activities.

Reconciliation table with lease commitments (IAS 17)

in € millions

Operating lease liabilities at 31 December 2018	88.7
Leases dated after 1 January 2019	(4.6)
Rents of optional periods	(2.2)
Payments for non-lease components	(1.8)
Impact of discounting	(4.3)
Finance lease liabilities	+1.3
Calculation of variable rents	(1.7)
Other	(4.4)
Lease liabilities at 1 January 2019	71.0

Operating lease expense for 2018

In 2018, operating lease expenses totalled €33.6 million for the group overall (including rental charges of €23.8 million) and €9.8 million for the leases of vehicles and other equipment.

1.1.1.3 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 2019, revenue was reduced by €25.6 million while profit (loss) from continuing operations was not affected. The application of IFRS 16 to leases granted by Econocom in the 2018 financial year would have reduced revenue by €71.9 million and profit (loss) from continuing operations by €2.1 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.

1.1.1.4 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.

The Group has not identified any significant impact.

1.1.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION

Pending their definitive adoption by the European Union, the Group has not anticipated the application of the following standards and interpretations:

- Amendments to IAS 1 and IAS 8 Modification of the definition of the term “material”, the application of which is mandatory from 1 January 2020;

- IFRS 17 Insurance contracts, the application of which is mandatory from 1 January 2021.

The Group is currently in the process of assessing any impacts of the first application of these texts.

1.2. Basis for preparation and presentation of the consolidated financial statements

All amounts in the Consolidated financial statements are presented in € millions. The fact that figures have been rounded off to the nearest decimal point may, in certain cases, result in minor discrepancies in the totals and sub-totals in the tables and/or in the calculation of percentage changes.

1.2.1. BASIS FOR REPORTING

These accounting policies set out below have been consistently applied to all the years presented in the financial statements.

The financial statements were prepared on a historical cost basis, with the exception of:

- certain financial assets and liabilities which are measured at fair value;
- non-current assets held for sale, which are recognised and measured at the lower of net carrying amount and fair value less costs to sell as soon as their sale is deemed highly probable. They are no longer amortised once they are classified as assets (or a group of assets) held for sale.

1.2.2. CHANGES IN PRESENTATION AND ACCOUNTING POLICIES

Outside the standards, amendments, interpretations adopted by the European Union and applicable on 1 January 2019, the Group has decided to change its application of IFRS 15 for its direct shipments.

When it comes to the treatment of direct deliveries, management needs to use its judgement and decide between the “agent” and “principal” basis.

By direct deliveries, we understand the sale of materials stored in the warehouses of Econocom’s suppliers and shipped directly to the end customer.

These flows were recognised on the agent basis for the 2018 financial year and comparative years.

The Econocom group:

- contractually sets the prices paid by the end client;
- has the capacity to choose, up until the last moment, whether to go ahead with a direct delivery;
- is responsible to the end client for acceptance of equipment;
- is responsible for the management of equipment returns if necessary;

it has been decided to account for direct deliveries of equipment on the principal basis.

As set out in IAS 8, this change of accounting method can be applied because it makes it possible to provide more reliable and relevant information on the effects of transactions or events in the financial statements, the financial position and performance or the cash flows of the entity. Insofar as its main competitors already account for these transactions on the principal basis, this change of

accounting method makes it easier to compare Econocom’s figures with those of its direct competitors in the distribution business.

In accordance with IAS 8, this change in accounting method is retrospective for the whole of the 2019 financial year, and for comparative years.

The impact of this change in accounting method for the whole of the 2018 financial year was +€373.6 million on items “Revenue from continuing operations” and “Costs of sales”. It relates exclusively to the DSS activity.

1.2.3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Econocom group’s consolidated financial statements requires the use of estimates and assumptions by Management which may affect the carrying amount of certain items in assets and liabilities, income and expenses, and the information disclosed in the notes to the consolidated financial statements. These concern: (i) the definition of dealer lessor in the sale & leaseback contracts, the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, goodwill and contingent consideration, provisions for risks and other provisions associated with the business, and (ii) the assumptions used for calculating obligations relating to employee benefits, share-based payments, deferred taxes and financial instruments. The Group uses discount rate assumptions (based on market data) to estimate assets and liabilities.

Group Management regularly reviews its estimates and assumptions in order to ensure that they accurately reflect both past experience and the current economic situation.

Depending on how these assumptions change, the items in future financial statements may differ materially from the current estimates. The impact of changes in accounting estimates is recognised in the period in which the change occurred and all future affected periods.

The main assumptions used by the Group are set out in the relevant sections in the notes to the financial statements and in particular in the following notes:

- note 2 – Basis and scope of consolidation;
- note 4.1.1 – Revenue recognition: accounting principles;
- note 4.3 – Government grants;
- note 7 – Income tax;

- note 9.3 – Impairment tests and impairment of goodwill;
- note 11 – Residual interest in leased assets and gross liability for purchases of leased assets;
- note 13 – Financial Instruments;
- note 15.3.1 – Share-based payments;
- note 16 – Provisions;
- note 17 – Provisions for pensions and other post-employment benefit obligations.

The main accounting policies that require the use of estimates are described in note 24 – Assessments made by Management and sources of uncertainty.

2. Basis and scope of consolidation

2.1. Accounting principles related to the scope of consolidation

2.1.1. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of Econocom group SE and all the subsidiaries it controls.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following:

- power over the investee, *i.e.*, the ability to direct the activities that significantly affect the investee's returns;
- exposure to the investee's variable returns, which may be positive, in the form of a dividend or any other economic or negative benefit; and
- the investor's returns can be only positive (*e.g.*, dividends or any other economic benefits), only negative or both positive and negative.

The ability to use its power over the investee to affect the amount of the investor's returns. The assets, liabilities, income and expenses of subsidiaries are fully consolidated in the consolidated financial statements and the share of equity and profit attributable to non-controlling interests is presented separately under non-controlling interests in the consolidated statement of financial position and income statement.

All intragroup assets, liabilities, equity, income, expenses and cash flows arising from transactions between entities within the Group are fully eliminated on consolidation.

Investments in associates and joint ventures are consolidated using the equity method. Under this method the investment is initially recognised at cost and adjusted to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. If the Group's share in an associate's losses is greater than its investment in that associate, the Group ceases to recognise its share in future losses. Additional losses are only recognised if the Group is under a legal or constructive obligation to do so or if it has made payments on behalf of the associate.

2.1.2. BUSINESS COMBINATIONS (AND GOODWILL)

Acquisitions of businesses are accounted for using the acquisition method, in accordance with IFRS 3. The cost of a business combination (or "consideration transferred") is calculated as the aggregate of the acquisition-date fair values of:

- the assets transferred by the Group;
- the liabilities acquired by the Group from the former owners of the acquiree; and
- the equity interests issued by the Group in exchange for control of the acquiree.

The Group may choose whether to measure non-controlling interests at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related expenses are expensed as incurred.

Measuring business combinations (or goodwill)

The difference between the consideration transferred and the acquirer's share in the fair value of the identifiable assets and liabilities and contingent liabilities at the acquisition date is recognised in goodwill on a separate line in the financial statements. These items may be adjusted within 12 months of the acquisition date (measurement period). Any contingent consideration due is recognised at its acquisition-date fair value and included in the cost of the combination. Subsequent changes in the fair value of contingent consideration are taken to profit or loss.

Acquisitions carried out on favourable terms

If, after remeasurement, the net of the acquisition-date amounts of the identifiable assets acquired and the financial liabilities assumed in a business combination exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Measuring non-controlling (minority) interests

Non-controlling interests entitle the holders to a proportionate share of the entity's net assets in the event of liquidation. Consequently, for each business combination, non-controlling interests can be initially measured:

- at fair value, resulting in the recognition of additional goodwill (the "full goodwill" method); or
- at the non-controlling interest's proportionate share in the recognised amounts of the acquiree's net identifiable assets (the "partial goodwill" method).

Changes in ownership interest

The recognition of subsequent changes in ownership interest (through acquisitions of additional interests or disposals) depends on the definition of the impact on the control of the entity in question.

If control is not affected by the change in ownership interest, the transaction is regarded as between shareholders. The difference between the purchase (or sale) value and the carrying amount of the interest acquired (or sold) is recognised in equity.

If control is affected (as is the case, for example, for business combinations achieved in stages), the interest held by the Group in the acquiree before the business combination is remeasured at fair value through profit or loss.

Impairment of goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, determined in accordance with the method described in note 9.3.

Goodwill impairment losses are recorded under “Non-recurring operating income and expenses” within operating profit in the consolidated income statement.

2.1.3. TRANSLATION OF FOREIGN CURRENCIES

2.1.3.1. Functional currency and presentation currency

The items in the financial statements of each Group entity are measured using the currency of the primary economic environment (or “functional currency”) in which the entity operates.

The consolidated financial statements presented in this report were prepared in euros, which is the Group’s presentation currency.

2.1.3.2. Recognition of foreign currency transactions

For the purpose of preparing the financial statements of each entity, foreign currency transactions of subsidiaries (i.e., currencies other than the entity’s functional currency) are recorded using the exchange rates prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the end of each reporting period at the year-end rate. Foreign exchange gains and losses resulting from this translation at year-end exchange rates, or arising on the settlement of these monetary items, are recognised in the income statement for the period in which they occur.

Non-monetary items denominated in foreign currencies and recognised at fair value are translated using the exchange rate prevailing at the date the fair value was determined. Non-monetary items denominated in foreign currencies and measured at historical cost are not remeasured.

When a gain or loss on a non-monetary item is recognised directly in equity, the “currency” component of this gain or loss is also recognised in equity. Otherwise, this component is recognised in profit or loss for the period.

2.1.3.3. Translation of the financial statements of foreign entities

The results and financial positions of the Group’s entities with functional currencies other than the presentation currency are translated into euros as follows:

- statement of financial position items other than equity are translated at the year-end exchange rate;
- income statement and statement of cash flow items are translated at the average exchange rate for the year;
- all resulting exchange differences are recognised under “Foreign currency translation adjustments” within other comprehensive income.

2.1.4. LIABILITIES UNDER PUT AND CALL OPTIONS ON NON-CONTROLLING INTERESTS

The Group may grant put options to non-controlling shareholders of some of its subsidiaries. The exercise price of these options is generally measured based on future performance and profitability.

The Group initially recognises a liability in respect of put options granted to non-controlling shareholders of the entities concerned. The difference between the Group's liability under put options and the carrying amount of the non-controlling interests is recognised as a deduction from equity attributable to owners of the parent. Put options are remeasured each year; any subsequent changes in the option relating to changes in estimates or to the unwinding of the discount on the option are also recognised in equity. Changes in the liability under put options on non-controlling interests are accounted for in line with the treatment applied upon the acquisition of noncontrolling interests.

2.1.5. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations requires a specific accounting treatment and presentation of assets held for sale and discontinued operations (corresponding to operations that have been disposed of or classified as held for sale).

A non-current asset or group of directly related assets and liabilities, is classified as “held for sale” if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or asset group) must be available for immediate sale in its present condition and its sale must be highly probable. Management must be committed to the sale and the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

These assets (or disposal group) are measured at the lower of their carrying amount and estimated sale price less costs to sell. These assets cease to be amortised

from the moment they qualify as “assets (or group of assets) held for sale”. They are presented on a separate line on the Group statement of financial position, without restatement of previous periods.

An operation discontinued, sold, or held for sale is defined as a component of an entity with cash flows that can be clearly distinguished from the rest of the entity and which represents a major, separate line of business or area of operations. For all published periods, income and expense relating to discontinued operations are presented separately in the income statement under “Profit (loss) from discontinued operations” and are restated in the statement of cash flows.

Profit from discontinued operations

A discontinued operation is a component which the Group has either disposed of or has classified as held for sale, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit from discontinued operations includes:

- the post-tax profit or loss of discontinued operations generated up until the disposal date, or until the end of the reporting period if the business was not disposed of by the year-end;
- the post-tax gain or loss recognised on the disposal of continued operations that have been disposed of by the year-end.

2.2. Changes in the scope of consolidation

Econocom group's scope of consolidation is presented in note 2.3, "Main consolidated companies".

2.2.1. ACQUISITIONS DURING THE YEAR

There were no significant acquisitions in 2019 financial year.

2.2.3. CHANGES IN OWNERSHIP INTEREST

Infeeny and its subsidiary

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 and its subsidiaries (Rayonnance)

The Group acquired an additional 8.92% of shares, thus raising its interest to 93.92%, before selling all of its shares (see 2.2.7.)

Gigigo and its subsidiaries

The Group signed an agreement with the non-controlling shareholders regarding the acquisition of the remaining shares. This raised its interest to 100%.

Synertrade and its subsidiaries

The Group, via its subsidiary Digital Dimension, acquired the remaining minority stake (10%) in July, thus increasing its stake to 100%.

Altabox

The Group acquired an additional 15.01% following the exercise of a put option, increasing the stake from 60.02% to 75.03%.

Alterway and its subsidiaries

The Group acquired an additional 3.01% stake following the exercise of a put option, increasing the stake from 61.34% to 64.45%.

JTRS

Econocom Group increased its stake in the company through the acquisition of shares from a minority shareholder (5%). JTRS remains consolidated under the equity method.

There was no other significant company creation.

2.2.4. CREATION OF COMPANIES

In 2019, the Group created a company, "Econocom Ré", in order to improve the management (in coordination with insurance companies) of the hedging of credit risks in its TMF business. It is fully consolidated, and 100% owned by the parent company, Econocom group.

No other material companies were created in 2018.

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

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.

In the second half of 2019, the Board of Directors completed this list with some nonstrategic activities and entities intended to be discontinued

Impacts 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". In accordance with IFRS 5, comparative figures are restated. The application of IFRS 5 impacts the 2019 and 2018 consolidated income statements as follows:

<i>in € millions</i>	2019	2018
Revenue from continuing operations	(161.2)	(220.5)
Operating expenses*	163.3	216.8
Profit (loss) from continuing operations	2.1	(3.7)
Other non-recurring operating income and expenses	6.1	8.7
Operating profit	8.2	5.0
Other financial income and expenses	3.5	0.4
Profit before tax	11.7	5.4
Income tax expense	(2.4)	0.4
Profit (loss) from discontinued operations	(9.2)	(5.9)

* In accordance with IFRS 5, property, plant and equipment was not amortised in 2019, amortisations which would have represented €7.2 million (in 2018 amortisations represented €6.6 million).

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 application of IFRS 5 impacts the 2019 and 2018 consolidated cash flow tables as follows:

<i>in € millions</i>	2019	2018
Net cash from (used in) operating activities	(10.3)	(5.3)
Net cash from (used in) investing activities	-	+7.6
Net cash from (used in) financing operations	-	(2.0)
Impact of change in exchange rate	(0.2)	(0.2)
Net cash from (used in) discontinued operations	(10.5)	-

Assets and liabilities held for sale

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

At 31 December 2019, the application of IFRS 5 impacted the consolidated statement of financial position as follows:

<i>in € millions</i>	31 Dec. 2019
Non-current assets	124.6
Current assets	73.1
Cash and cash equivalents	3.4
Assets held for sale	201.1
Non-current liabilities	9.0
Current liabilities	74.3
Liabilities held for sale	83.3

2.2.6. ADJUSTMENTS TO ACQUISITIONS MADE IN THE PREVIOUS FINANCIAL YEAR

No material adjustments were made to acquisitions made in the previous financial year.

2.2.7. DISPOSALS FOR THE FINANCIAL YEAR

Jade (Northern Technology Investments Limited)

In July 2019, the Group sold its shares in Jade to associate shareholders, producing a capital gain, that impacted the "Profit (loss) from discontinued operations" line on the income statement.

Mobis and its subsidiaries (Rayonnance)

In December 2019, the Group sold a non-controlling interest in this satellite. The operation generated a capital gain for the Group, that impacted the "Other income and nonrecurring operating income" line of the income statement.

2.2.8. SPLIT OF "ECONOCOM OSIATIS FRANCE"

As part of the continuation of the restructuring of its IT service businesses in France, with a view to specialising its entities by business lines, "Econocom Osiatis France" was split, with its assets transferred to "Econocom Business Continuity" and "Econocom Infogérance Systèmes"

2.3. Main consolidated companies

The Group's main fully consolidated subsidiaries were as follows:

Country	Company	2019		2018	
		% interest	% control	% interest	% control
Holding companies					
Belgium	Econocom Finance SNC	100.00%	100.00%	100.00%	100.00%
France	Econocom SAS	100.00%	100.00%	100.00%	100.00%
Technology Management & Financing					
Germany	Econocom Deutschland GmbH	100.00%	100.00%	100.00%	100.00%
Belgium	Atlance SA/NV	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Lease SA/NV	100.00%	100.00%	100.00%	100.00%
Spain	Econocom SA (Spain) ⁽¹⁾	100.00%	100.00%	100.00%	100.00%
USA	Econocom Corporation	100.00%	100.00%	100.00%	100.00%
France	Atlance SAS	100.00%	100.00%	100.00%	100.00%
France	Cineolia SAS	60.00%	60.00%	60.00%	60.00%
France	Econocom France SAS	100.00%	100.00%	100.00%	100.00%
Ireland	Econocom Digital Finance Limited	100.00%	100.00%	100.00%	100.00%
Italy	Econocom International Italia SpA ⁽¹⁾	100.00%	100.00%	100.00%	100.00%
Netherlands	Econocom Nederland BV	100.00%	100.00%	100.00%	100.00%
Netherlands	Econocom Public BV	100.00%	100.00%	100.00%	100.00%
Poland	Econocom Polska SP z.o.o	100.00%	100.00%	100.00%	100.00%
United Kingdom	Econocom Ltd	100.00%	100.00%	100.00%	100.00%

Country	Company	2019		2018	
		% interest	% control	% interest	% control
Digital Services & Solutions					
Germany	Energy Net	80.00%	80.00%	80.00%	80.00%
Austria	Econocom Austria GmbH (formerly Osiatis Compute Services)	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Managed Services SA/NV	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Products & Solutions Belux SA/NV	100.00%	100.00%	100.00%	100.00%
Brazil	Econocom Brazil group	100.00%	100.00%	100.00%	100.00%
Spain	Com 2002 SL Nexica	100.00%	100.00%	100.00%	100.00%
Spain	Econocom Servicios (formerly Econocom Osiatis SA)	96.51%	96.51%	96.51%	96.51%
Spain	Altabox ⁽²⁾	75.03%	75.03%	60.02%	60.02%
Spain	Caverin	100,00%	100,00%	100.00%	100.00%
Spain, Brazil, Mexico	Gigigo group ⁽²⁾	100,00%	100,00%	69.99%	69.99%
France/US/Canada	Groupe Aciernet	90.00%	100.00%	90.00%	100.00%
France	Alterway group ⁽²⁾	64.45%	64.45%	61.34%	61.34%
France	Aragon eRH	100.00%	100.00%	100.00%	100.00%
France	ASP Serveur SAS	100.00%	100.00%	100.00%	100.00%
France	Digital Dimension SAS	100.00%	100.00%	100.00%	100.00%
France	Econocom Digital Security SAS	65.50%	65.50%	65.50%	65.50%
France	Econocom Products & Solutions SAS	100.00%	100.00%	100.00%	100.00%
France	ESR SAS	100.00%	100.00%	100.00%	100.00%
France	Exaprobe SAS	90.00%	90.00%	90.00%	90.00%
France	Helis SAS	63.02%	63.02%	63.02%	63.02%
France	Infeeny group ⁽²⁾	95.68%	95.68%	86.02%	86.02%
France	Mobis SAS group (Rayonnance) ⁽²⁾	-	-	85.00%	85.00%
France	Econocom-Osiatis France SAS	-	-	100.00%	100.00%
France	Econocom Business Continuity	100.00%	100.00%	100.00%	100.00%
France	Econocom Infogérance Systèmes	100.00%	100.00%	100.00%	100.00%
France	Econocom-Osiatis Ingénierie SAS	100.00%	100.00%	100.00%	100.00%
Italy/Poland	Bizmatica group	70.00%	70.00%	70.00%	70.00%
Italy	Asystel Italia	51.00%	51.00%	51.00%	51.00%
Italy	BDF	100.00%	100.00%	100.00%	100.00%
Luxembourg	Econocom PSF SA	100.00%	100.00%	100.00%	100.00%
Luxembourg, France, Germany, Romania,	SynerTrade group ⁽²⁾	100,00%	100,00%	90.00%	90.00%
Netherlands, Belgium	BIS group	100.00%	100.00%	100.00%	100.00%
United Kingdom	NTIL group (Jade)	-	-	85.00%	85.00%

(1) Econocom International Italia SpA also operates in the Digital Services & Solutions business.

(2) Change in interest and control rates: see section 2.2.3.

2.4. Contingent acquisition-related liabilities

The contingent acquisition debts include options to commit to buy back non-controlling interests, contingent consideration and deferred payments, most of which have been granted subject to attainment of future financial targets. They are thus dependent on the estimated future performance of the entities concerned (e.g. EBIT multiples, expected future cash flows, etc.).

At the end of 2019, the Group has call options (and non-controlling shareholders have put options) on the remaining shares it does not already own, allowing it to acquire all or part of the share capital of the following entities: Altabox, Alterway, Asystel Italia, Bizmatica, Econocom Digital Security, Energy Net, Exaprobe, Helis, JTRS and Infeeny. Under these options, Econocom agreed to acquire the shares and also has the right to be sold the shares by the non-controlling shareholders.

The table below shows changes in contingent acquisition-related liabilities over the year.

<i>in € millions</i>	Put and call options on non-controlling interests	Contingent consideration	Deferred payments	Total contingent acquisition- related liabilities	Current portion	Non-current portion
31 Dec. 2018	100.5	8.2	15.5	124.1	58.9	65.2
Increases against equity or goodwill	-	-	-	-		
Disbursements	(24.7)	(13.6)	(15.0)	(53.3)		
Change in fair value through equity	(11.8)	-	-	(11.8)		
Reclassification	(3.8)	1.3	2.5			
Change in fair value through nonrecurring profit or loss ⁽¹⁾	(1.4)	7.6	-	6.3		
Change in fair value through recurring profit or loss ⁽²⁾	0.4	0.3	-	0.7		
31 Dec. 2019	59.1	3.8	3.0	66.0	28.0	38.0

⁽¹⁾ The offsetting entry for these changes in fair value is recorded within non-recurring operating income and expenses.

⁽²⁾ The offsetting entry for these changes in fair value is included in the profit (loss) from continuing operations.

Put options on noncontrolling interests are classified in "Other liabilities", with changes in fair value recognised in equity.

Contingent consideration and deferred payments are classified within financial liabilities (see note 13.3).

3. Segment reporting

The segment information presented in accordance with IFRS 8 has been prepared on the basis of internal management data disclosed to the Executive Committee, the Group's primary operating decision-maker with respect to allocating resources and assessing performance.

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:

Combined strategic operating business segments	Description	Countries
Technology Management & Financing	Innovative, tailored financing solutions to ensure more effective administrative and financial management of the ICT and digital assets of the businesses.	Belgium, Canada, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Mexico, Morocco, Netherlands, Poland, Romania, Spain, Switzerland, United Kingdom, USA.
Digital Services & Solutions	Using our expertise to support the transformation to the new digital world (in consulting, infrastructure management, development of applications and integration of digital solutions) and with services ranging from the design to roll-out of solutions, and from the sale of hardware and software (PCs, tablets, servers, printers, licences, digital devices, etc.) to systems integration.	Germany, Austria, Belgium, Brazil, Canada, Spain, United States, France, Italy, Luxembourg, Mexico, Morocco, Netherlands.

Each segment has a specific profitability profile and has its own characteristics; segments are managed depending on the type of products and services sold in their economic and geographical environments.

Sales and transfers between segments are carried out on arm's-length terms and are eliminated according to standard consolidation principles.

3.1. Reporting by operating business segment

The following table presents the contribution of each operating business segment to the Group's results:

<i>in € millions</i>	Technology Management & Financing	Digital Services & Solutions	Total
2019 Revenue			
Revenue from external clients	1,124.2	1,802.4	2,926.6
Internal operating revenue	31.1	338.4	369.5
Total – Revenue from operating segments	1,155.3	2,140.8	3,296.1
Profit (loss) from continuing operations⁽¹⁾	43.9	82.3	126.2
Amortisation of intangible assets from acquisitions	(2.0)	-	(2.0)
Profit (loss) from continuing operations	41.9	82.3	124.2

⁽¹⁾ Before amortisation of intangible assets from acquisitions

<i>in € millions, restated*</i>	Technology Management & Financing	Digital Services & Solutions	Total
2018 revenue			
Revenue from external clients	1,321.1	1,677.9	2,999.0
Internal operating revenue	10.6	241.4	252.0
Total – Revenue from operating segments	1,331.6	1,919.4	3,251.0
Profit (loss) from continuing operations⁽¹⁾	52.3	58.6	110.9
Amortisation of intangible assets from acquisitions	(2.0)	(2.2)	(4.2)
Profit (loss) from continuing operations	50.2	56.4	106.7

* In accordance with IFRS 5 (see 2.2.5), 2018 income and expenses of operations considered discontinued in 2019 are reclassified to "Profit or loss of the discontinued operations" in the 2018 income statement. However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases (see 1.1.1.1). In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries (cf. 1.2.2.).

⁽¹⁾ Before amortisation of intangible assets from acquisitions

Internal transactions include:

- sales of goods and services: the Group ensures that these transactions are performed at arm's length and that it does not carry any significant internal margins;
- cross-charging of overheads and personnel costs.

The Group's segment profit corresponds to "Profit (loss) from continuing operations". This corresponds to operating profit before non-recurring operating income and expenses and amortisation of intangible assets from acquisitions.

3.2 Breakdown of revenue by geographical area

in € millions	Revenue by geographical area (origin)	
	2019	2018 restated*
France	1,545.3	1,510.4
Benelux	391.2	395.4
Southern Europe and Morocco	528.6	621.2
Northern & Eastern Europe	261.1	264.9
Americas	200.4	207.0
Total	2,926.6	2,999.0

* In accordance with IFRS 5 (see 2.2.5), 2018 income and expenses of operations considered discontinued in 2019 are reclassified to "Profit (loss) from discontinued operations" in the 2018 income statement. However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases (see 1.1.1.1). In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries (cf. 1.2.2.).

2019 Southern Europe turnover of €528.6 million breaks down as €306.4 million for Italy and €222.2 million for Spain. In 2018 the corresponding figures were €397.9 million for Italy and €201.4 million for Spain (after an IFRS 16 restatement of €21.9 million).

4. Profit (loss) from continuing operations

Profit (loss) from continuing operations includes all income and expenses that arise directly from the Group's business, both recurring items and items resulting from one-off decisions or transactions.

Recurring profit (loss) from continuing operations, representing operating profit restated for other non-recurring income and expenses, is an analytical line item intended to facilitate the understanding of the Group's operating performance.

4.1. Income from contracts with clients

Revenue from contracts with customers by business line breaks down as follows:

<i>in € millions</i>	2019	2018 restated*
Technology Management & Financing	1,124.2	1,321.1
Digital Services & Solutions	1,802.4	1,677.9
Total revenue from continuing operations	2,926.6	2,999.0

* In accordance with IFRS 5 (see 2.2.5), 2018 income and expenses of operations considered discontinued in 2019 are reclassified to "Profit or loss of the discontinued operations" in the 2018 income statement. However, in accordance with the provisions of IFRS 16, which came into force on 1 January 2019, the 2018 data is not restated for the impact of this regulation on leases (see 1.1.1.1). In addition, the 2018 consolidated income statement is impacted by the recognition henceforth on the principal basis (within the meaning of IFRS 15) of direct deliveries (cf. 1.2.2.).

4.1.1. REVENUE RECOGNITION: ACCOUNTING PRINCIPLES

Revenue recognition

The revenue recognition method varies depending on the nature of the performance obligations of the contract binding Group entities and their respective customers. Performance obligations are the goods or services promised in the contract.

The performance obligation is the unit of account for revenue recognition: the price of the contract is allocated to each individual performance obligation, and a pattern of revenue recognition is determined for each such obligation.

Econocom recognises revenue when it has satisfied (or as it satisfies) a performance obligation by providing the customer with the promised good or service.

A performance obligation is satisfied when control of the good or service is transferred to the customer. This transfer may take place at a point in time or over time. Revenue is recognised:

- over time when one of the following conditions is fulfilled;
 - ▶ the customer receives the benefits of the service as the entity performs such services,
 - ▶ the customer obtains control of the asset as the asset is created,

- ▶ the final asset has no alternative use for the entity and the entity has an enforceable right to payment for performance completed to date;
- in full at a point in time, namely at completion, in all other cases.

Application to the Group's various businesses

Sale of assets

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

In accordance with IFRS 16, the revenue recognition rules differ depending on the type of contract. These methods were not changed, in relation to IAS 17, with the entry into force of IFRS 16 on 1 January 2019, except for some Sale & Leaseback contracts (see 1.1.1.1).

Sales of 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 goods and/or underlying services to the client.

This means that Econocom therefore controls the good or service before it is transferred to the customer.

The Econocom group is an agent if its “performance obligation” requires it to arrange for a third party to provide goods or underlying services, without being able to direct use and obtain key economic benefits. In this case, Econocom does not control the goods and services before they are transferred to the customer.

Management has made a significant judgement related to principal *versus* agent considerations. The impact on the presentation of reported revenue is as follows:

- on a gross basis when Econocom is a principal;
- net of the cost of sales when Econocom is an agent.

Presentation in the statement of financial position

Services in progress at the end of the reporting period are recognised in revenue accruals and are estimated based on the sale price. If accrued revenue constitutes an unconditional right to a consideration, *i.e.*, if the passage of time is sufficient for payment of the consideration to fall due, the accrued revenue will constitute a receivable. In all other cases, it constitutes the contract assets. Revenue accruals are classified in “Trade and other receivables”.

Advance payments received from customers and prepaid income are the contract liabilities. They are classified in “Other current liabilities”.

Contract performance costs are costs that are directly assigned to a customer contract and have not yet been rebilled. For example, they may include dedicated inventories in transit, costs allocated to service obligations, transition fees in outsourcing contracts or marginal costs from obtaining contracts (*i.e.*, costs that Econocom would not have incurred if it had not won the contract). These costs are capitalised if Econocom expects to recover them. They are then classified in “Other current assets”.

4.1.2. LEASE ACCOUNTING

Virtually all leases entered into by the Technology Management & Financing business as lessor are finance leases, although operating leases may also occasionally be contracted.

4.1.2.1. Finance leases

The Group identifies finance lease contracts, as opposed to the operating leases, using the criteria set out in IFRS 16. A lease is classified as a finance lease (rather than an operating lease) if it transfers substantially all the risks and rewards incidental to ownership. When determining whether a lease transfers substantially all the risks and rewards incidental to ownership and should therefore be classified as a finance lease, the Group generally uses (i) the fair value criterion (*i.e.*, the lease is a finance lease if, at inception, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset), and then (ii) the economic life criterion (*i.e.*, the lease is a finance lease if the lease term is for the major part of the economic life of the asset even if title is not transferred). At the beginning of the lease, the discounted value of the minimum lease

payments must be equal to almost the entire fair value of the leased asset. The thresholds applied are based on those of ASC 840 under US GAAP, *i.e.*, 85%, of the fair value of the leased asset and 75% of the asset's economic life. In practice, as it is the Group's policy not to use its equity to fund leases and to limit its risk on residual value, operating leases are fairly rare.

Finance leases where the Group is lessor are mainly refinanced contracts in which:

- the lease contracts and equipment are sold to refinancing institutions at an all-inclusive price representing the present value of future minimum lease payments receivable and the residual financial value of the equipment;
- residual financial value represents the amount for which the Group undertakes to repurchase the equipment upon expiry of the lease;
- lease payments due by lessees are paid directly to the refinancing institutions on a non-recourse basis, which means that the Group transfers the risk of payment default.

From a legal standpoint, the Group relinquishes ownership of the equipment on the date of sale to the refinancing institution and recovers ownership at the end of the lease term by repurchasing the equipment. In some cases, the Group asks the refinancing institutions to grant it invoicing and payment agency on their behalf. This does not alter the transfer of the risk of payment default from the lessees to the refinancing institutions.

Econocom acts as a dealer lessor and therefore recognises a margin as from the inception of the lease. Revenue, cost of sales and the residual interest in leased assets are recognised progressively as

assets are delivered, pro rata to the amount of each delivery.

IFRS 16 states that initial recognition of a lease must take place at the commencement of the lease term, *i.e.*, the date from which the lessee is entitled to exercise its right to use the leased asset. The provisions of the Group's General Lease Conditions define this date as the date on which the leased asset is delivered, which is officially confirmed when the Statement of Acceptance is signed.

Refinanced contracts are accounted for as follows:

Statement of financial position

For each lease, the Group's residual interest in the leased assets (see note 11.1) is recognised in assets and the gross liability for purchases of leased assets (defined in note 11.2) is recognised in liabilities.

Income statement

Revenue on these contracts corresponds to the present value of future minimum lease payments (corresponding to the payments that the lessee is required to make throughout the realisation period and the lease term).

Financial income not yet acquired from lease payments is recognised in the income statement when the contracts are refinanced.

The impacts of discounting only concern the "Gross liability for purchases of leased assets" (see note 11.2) and the "Residual interest in leased assets" (see note 11.1) items.

The cost of sales represents the purchase cost of the asset.

The Group's residual interest in the leased assets is deducted from the cost of sales based on its present value.

4.1.2.2. Operating leases

The Group retains all the risks relating to operating leases as the significant risks and rewards incidental to ownership of the assets concerned are not transferred.

Statement of financial position

The leased equipment is recorded as an asset in the statement of financial position and depreciated on a straight-line basis over the duration of the contract to write it down to its residual value, which represents the Company's residual interest in the asset at the end of the lease term.

Income statement

Income statement entries are made on a periodic basis with the invoiced lease

payments recorded as revenue and the depreciation described above recorded as an expense.

4.1.2.3. Lease extensions

Revenue is recognised on lease extensions in line with the initial classification of the lease, *i.e.*:

- if the initial contract was classified as an operating lease, revenue from the extension of the lease will be deferred over the period of the lease extension;
- if the initial contract was classified as a finance lease, revenue from the extension of the lease will be recognised in full on the last day of the initial contract.

4.2. Personnel costs

The following table presents a breakdown of employee benefits expenses:

<i>in € millions</i>	2019	2018 restated*
Wages and salaries	(372.7)	(391.8)
Payroll costs	(130.5)	(137.2)
Other	(18.2)	(16.9)
Total	(521.3)	(545.8)

* Following the application of IFRS 5 (see 2.2.5.).

Expenses relating to defined benefit pension plans and included in other employee benefits expense concern the Group's subsidiaries in France, Italy, Belgium and Austria. The characteristics of these plans are set out in note 17.

4.3. Government grants

Government grants are recognised as a deduction from costs (e.g., wages and salaries), or within other operating income and expenses, as appropriate.

Government grants are only recognised when the Group is certain to collect them. In accordance with IAS 20, the Group applies different accounting treatment for grants related to assets (or investment subsidies) and grants related to income.

Grants related to assets are recognised in profit or loss over the periods in which the Group expenses the costs that the grants are intended to compensate. In practice, they are recognised over the periods and in the proportions in which depreciation expense is recognised on the depreciable asset covered by the grant, with the deferred income recognised in liabilities. Grants related to income are recognised to offset the costs that they are intended to cover.

Tax credits treated as research grants and competitive and employment for 2018 tax credits

Tax credits are accounted for depending on the tax treatment applicable in each country:

- if the tax credit is only calculated based on specific expenses, does not adjust the calculation of the subsidiary's taxable profit, is not limited by the tax liability of the subsidiary, and may be refunded in cash, it is treated as a grant within the meaning of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance and included within operating profit;
- in all other cases it is recognised within income tax.

The French research tax credits (CIR) and employment and competitiveness tax credits for 2018 are accounted for as government grants.

4.4. External expenses

The following table presents a breakdown of external expenses:

<i>in € millions</i>	2019	2018 restated*
Fees paid to intermediaries and other professionals	(65.5)	(61.1)
External services (rent, maintenance, insurance, etc.)**	(11.2)	(37.2)
Agents' commissions	(34.3)	(33.9)
Other external expenses (subcontracting, public relations, transport, etc.)	(47.0)	(54.8)
Total	(158.1)	(187.0)

* Following the application of IFRS 5 (see 2.2.5.).

** The change in this item came from the introduction on 1 January 2019 of IFRS 16 on Leases (see 1.1.1.1) for an amount of €26.9 million in 2019.

4.5. Additions to and reversals of depreciation, amortisation and provisions

Additions to and reversals of depreciation, amortisation and provisions break down as follows:

<i>in € millions</i>	2019	2018 restated*
Intangible assets: franchises, patents, licences and similar rights, business assets**	(39.1)	(14.7)
Property, plant and equipment (leased assets)	(0.5)	(0.8)
Other property, plant and equipment	(11.1)	(10.9)
Depreciation and amortisation	(50.7)	(26.4)
Additions to and reversals of provisions for operating contingencies and expenses	3.2	(1.2)
Total	(47.4)	(27.6)

* Pursuant to the application of IFRS 5 (see 2.2.5.).

** The change in this item came from the introduction on 1 January 2019 of IFRS 16 - Leases (see 1.1.1.1) for €25.3 million. In addition, this item includes €2.0 million in 2019 and €4.2 million in 2018 under amortisation of intangible assets from acquisitions.

4.6. Net impairment losses on current and non-current assets

<i>in € millions</i>	2019	2018 restated*
Impairment of inventories	(2.0)	(2.8)
Reversals of impairment of inventories	2.4	2.3
Net impairment losses/gains – inventories	0.4	(0.5)
Impairment of doubtful receivables	(16.9)	(16.9)
Reversals of impairment of doubtful receivables	10.5	13.4
Gains and losses on receivables	-	(7.4)
Net impairment losses/gains – trade receivables	(6.4)	(10.9)
Losses/gains on other asset realisations	(1.2)	(3.1)
Total	(7.3)	(14.6)

* Following the application of IFRS 5 (see 2.2.5.).

4.7. Other recurring operating income and expenses

Other recurring operating income and expenses break down as follows:

<i>in € millions</i>	2019	2018 restated*
Cross-charging and indemnities received	8.0	8.8
Capital losses on sales of property, plant and equipment and intangible assets – recurring operating activities	(0.9)	(0.4)
Cross-charging and indemnities paid	(2.5)	(0.2)
Total	4.5	8.2

* Following the application of IFRS 5 (see 2.2.5).

4.8. Financial income – operating activities

The following table breaks down financial income and expenses relating to operating activities by type of income/expenses:

<i>in € millions</i>	2019	2018 restated*
Financial income related to Technology Management & Financing operations	22.6	19.9
Miscellaneous financial income from operating activities	1.7	1.2
Total financial income – operating activities	24.3	21.1
Financial expenses related to Technology Management & Financing operations	(18.1)	(15.5)
Financial expenses related to miscellaneous operating activities	(1.5)	(1.6)
Exchange losses	(0.1)	(1.5)
Total financial expenses – operating activities	(19.6)	(18.6)
Total	4.7	2.5

* Following the application of IFRS 5 (see 2.2.5).

Financial income and expenses relating to Technology Management & Financing operations reflect the unwinding of the discount during the year on the gross liability for purchases of leased assets, the Group's residual interest in leased assets and lease payments outstanding.

Net exchange losses recorded in the income statement result mainly from fluctuations in the pound sterling and US dollar.

5. Other non-recurring operating income and expenses

Nonrecurring operating income and expenses mainly include:

- income and expenses that are deemed unusual in terms of their frequency, nature or amount;
- goodwill impairment losses;
- material gains and losses on disposals of property, plant and equipment and intangible assets, or of operating assets and investments;
- restructuring costs and costs associated with downsizing plans;
- costs relating to acquisitions (acquisition fees);
- the costs of relocating premises;
- changes in the fair value of acquisition-related liabilities (contingent consideration); changes in the fair value of put and call options to buy out noncontrolling interests are recognised directly in equity.

<i>in € millions</i>	2019	2018 restated*
Restructuring costs	29.8	(15.2)
Other non-recurring expenses and income	5.0	4.7
Total	(24.8)	(19.9)

* Following the application of IFRS 5 (see 2.2.5.).

Restructuring costs relate to the transformation plan launched in 2019 and the continuation of performance improvement plans during the year. Other non-current income and expenses includes the exceptional items recorded in 2019 in connection with the events which Econocom was a victim of in Italy, impairment losses of certain intangible assets (IT) and the capital gain from the disposal of Rayonnance.

6. Net financial expense

in € millions

	2019	2018 restated*
Financial income	0.1	0.2
Financial expenses on bonds	(10.3)	(9.5)
Expenses on non-current liabilities	-	(0.3)
Interest cost of retirement benefits and other post-employment benefits	(0.6)	(0.6)
Interest on short-term financing	(2.5)	(1.8)
Financial expenses on factoring	(2.5)	(3.0)
Interest expense on lease liabilities	(1.6)	-
Other financial expenses	(1.7)	(0.6)
Financial expenses	(19.3)	(15.7)
Net financial expense	(19.2)	(15.5)

* Following the application of IFRS 5 (see 2.2.5.).

7. Income tax

Income tax expense for the year includes current taxes and deferred taxes.

Current tax is (i) the estimated amount of tax due in respect of taxable profit for a given period, as determined using tax rates that have been enacted or substantively enacted at the end of the reporting period, (ii) any adjustments to the amount of current tax in previous periods, and (iii) any other tax calculated on a net amount of income and expenses.

Deferred taxes are accounted for using the liability method for all temporary differences between the carrying amount recorded in the consolidated statement of financial position and the tax bases of assets and liabilities, except for non-tax deductible goodwill. Deferred taxes are

determined based on the way in which the Group expects to recover or pay the carrying amount of the assets and liabilities using the tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are not discounted and are offset when they relate to the same tax entity. They are classified in the statement of financial position as non-current assets and liabilities.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or tax losses and tax credit carryforwards can be utilised.

7.1. Recognition of current and deferred taxes

<i>in € millions</i>	Notes	2019	2018 restated*
Current tax		(19.6)	(25.1)
Movements in tax provisions	16	1.1	1.7
Deferred tax	7.2	(3.8)	2.6
Total		(22.3)	(20.8)

* Following the application of IFRS 5 (see 2.2.5).

Effective tax rate

<i>in € millions</i>	2019	2018 restated*
Profit before tax on continuing operations	80.2	71.2
Income tax on the profit of continuing operations	(22.3)	(20.8)
Effective tax rate as a percentage of profit before tax	27.8%	29.2%
Effective tax rate as a percentage of profit before tax (restated)	21.2%	22.2%

* Following the application of IFRS 5 (see 2.2.5).

The income tax expense amounted to €16.7 million, plus €5.6 million from tax on value added in France (CVAE) and from the IRAP tax (*Imposta Regionale sulle Attività Produttive*) in Italy, for a total of €22.3 million.

Given the profit before tax of continuing operations of €80.2 million, the effective tax rate reported reached 27.8% (29.2% adjusted at end 2018); restated for amortisation of intangible assets (ECS customer portfolio and Osiatis brand) and the CVAE/ value/IRAP, the restated effective tax rate was 21.2% in 2019 (22.2% adjusted in 2018).

Reconciliation between theoretical tax expense and effective tax expense

<i>in € millions</i>	2019	2018 restated*
Profit before tax on continuing operations	80.2	71.2
Theoretical tax expense at current Belgian rate (29.58%)	(23.7)	(21.1)

* Following the application of IFRS 5 (see 2.2.5.).

Reconciliation

<i>in € millions</i>	2019	2018 restated*
Unrecognised tax losses arising in the year	(3.3)	(2.1)
Previously unrecognised tax losses used in the year	1.9	0.3
De-recognition of previously recognised tax deficits	(0.2)	-
Adjustment to current and deferred tax	4.0	1.0
Effect of taxes other than on income ⁽¹⁾	(5.6)	(5.5)
Effect of foreign income tax rates and changes in foreign income tax rates	(2.4)	(1.5)
Tax credits and other	0.7	3.6
Other permanent differences	6.3	4.5
Total differences	1.4	0.3
Effective income tax expense	(22.3)	(20.8)

* Adjustments related to the change in presentation of the additional depreciation (see 1.2.2) and following the application of IFRS 5 (see 2.2.5).

⁽¹⁾ Taxes other than on income relate to taxes assessed on value added that meet the requirements of IAS 12. For Econocom, this relates to the tax on value added in France (net of income tax) and to the IRAP tax (*Imposta Regionale sulle Attività Produttive*) in Italy.

7.2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities

<i>in € millions</i>	31 Dec. 2018	Income/ expense for the year (income statement)	Other compre- hensive income (equity)	Reclassi- fications	Reclassified as assets held for sale	Changes in scope of consoli- dation	31 Dec. 2019
Pension obligations	10.2	0.3	(0.1)	(0.4)	(1.5)	(0.3)	8.2
Temporary differences arising on provisions	4.8	(0.4)	-	0.5	-	(0.2)	4.8
Other assets and liabilities *	19.8	5.1	1.0	-	-	(0.3)	25.6
Tax loss carryforwards	18.0	(1.9)	-	(0.4)	-	-	15.6
Impact of netting DTA/DTL	(18.9)	-	-	2.2	-	-	(16.7)
Total deferred tax assets	33.8	3.1	0.9	2.3	(2.0)	(0.8)	37.4

* Includes the deferred tax asset linked to the Italian additional depreciation of €13.7 million at 31 December 2019.

Deferred tax on TMF business	(17.7)	(2.7)	-	-	-	-	(20.4)
Amortisable intangible assets	(8.2)	(0.1)	-	(0.3)	1.0	-	(7.6)
Other assets and liabilities	0.4	0.5	-	0.1	-	-	1.1
Impact of netting DTA/DTL	18.9	-	-	(2.2)	-	-	16.7
Total deferred tax liabilities	(6.6)	(2.3)	-	(2.3)	1.0	-	(10.2)

Net deferred tax assets (liabilities)	27.2	0.8	0.9	-	(1.0)	(0.8)	27.2
--	-------------	------------	------------	----------	--------------	--------------	-------------

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018
Recoverable within 12 months, before netting, by tax jurisdiction	(4.1)	9.2
Recoverable after 12 months, before netting, by tax jurisdiction	31.3	18.0
Net deferred tax assets (liabilities)	27.2	27.2

Tax loss carryforwards

At 31 December 2019, the Group's tax loss carryforwards amounted to €178 million, *versus* €139.7 million at 31 December 2018.

The increase in tax loss carryforwards primarily concerns Econocom International Italia, Econocom Austria, Econocom Deutschland Holding, Aragon and Synertrade SES AG.

Unrecognised deferred tax assets on tax loss carryforwards totalled €29.2 million *versus* €18.4 million at 31 December 2018. This increase is in line with the increase in unrecognised losses in 2019. If anything this is financial year, but exercise is not in the TM as a defined term, and is rarely sued.

8. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of shares outstanding during the year, excluding treasury shares on a pro rata basis.

Diluted earnings per share is calculated by taking into account all financial

instruments carrying deferred rights to the parent company's capital, issued either by the parent company itself or by any one of its subsidiaries. Dilution is calculated separately for each instrument, based on the conditions prevailing at the end of the reporting period and excluding non-dilutive instruments.

Basic earnings per share attributable to owners of the parent

<i>in € millions, except for per share data and number of shares</i>	2019	2018 restated*
Consolidated profit (loss) for the period	44.7	39.4
Consolidated profit (loss) attributable to owners of the parent from continuing operations	53.9	45.2
Consolidated profit (loss) attributable to owners of the parent from discontinued operations	(9.2)	(5.9)
Recurring consolidated profit (loss) attributable to owners of the parent ⁽¹⁾	72.1	62.4
Average number of shares outstanding	227,816,144	234,888,774
Consolidated profit (loss) for the period per share (in €)	0.196	0.168
Earnings per share from continuing operations (in €)	0.237	0.193
Earnings per share from discontinued operations (in €)	(0.041)	(0.025)
Recurring earnings per share attributable to owners of the parent ⁽¹⁾ (in €)	0.317	0.266

* Pursuant to the application of IFRS 5 (see 2.2.5.).

⁽¹⁾ Recurring earnings for the year attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, before the following items:

- amortisation of intangible assets from acquisitions, net of tax effects;
- other non-recurring operating income and expenses, net of tax effects;
- other non-recurring financial income and expenses, net of tax effects;
- profit from discontinued operations.

Diluted earnings attributable to owners of the parent, per share

<i>in € millions, except for per share data and number of shares</i>	2019	2018 restated*
Diluted earnings	48.0	42.1
Diluted earnings from continuing operations	57.2	47.9
Diluted earnings from discontinued operations	(9.2)	(5.9)
Average number of shares outstanding	227,816,144	234,888,774
Impact of stock options	584,776	1,809,082
Impact of free shares	1,301,240	273,274
Impact of OCEANE convertible bonds	24,213,075	20,177,563
Diluted average number of shares outstanding	253,915,235	257,148,693
Diluted earnings per share (in €)	0.189	0.164
Diluted earnings per share from continuing operations (in €)	0.225	0.186
Diluted earnings per share from discontinued operations (in €)	(0.036)	(0.023)
Diluted earnings per share attributable to owners of the parent (in €)	0.297	0.253

* Pursuant to the application of IFRS 5 (see 2.2.5.).

In accordance with IFRS standards, the stock option expense recognised in the income statement was not restated.

9. Goodwill and impairment testing

9.1. Definition of cash-generating units

The growing proportion of international customers and the pooling of resources among business lines have led the Group to redefine the scope of its cash-generating units (CGUs) as representing its two business segments: Technology Management & Financing, and Digital Services & Solutions.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

9.2. Goodwill allocation

For the purposes of the impairment tests carried out at 31 December each year, goodwill was allocated to the following cash generating units.

<i>in € millions</i>	Technology Management & Financing	Digital Services & Solutions	Total
2019			
Goodwill at 31 December 2018	114.6	516.5	631.1
Reclassification to assets held for sale	(0.8)	(85.9)	(86.7)
Acquisitions	-	-	-
Disposals	-	(31.5)	(31.5)
Foreign currency translation adjustments	-	-	-
Impairment	-	-	-
Goodwill at 31 December 2019	113.8	399.1	512.9
Of which gross amount	113.8	403.1	516.9
Of which accumulated impairment	-	(4.0)	(4.0)

In 2019, goodwill from companies disposed of concerned Jade and Rayonnance.

<i>in € millions</i>	Technology Management & Financing	Digital Services & Solutions	Total
2018			
Goodwill at 31 December 2017	114.6	484.2	598.8
Adjustments to acquisition costs	-	0.1	0.1
Acquisitions	-	32.7	32.7
Disposals	-	-	-
Foreign currency translation adjustments	-	(0.5)	(0.5)
Impairment	-	-	-
Goodwill at 31 December 2018	114.6	516.5	631.1
Of which gross amount	114.6	520.8	635.4
Of which accumulated impairment	-	(4.3)	(4.3)

9.3. Impairment tests and impairment of goodwill

Impairment testing involves determining whether the recoverable amount of an asset, CGU or group of CGUs is lower than its carrying amount.

The recoverable amount is the higher of fair value less the costs of disposal and value in use.

Value in use is determined based on estimated future cash flows and a terminal value, taking into account the time value of money and the risks associated with the business and the specific environment in which the CGU or group of CGUs operates.

Cash flow projections are based on the budgets and on business plans covering a period of no more than five years. The terminal value is calculated by discounting normalised annual cash flows to perpetuity.

Fair value is the amount that could be obtained from the sale of the tested assets in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal. These amounts are calculated based on market information.

When the recoverable value of the assets of a CGU or group of CGUs is lower than its carrying amount, an impairment loss is recognised.

Impairment losses are recorded first as a reduction of the carrying amount of goodwill allocated to a CGU and then charged against the assets of the CGU, pro rata to the carrying amount of each of the components of the CGU. Impairment losses are recorded under "Non-recurring operating income and expenses" in the income statement.

Impairment losses recognised for property, plant and equipment and intangible assets other than goodwill may be reversed in subsequent periods if the asset's recoverable amount becomes greater than its carrying amount.

Impairment losses recognised for goodwill may not be reversed.

When a relevant CGU is disposed of, the resulting goodwill is taken into account for the determination of the net proceeds of the disposal.

Results of impairment tests

Based on the impairment tests conducted, goodwill does not need to be impaired.

Key assumptions

The value in use of the Group's CGUs is sensitive to the following assumptions:

- discount rate applied to future cash flows;
- growth rate of cash flows beyond the forecast period;
- business plan (revenue and margin).

	2019		2018	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Technology Management & Financing	8.50%	1.00%	8.00%	1.00%
Digital Services & Solutions	8.50%	1.50%	8.00%	1.50%* 1.00% *

* In 2018, perpetuity growth rates were 1.50% for Services activity and 1.00% for Products & Solutions.

The growth rate and weighted average cost of capital assumptions were reviewed in light of global market data.

The after-tax discount rate used corresponds to the weighted average cost of capital ("WACC"). The perpetuity growth rate applied by the Group does not exceed the growth rate for the industry. Applying a pre-tax discount rate to pre-tax cash flows would have resulted in a similar value for the CGUs.

The business plan was determined based on the expected growth of markets for the CGU concerned, taking account of growth levers identified by Management. Margins are determined based on the historical margins observed in the years preceding the start of the budget period. These margins also take account of expected efficiency gains as well as events known to management and that could impact the profitability of the activity.

Sensitivity to changes in assumptions

The table below shows the sensitivity of enterprise values to the assumptions used:

in € millions	Sensitivity to rates				Sensitivity to cash flows
	Discount rate		Perpetual growth rate		
	+1.0%	(1.0%)	+0.5%	(0.5%)	
Technology Management & Financing	(33)	59	28	(25)	(22)
Digital Services & Solutions	(80)	107	37	32	(81)

The sensitivity of impairment tests to adverse but feasible changes in assumptions is set out below:

- reasonable sensitivity to changes in the discount rate: a simulated increase of up to one percentage point in the discount rate used would not change the findings of the Group's analysis;
- reasonable sensitivity to changes in the long-term growth rate: in a pessimistic scenario where the long-term growth rate is reduced by 0.5 percentage points, the

value in use of each CGU would still exceed its carrying amount;

- reasonable sensitivity to changes in the business plan: a 5% reduction in the revenue forecast contained in the business plan, with variable costs adjusted accordingly, would not change the conclusions of the Group's analysis.

Consequently, none of the sensitivity tests reduced the value in use of any of the CGUs to below their carrying amount.

10. Intangible assets, property, plant and equipment and long-term financial assets

10.1. Intangible assets

Separately acquired intangible assets

Separately acquired intangible assets are initially measured at cost, which corresponds to their acquisition cost or their acquisition-date fair value for intangible assets acquired in a business combination.

After initial recognition, they are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their economic useful life. The useful life of concessions, patents and licences is estimated at between three and seven years.

Intangible assets with indefinite useful lives are not amortised.

Internally generated intangible assets

The Group carries out IT development projects. Expenses incurred in relation to these operations can be included in the cost of intangible assets. An internally generated intangible asset resulting from development (or from the development phase of an internal IT project) is only recognised if the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to reliably measure the expenditure attributable to the intangible asset during its development. The initial cost of an internally generated intangible asset is equal to the sum of expenditure incurred from the date on which the intangible asset first meets the above-mentioned recognition criteria. If no internally generated intangible asset can be recognised, development costs are recognised in profit or loss for the year in which they are incurred.

After initial recognition, internally generated intangible assets are carried at cost less any accumulated amortisation and impairment losses, in accordance with the same method as that used for separately acquired intangible assets.

Separately acquired intangible assets are initially measured at cost, which corresponds to their acquisition cost or their acquisition-date fair value for intangible assets acquired in a business combination. After initial recognition, they are carried at cost less any accumulated amortisation and impairment losses.

The useful life of information systems is estimated at between three and seven years.

Intangible assets acquired in business combinations

Intangible assets acquired by the Group in business combinations are measured at their acquisition cost less any accumulated amortisation and impairment losses. They essentially include operating licences and computer software. They are depreciated on a straight line basis over their useful lives.

The customer portfolio acquired from the ECS group was valued using the MEEM method (Multi-period Excess Earnings Method) at €40 million and is being amortised over 20 years.

The Osiatis brand, fully amortised at the end of 2018, was valued using the royalty relief method, based on percentages of forecast revenue and EBIT in line with comparable market equivalents.

Useful life	In years
Amortisable business assets	3–5
ECS customer portfolio	20
Franchises, patents, licences	3–7
IT systems	3–7
Osiatis brand	4

The Group has no intangible assets with indefinite useful lives except for the goodwill presented in note 9.

2019 Intangible assets

<i>in € millions</i>	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally generated assets	Other	Total
Acquisition cost					
Gross value at 31 December 2018	54.2	38.8	100.8	7.1	200.8
Acquisitions	-	1.9	8.8	0.1	10.8
Disposals (retirements)	-	(3.5)	(3.2)	(0.8)	(7.5)
Changes in scope of consolidation	-	(0.1)	(0.3)	-	(0.3)
Transfers and other movements	-	1.3	(1.4)	0.2	0.1
Reclassification to assets held for sale	(0.1)	(4.3)	(34.2)	(0.2)	(38.8)
Gross value at 31 December 2019	54.1	34.1	70.5	6.4	165.1
Depreciation and impairment					
Accumulated depreciation at 31 December 2018	(30.4)	(27.3)	(54.2)	(5.6)	(117.5)
Additions	(2.0)	(3.4)	(12.8)	(0.3)	(18.5)
Disposals (retirements)	-	1.7	2.3	-	4.0
Changes in scope of consolidation	-	0.1	0.1	-	0.1
Transfers and other movements	-	0.4	(0.4)	-	-
Reclassification to assets held for sale	-	2.2	21.4	0.2	23.8
Accumulated depreciation at 31 December 2019	(32.4)	(26.5)	(43.4)	(5.6)	(107.8)
Carrying amount at 31 December 2018	23.8	11.5	46.6	1.5	83.4
Carrying amount at 31 December 2019	21.7	7.7	27.1	0.8	57.2

Customer portfolios, brands and business assets are intangible assets which are recognised in connection with business combinations, amortised over the useful lives shown above.

Franchises, patents, licences, etc. consist mainly of licences acquired and amortised over their useful lives.

IT systems are mainly the result of developments made by the Group and associated companies, and are amortised over the periods set out above.

2018 Intangible assets

<i>in € millions</i>	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally generated assets	Other	Total
Acquisition cost					
Gross value at 31 Dec. 2017	54.2	39.4	81.0	6.9	181.5
Acquisitions	-	2.9	20.0	0.8	23.6
Disposals (retirements)	-	(6.9)	(0.4)	-	(7.3)
Changes in scope of consolidation	-	1.9	0.1	-	2.0
Transfers and other movements	-	1.6	-	(0.6)	1.0
Gross value at 31 Dec. 2018	54.2	38.8	100.8	7.1	200.8
Depreciation and impairment					
Accumulated depreciation at 31 Dec. 2017	(26.0)	(30.1)	(41.1)	(4.7)	(101.9)
Additions	(4.4)	(4.2)	(13.0)	(0.4)	(22.0)
Disposals (retirements)	-	6.9	-	-	7.0
Changes in scope of consolidation	-	(1.4)	(0.1)	-	(1.5)
Transfers and other movements	-	1.5	-	(0.5)	0.9
Accumulated depreciation at 31 Dec. 2018	(30.4)	(27.3)	(54.2)	(5.6)	(117.5)
Carrying amount at 31 Dec. 2017	28.2	9.3	39.9	2.2	79.6
Carrying amount at 31 December 2018	23.8	11.5	46.6	1.5	83.4

10.2. Property, plant and equipment

Property, plant and equipment owned outright

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis over the estimated useful life of the assets taking into account any residual value.

Useful life	In years
Land	Indefinite
Buildings	20–50
Fixtures	5–10
IT equipment	3–7
Vehicles	4–7
Furniture	5–10

Land is not depreciated.

When an item of property, plant and equipment comprises components with different useful lives, such components are recognised and depreciated separately.

Gains or losses on the sale of an item of property, plant and equipment are determined as the difference between the proceeds from the sale and the carrying amount of the asset sold. They are included in either “Other operating income and expenses” or “Revenue from continuing operations” if the sale took place in the ordinary course of the Group’s business.

No borrowing costs were included in the cost of any of the Group’s property, plant and equipment in the absence of any assets requiring a substantial period of time before they are ready for their intended use or sale.

Leases

Leases, as defined by IFRS 16, are entered in the statement of the consolidated financial position as an asset representing the right of use of the leased asset during the term of the contract.

On the date that the lease takes effect, the right of use is valued at its cost, including:

- the initial amount of the liability, with the advance payments made to the lessor, net of the benefits received from the lessor;
- initial direct costs incurred by the lessee for the conclusion of the contract; and
- the costs of dismantling or restoring the leased asset according to the terms of the contract.

The right of use is depreciated over the useful life of the assets, which leads to a depreciation charge being entered on the income statement.

On the date that the lease takes effect, the rental liability is entered for an amount equal to the discounted value of rents over the duration of the contract, as defined by the Econocom group. The valuation of the rental liability includes:

- fixed rents (including rentals considered to be fixed in substance);
- variable rents based on a rate or index using the rate or index on the date the contract comes into effect;
- any residual value guarantees awarded to the lessor;
- the exercise price of a purchase option if the exercise of the option is reasonably certain; and
- penalties for cancellation or non-renewal of the contract.

The rental liability is recognised at the depreciated cost, using the effective interest rate method, and leads to the recognition, on the income statement, of an interest charge for the period and variable payments (not taken into account in the initial valuation).

The liability may be revalued to offset the right of use in the following cases:

- revision of the term of the contract;
- modification linked to the valuation of the reasonably certain nature (or not) of the exercise of a purchase option;

- change in the amount of payment expected under the residual value guarantee awarded to the lessor;
- adjustment of rates or indices on which variable rents are based, when the latter are modified.

Leases mainly relate to property assets and the vehicle fleet. The accounting exemptions set out in the standard for the short-term contracts (term below or equal to 12 months), and leases on low value assets, have been applied.

2019 Property, plant and equipment

<i>in € millions</i>	Land and buildings	Fixtures, fittings and IT equipment	Furniture and vehicles	Other property, plant and equipment	Property, plant and equipment held under finance leases	Rights of use	Total
Acquisition cost							
Gross value at 31 December 2018	19.9	84.8	18.0	12.7	4.2	-	139.5
Application of IFRS 16	-	-	-	-	-	45.9	45.9
Acquisitions	1.4	7.1	0.5	2.2	0.1	19.9	31.2
Disposals/Retirements	(3.4)	(3.6)	(0.5)	(0.4)	-	-	(7.9)
Transfers and other movements	7.2	(10.4)	5.5	1.6	(3.2)	8.5	(1.7)
Reclassification to assets held for sale	-	(16.7)	(0.7)	(0.2)	-	-	(17.6)
Gross value at 31 December 2019	25.0	61.2	11.9	15.9	1.1	74.3	189.3
Depreciation and impairment							
Accumulated depreciation at 31 December 2018	(9.3)	(59.5)	(11.3)	(6.7)	(4.2)	-	(90.9)
Additions	(3.6)	(7.3)	(0.9)	(1.1)	(0.1)	(25.4)	(38.3)
Disposals/Retirements	3.0	3.1	0.5	0.4	-	-	6.9
Changes in scope of consolidation	-	-	1.6	-	-	(1.6)	-
Reversals of impairment	-	-	-	-	-	-	-
Transfers and other movements	(2.3)	6.8	0.2	(3.9)	3.2	10.6	14.6
Reclassification to assets held for sale	-	10.4	0.4	0.1	-	-	10.9
Accumulated depreciation at 31 December 2019	(12.2)	(46.5)	(9.5)	(11.3)	(1.0)	(16.3)	(96.8)
Carrying amount at 31 December 2018	10.6	25.2	6.8	6.0	-	-	48.6
Carrying amount at 31 December 2019	12.8	14.7	2.4	4.6	0.1	57.9	92.5

Other property, plant and equipment relate to assets in progress.

2018 Property, plant and equipment

<i>in € millions</i>	Land and buildings	Fixtures, fittings and IT equipment	Furniture and vehicles	Other property, plant and equipment	Property, plant and equipment held under finance leases	Total
Acquisition cost						
Gross value at 31 Dec. 2017	26.1	68.7	17.0	11.3	4.2	127.3
Acquisitions	1.2	6.0	1.6	18.6	-	27.4
Disposals/Retirements	(0.1)	(3.1)	(1.0)	(11.7)	-	(15.9)
Changes in scope of consolidation	-	1.9	0.5	-	-	2.4
Transfers and other movements	(7.3)	11.3	-	(5.5)	-	(1.6)
Gross value at 31 Dec. 2018	19.9	84.8	18.0	12.7	4.2	139.5
Depreciation and impairment						
Accumulated depreciation at 31 Dec. 2017	(10.5)	(48.9)	(10.2)	(6.0)	(3.3)	(78.9)
Additions	(1.3)	(9.1)	(1.7)	(1.0)	(0.8)	(14.0)
Disposals/Retirements	0.1	2.2	1.0	-	-	3.3
Changes in scope of consolidation	-	(1.7)	(0.4)	-	-	(2.1)
Reversals of impairment	-	-	-	0.3	-	0.3
Transfers and other movements	2.5	(2.0)	0.1	-	-	0.5
Accumulated depreciation at 31 Dec. 2018	(9.3)	(59.5)	(11.3)	(6.7)	(4.2)	(90.9)
Carrying amount at 31 Dec. 2017	15.6	19.9	6.8	5.3	0.9	48.4
Carrying amount at 31 Dec. 2018	10.6	25.2	6.8	6.0	-	48.6

10.3. Long-term financial assets

Investments in non-consolidated companies are recorded at fair value. Changes in fair value are recognised under Income.

<i>in € millions</i>	Investments in non-consolidated companies ⁽¹⁾	Investments in associates and joint ventures ⁽²⁾	Other long-term financial assets ⁽³⁾	Total
Balance at 31 December 2017	1.5	0.4	29.0	30.9
Increases	1.5	-	3.6	5.1
Repayments/Disposals	(0.9)	-	(1.1)	(2.0)
Other cash changes ⁽⁴⁾	-	-	(6.1)	(6.1)
Changes in scope of consolidation	0.5	-	-	0.6
Transfers and other movements	-	-	(0.7)	(0.7)
Share of profit (loss) of associates and joint ventures	-	-	-	-
Balance at 31 December 2018	2.6	0.4	24.7	27.7
Increases	2.4	-	3.0	5.5
Repayments/Disposals	(0.2)	-	-	(0.2)
Other cash changes ⁽⁴⁾	-	-	1.4	1.4
Changes in scope of consolidation	-	-	-	-
Transfers and other movements	0.4	-	(0.5)	(0.1)
Share of profit (loss) of associates and joint ventures	-	-	(1.3)	(1.3)
Balance at 31 December 2019	5.3	0.5	27.2	32.9

(1) This relates to the Group's interest in non-controlled entities for €5.3 million, primarily including shares in Hélios (€2.4 million), Histovery (€0.8 million), Kartable (€0.5 million), Magic Makers (€0.9 million) and Logosapience (€0.5 million).

(2) At 31 December 2019, Econocom had only one equity-accounted associate (JTRS).

(3) Other long-term financial assets chiefly correspond to guarantees and deposits.

(4) Other cash variations correspond to net disbursements for factoring guarantees, classified as changes in working capital requirements in the consolidated statement of cash flow.

Maturity of long-term financial assets

<i>2019 in € millions</i>	1 to 5 years	Beyond 5 years	Indefinite	Total
Investments in non-consolidated companies	-	-	5.3	5.3
Investments in associates and joint ventures	-	-	0.5	0.5
Guarantees given to factors	13.0	-	-	13.0
Other investments	-	-	8.5	8.5
Other guarantees and deposits	3.9	1.8	-	5.7
Total	16.9	1.8	41.2	32.9

<i>2018 in € millions</i>	1 to 5 years	Beyond 5 years	Indefinite	Total
Investments in non-consolidated companies	-	-	2.6	2.6
Investments in associates and joint ventures	-	-	0.4	0.4
Guarantees given to factors	12.4	-	-	12.4
Other investments	-	-	5.9	5.9
Other guarantees and deposits	1.9	4.4	-	6.3
Total	14.3	4.4	8.9	27.7

10.4. Other long-term receivables

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
Government grants	4.6	7.8
Other long-term receivables	9.0	7.4
Other receivables	13.6	15.2

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The net amount reclassified at 31 December 2019 to "assets held for sale" was €2.6 million.

"Government grants" relate to amounts receivable under government grants (including at 31 December 2019: €3.8 million in respect of CICE research tax credits and €0.5 million in respect of CICE competitiveness and employment tax credits). Other receivables relates to loans granted to employees or associates.

The carrying amounts of other nonfinancial assets such as other long-term receivables, are reviewed for impairment at the end of each reporting date. If the carrying amount of these assets exceeds their estimated recoverable amount, an impairment loss is recognised within operating profit.

By maturity

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
1 to 5 years	13.2	11.2
Beyond 5 years	0.5	4.0
Total	13.6	15.2

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1).

11. Residual interest in leased assets and gross liability commitments for purchases of leased assets

11.1. Residual interest in leased assets

The Group's residual interest in leased assets sold to refinancing institutions corresponds to an estimated market value. Management issues an estimate that requires critical judgement.

This residual interest is calculated as follows:

- for all fixed-term contracts, the estimated market value is calculated using an accelerated diminishing balance method, based on the amortisation of the original purchase cost of each item of equipment.

The residual interest therefore represents a long-term asset which is discounted using the same method as for the related lease. This method does not apply to nonstandard cases, which are rare;

- for renewable asset management contracts, the accelerated diminishing balance method of depreciation is not applicable. The estimated market value for these contracts is calculated by using a fixed percentage of the original purchase cost of the equipment.

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018
Residual interest in leased assets non-current portion (between 1 and 5 years)	131.9	122.4
Residual interest in leased assets current portion (less than 1 year)	33.0	41.4
Total	165.0	163.8

The Group regularly revises estimates of its residual interest in leased assets using a statistical method based on its experience of second-hand markets.

For more recent assets, for which there is inadequate market data to establish an accurate valuation, the Group uses a prudent approach which may be adjusted when it has access to adequate historical information.

The residual interest recognised at 31 December 2019 was €165 million for a portfolio of leased assets representing €6.2 billion (purchase price of the assets on inception of the lease). The Group's residual interest in leased assets therefore stood at 2.7% of the purchase price of the assets in its portfolio (*versus* 2.7% at 31 December 2018).

Change in the Group's residual interest in 2019 is linked solely to the growth in business.

The impact of discounting on the total amount of the residual interest was €9.6 million at 31 December 2019, the pre-discounted values were €174.6 million at 31 December 2019.

Residual interest in leased assets concerns IT assets and industrial assets amounting to €151.9 million and €13.1 million, respectively (€153.0 million and €10.8 million, respectively, at end-December 2018).

11.2. Gross liability commitments for purchases of leased assets

The Group repurchases leased equipment from refinancing institutions at the end of the lease term. These purchase obligations are classified within "gross commitments on residual financial value" and recognised in the statement of financial position. They are generally long-term liabilities which are discounted using the same method as for

the related leases. They are classified as financial liabilities not consistent throughout where you use Note or section or none at all. As an example look at the notes under the tables earlier in this document but are not included in net debt (see 14.3).

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018
Total gross liability commitments for purchases of leased assets – non-current portion (between 1 and 5 years)	81.1	73.0
Total gross liability commitments for purchases of leased assets – current portion (less than 1 year)	20.4	25.1
Total	101.5	98.1

The present value of items recorded in "Gross liability for purchases of leased assets" (current and non-current portions) stands at €101.5 million. The cumulative

impact of discounting was €7.2 million in 2019. The pre-discounted value was €108.7 million at 31 December 2019.

12. Operating assets and liabilities

12.1. Inventories

For the Group, inventories are:

- assets held for sale in the ordinary course of business and measured at the lower of cost (weighted average cost) and net realisable value; or
- materials or supplies to be used in the rendering of services, measured at cost and impaired in line with the useful life of the infrastructure to which they relate.

in € millions	31 Dec. 2019			31 Dec. 2018*		
	Gross	Impairment	Net	Gross	Impairment	Net
Equipment in the process of being refinanced	21.3	(2.5)	18.8	16.5	(3.0)	13.5
Other inventories	47.9	(6.6)	41.3	55.5	(16.9)	38.6
ICT equipment	35.0	(3.0)	32.0	32.2	(2.5)	29.7
Spare parts	12.9	(3.6)	9.3	23.3	(14.5)	8.8
Total	69.2	(9.1)	60.1	72.0	(19.9)	52.1

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). Here it does not say see Section or see Note. As per my earlier comment, these all need to be consistent in document.

Gross value

in € millions	31 Dec. 2018	Changes in inventories	Changes in scope of consolidation	Reclassification to assets held for sale	Other changes	31 Dec. 2019
Equipment in the process of being refinanced	16.5	4.8	-	-	-	21.3
Other inventories	55.5	8.7	(1.6)	(14.5)	(0.3)	47.9
ICT equipment	32.2	4.8	(1.6)	(0.2)	(0.3)	35.0
Spare parts	23.3	3.9	-	(14.3)	-	12.9
Total	72.0	13.5	(1.6)	(14.5)	(0.3)	69.2

Impairment

<i>in € millions</i>	31 Dec. 2018	Additions	Reversals	Reclassi- fications under assets held for sale	Other changes	31 Dec. 2019
Equipment in the process of being refinanced	(3.0)	-	0.5	-	-	(2.5)
Other inventories	(16.9)	(2.0)	1.9	10.4	0.1	(6.6)
IT equipment and telecoms	(2.5)	(1.2)	0.5	-	0.1	(3.0)
Spare parts	(14.5)	(0.8)	1.3	10.4	-	(3.6)
Total	(19.9)	(2.0)	2.4	10.4	0.1	(9.1)

12.2. Trade and other receivables and other current assets

<i>in € millions</i>	31 Dec. 2019			31 December 2018*		
	Gross	Impair- ment	Net	Gross	Impair- ment	Net
Trade receivables	1,064.3	(63.9)	1,000.4	1,240.9	(57.9)	1,183.0
Other receivables	103.4	(10.1)	93.3	91.2	(5.6)	85.6
Trade and other receivables	1,167.7	(74.0)	1,093.7	1,332.1	(63.5)	1,268.6
Costs of performance and obtention of contract recognised as an asset*	30.6		30.6	31.3	-	31.3
Other current assets	27.8		27.8	34.9	-	34.9

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The net amounts reclassified at 31 December 2019 as assets held for sale were €67.7 million for trade and other receivables, €3.7 million for contract performance and obtention costs and €1.7 million for the other current assets.

Trade receivables items are broken down below by business, net of impairment.

in € millions	31 Dec. 2019				31 Dec. 2018*			
	Receivables invoiced, net of impairment	Outstanding rentals	Revenue accruals	Total	Receivables invoiced, net of impairment	Outstanding rentals	Revenue accruals	Total
Technology Management & Financing	354.4	389.6	6.8	750.8	326.3	455.6	10.0	791.9
Digital Services & Solutions	155.8	-	93.8	249.6	232.6	-	158.5	391.1
Total	510.2	389.6	100.6	1,000.4	558.9	455.6	168.5	1,183.0

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The net amounts reclassified at 31 December 2019 as assets held for sale were €59.4 million.

At end-2019, the €389.6 million in outstanding rentals includes a portion that is self-funded or refinanced with recourse for a gross amount of €238.5 million, of which €162.7 million is non-current. The current

portion of the €389.6 million includes not only self-funded outstanding rentals but also a portion that will be refinanced, i.e., when a refinancing agreement exists.

Impairment of receivables

Initially, receivables are impaired taking into account expected credit losses, if material:

- short-term receivables (mainly for the DSS business) are impaired on the basis of an average observed risk of default. This approach is based on the default rates observed individually by each of the Group's subsidiaries;

- long-term receivables (mainly for the TMF business) are impaired by taking into account the customer's risk profile, the value of the underlying assets and a probability of occurrence.

Subsequently, if there is serious doubt as to its recoverability, a loss allowance is recognised for the amount that is not recoverable.

in € millions	31 Dec. 2018	Additions	Reversals	Other changes	Reclassification under assets held for sale	31 Dec. 2019
Impairment of doubtful receivables	(57.9)	(17.6)	10.6	(0.6)	1.6	(63.9)

Other receivables

Other receivables represent amounts receivable from the French State and miscellaneous amounts due from third parties (suppliers, factor, etc.):

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
Tax receivables (excl. income tax)	38.9	35.4
Factoring receivables	36.1	11.4
Government grants receivable	4.1	7.1
Due from suppliers	9.4	18.1
Other	4.7	13.7
Other receivables	93.3	85.6

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The total net amount reclassified at 31 December 2019 to assets held for sale was €8.3 million.

Other current assets

Other current assets mainly relate to prepaid expenses totalling €27.6 million after the reclassification of €1.7 million at 31 December 2019 as assets held for sale and €34.7 million at 31 December 2018.

12.3. Trade and other payables

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
Trade payables	756.9	854.0
Other payables	223.7	250.2
Trade and other payables	980.6	1,104.2

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The total net amount reclassified at 31 December 2019 to liabilities held for sale was €43.6 million.

Other payables can be analysed as follows:

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018 *
Tax and social liabilities	212.5	235.3
Dividends payable	1.2	0.9
Customer prepayments and other payables	10.0	14.0
Other payables	223.7	250.2

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The total net amount reclassified at 31 December 2019 to liabilities held for sale was €20.7 million.

12.4. Other current liabilities

Other current liabilities break down as follows:

<i>in € millions</i>	Notes	31 Dec. 2019	31 Dec. 2018*
Contract liabilities*		68.7	85.8
Contingent acquisition-related liabilities - current portion	2.4	28.0	58.9
Deferred income		134.3	119.3
Other liabilities		7.4	11.1
Other current liabilities		169.7	189.3

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The total net amount reclassified at 31 December 2019 to liabilities held for sale was €12.4 million.

12.5. Other non-current liabilities

<i>in € millions</i>	Notes	31 Dec. 2019	31 Dec. 2018*
Acquisition-related liabilities – non-current portion	2.4	38.0	65.2
Other non-current liabilities ⁽¹⁾		4.4	4.6
Other non-current liabilities		42.4	69.9

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1).

⁽¹⁾ Including €2.3 million in miscellaneous cash deposits received at 31 December 2019 (€1.9 million at 31 December 2018).

13. Financial instruments

Financial instruments comprise:

- financial assets, which include long-term financial assets (except investments in equity-accounted companies), other long-term receivables, trade and other receivables, other current assets, and cash and cash equivalents;
- financial liabilities, which include current and non-current financial liabilities and bank overdrafts, operating payables and other current and non-current liabilities; and
- derivative instruments.

13.1. Classification and measurement of financial instruments

Financial instruments (assets and liabilities) are recorded in the consolidated statement of financial position at their fair value on initial recognition, plus in the case of an asset that is not subsequently recognised at fair value through profit or loss, transaction costs directly attributable to the acquisition of that asset.

They are subsequently measured at either fair value (through profit or loss, or through other comprehensive income) or amortised cost, depending on their nature.

The classification of a financial asset in each of these categories depends on the management model applied to it by the company and the characteristics of its contractual cash flows.

In practice, trade receivables are measured according to the amortised cost method, even though they may be subject to an assignment of receivables, for example, in the context of factoring.

The Group applies the concept of fair value set out in IFRS 13 – Fair Value Measurement, whereby fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price)”.

Amortised cost represents the fair value on initial recognition (net of transaction costs), plus interest calculated based on the

effective interest rate and less cash outflows (coupons, principal repayments and, where applicable, redemption premiums). Accrued interest (income and expenses) is not recorded at the nominal interest rate of the financial instrument, but based on the instrument's effective interest rate. Financial assets at amortised cost are tested for impairment whenever there are indications that they may be impaired.

Any loss of value is recognised in the income statement.

The initial recognition of financial instruments in the consolidated statement of financial position along with their subsequent measurement as described above apply the following interest rate definitions:

- the coupon rate (coupon), which is the nominal interest rate on the instrument;
- the effective interest rate;
- the market interest rate, which is the effective interest rate as recalculated at the measurement date in line with ordinary market inputs.

Financial instruments carried in both assets and liabilities are derecognised whenever the related risks and rewards are sold and the Group ceases to have control over those financial instruments (see note 21).

13.2. Derivative financial instruments

The Group uses the financial markets only for hedging exposure related to its business activities and not for speculative purposes.

Given the low exchange rate risk, forward purchases and sales of foreign currency are recognised as instruments measured at fair value through profit or loss.

The Group uses an interest rate swap to hedge its interest rate risk on a floating-rate tranche of its new

Schuldschein notes. This financial instrument is designated as a cash flow hedge and is eligible for hedge accounting under IFRS 9.

Gains or losses on the hedging instrument are recognised directly in other comprehensive income until the hedged item is itself recognised in the income statement. Hedging reserves are then transferred to the income statement.

	31 Dec. 2018	Change through profit or loss	Other comprehensive income (expense) ⁽¹⁾	31 Dec. 2019
Derivative instruments (positive fair value)	-	-	-	-
Derivative instruments (negative fair value) ⁽¹⁾	0.7	-	0.2	0.9
Total		-	(0.2)	

⁽¹⁾ Changes in fair value of the instrument hedging Schuldschein notes.

13.3. Classification of financial instruments and fair value hierarchy

IFRS 7 – Financial Instruments: Disclosures sets out a fair value hierarchy, as follows:

- Level 1: fair value based on quoted prices in active markets;
- Level 2: fair value measured using observable market inputs (other than the quoted market prices included in Level 1);
- Level 3: fair value measured using unobservable market inputs.

The fair value of financial instruments is determined using market prices resulting from trades on a national stock exchange or over-the-counter markets. When no

market price is available, fair value is measured using other valuation methods such as discounted future cash flows.

In any event, estimates of market value are based on certain interpretations required when measuring financial assets.

As such, these estimates do not necessarily reflect the amounts that the Group would actually receive or pay if the instruments were traded on the market. The use of different estimates, methods and assumptions may have a material impact on estimated fair values.

In view of their short-term nature, the carrying amount of trade and other receivables, and cash and cash equivalents approximates their fair value.

Derivative financial instruments are measured using Level 2 fair values.

Cash equivalents are recognised at fair value (Level 1).

13.3.1. FINANCIAL ASSETS

The Group's financial assets at 31 December 2019 can be analysed as follows:

<i>in € millions</i>		Carrying amount			Level in the fair value hierarchy		
Statement of financial position headings	Notes	Amor-tised cost	Fair value recognised through other comprehensive income	Fair value through profit or loss	Level 1	Level 2	Level 3
Long-term financial assets	10.3	27.2	-	5.8	-	32.9	-
Long-term receivables	10.4	13.6	-	-	-	13.6	-
Trade receivables	12.2	1,000.4	-	-	-	1,000.4	-
Other receivables	12.2	93.3	-	-	-	93.3	-
Cash and cash equivalents	14.1	-	-	593.8	593.8	-	-
Financial assets		1,134.5	-	599.6	593.8	1,140.2	-

13.3.2. FINANCIAL LIABILITIES AND OTHER LIABILITIES

In view of their short-term nature, the carrying amount of trade and other payables approximates fair value.

The market value of derivative instruments is measured based on valuations provided by bank counterparties or models widely used in financial markets, on the basis of data available at the reporting date.

in € millions

Statement of financial position headings	Notes	Carrying amount			Level in the fair value hierarchy		
		Amor- tised cost	Fair value through profit or loss	Fair value through equity	Level 1	Level 2	Level 3
Gross debt	14.2 14.1	827.8	18.2	-	18.2	827.8	-
Non convertible bonds		225.2	-	-	-	252.2	-
Convertible bonds		189.2	-	-	-	189.2	-
Bank debt, commercial paper and other		292.0	18.2	-	18.2	292.0	-
Liabilities relating to contracts refinanced with recourse		94.3	-	-	-	94.3	-
Lease liabilities		59.2	-	-	-	59.2	-
Non-current non interest-bearing liabilities	12.5	4.4	2.0	36.0	-	4.4	38.0
Gross liability for purchases of leased assets	11.2	101.5	-	-	-	101.5	-
Trade payables	12.3	756.9	-	-	-	756.9	-
Other payables (excluding derivative instruments)	12.3	222.8	-	-	-	222.8	-
Other current (financial) liabilities	12.4	7.4	1.8	26.1	-	7.4	28.0
Financial liabilities		1,980.0	22.0	62.1	18.2	1,980.0	66.0

Non-current non-interest-bearing liabilities and other current liabilities estimated at fair value through profit or loss (Level 3) correspond to contingent consideration liabilities arising on acquisitions of companies for €3.8 million (See 2.4).

Non-current non-interest-bearing liabilities and other current liabilities estimated at fair value through equity (Level 3) correspond to liabilities under put and call

options on noncontrolling interests for €62.1 million (see 2.4).

Contingent consideration liabilities are measured based on the estimated future performance of the entities concerned (e.g., EBIT multiples, expected future cash flows, etc.).

Based on the information held by the Group, the fair value of financial liabilities approximates their carrying amount.

14. Cash, gross debt and net debt

14.1. Cash and cash equivalents

These include cash on hand and demand deposits, other highly-liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are included in “Financial liabilities” within

current liabilities in the statement of financial position.

Changes in fair value are recognised through profit or loss under “Financial income – operating activities”.

Cash as presented in the statement of cash flows includes cash and cash equivalents, presented net of bank overdrafts. Cash and

cash equivalents can be broken down as follows at end-2018 and end-2019:

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
Cash in hand	588.3	605.0
Demand deposits	0.1	0.3
Sight deposits	588.2	604.7
Cash equivalents	5.5	3.4
Term accounts	2.1	1.8
Marketable securities	3.4	1.6
Cash and cash equivalents	593.8	608.4
Bank overdrafts	(18.2)	(3.6)
Cash and cash equivalents net of bank overdrafts	575.6	604.8

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The total net amount reclassified at 31 December 2019 to assets held for sale was €5.6 million.

The cash and cash equivalent balances corresponding to the share of Econocom’s partners in companies fully consolidated

but not wholly owned by the Group totalled €85.5 million at 31 December 2019 *versus* €72.6 million at 31 December 2018.

14.2. Gross debt

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
Convertible bond debt (OCEANE)	188.2	184.5
Nonconvertible bond debt (Euro PP)	54.7	99.5
Nonconvertible bond debt (Schuldschein)	147.1	147.1
Bonds – non current	390.0	431.1
Other debt	2.8	4.1
Finance lease liabilities ⁽¹⁾	58.8	68.8
Financial liabilities – non-current	61.6	73.0
Non-current interest-bearing liabilities	451.5	504.1
Convertible bond debt (OCEANE) – current portion	1.0	1.0
Nonconvertible bond debt (Euro PP) – current portion	47.6	2.7
Nonconvertible bond debt (Schuldschein bond) – current portion	2.8	2.7
Bonds – current portion	51.5	6.4
Commercial paper and other bank borrowings	289.2	283.0
Factoring payables ⁽²⁾	4.0	28.5
Other current borrowings and debt with recourse	-	-
Finance lease liabilities ⁽¹⁾	31.6	34.4
Financial liabilities – current portion⁽³⁾	324.8	346.0
Current interest-bearing liabilities	376.3	352.4
Gross debt total⁽³⁾	827.8	856.5

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1).

⁽¹⁾ Primarily liabilities relating to contracts refinanced with recourse. This debt is backed by customers' rental payments in which the Group retains a portion of the credit risk. The Group has therefore added back a similar amount of unassigned receivables in accordance with IAS 32 – Financial Instruments: Presentation.

⁽²⁾ Factoring liabilities consist of residual risks arising from factoring agreements.

⁽³⁾ Excluding current bank overdrafts.

Convertible bonds

In March 2018, Econocom group issued OCEANE bonds in the amount of €200 million (€198.4 million after allocation of issue costs). Their main characteristics are detailed below:

- maturity: five years;
- annual coupon: 0.5%;
- issue price: €8.26.

If these bonds are not converted, they will be redeemed in cash on 6 March 2023 at a price of €10.73.

OCEANE bonds are compound instruments within the meaning of IAS 32. The characteristics of the OCEANE bonds provide for the possibility of conversion into a fixed number of shares for a fixed amount of cash. An equity component has been calculated by subtracting the debt component of the OCEANE, measured at the rate of the debt without a conversion option, in application of sections 29–30 of IAS 32, which define the “equity” component as residual. On initial recognition, and net of issue costs, the equity component amounted to €16.7 million and the debt component to €181.7 million.

Nonconvertible bonds

Euro PP

In May 2015, Econocom Group SE took part in a €101 million bond issue (Euro PP) with eight institutional investors. The issue was in two tranches of €45.5 and €55.5 million, with respective maturities of five and seven years. They pay fixed-rate interest (2.364% in five years and 2.804% in seven years) and are redeemable upon maturity (*in fine*).

Schuldschein notes

In late November 2016, Econocom Group SE issued €150 million in Schuldschein notes on the Frankfurt market.

These notes, redeemable at maturity, comprise three tranches: €13 million at seven years, and €22 million and €115 million at five years. Notes belonging to the first two tranches pay fixed-rate interest (2.088% at seven years and 1.611% at five years). The interest on the third tranche includes a fixed-rate portion of 1.5% and a floating-rate portion indexed to six-month EURIBOR. An interest rate swap was put in place in respect of these notes to protect the Group against the interest rate risk on the floating-rate portion. The swap hedges the risk of a rise in interest rates; however, it provides that if EURIBOR is negative, Econocom bears the interest rate risk.

Commercial paper

In October 2015, Econocom diversified its financing and set up a commercial paper programme (*Econocom Group Société Européenne Billets de Trésorerie*). Through this programme, capped at €450 million, the Group optimises and diversifies in the short term the financial resources to support its growth. This programme complements the Group’s bank financing and gives it access to short-term liquidity under favourable and transparent conditions, since it borrows from the negotiable debt securities market.

Analysis of non-current interest-bearing liabilities by maturity

<i>2019 in € millions</i>	Total	1 to 5 years	Beyond 5 years
Lease payables relating to contracts refinanced with recourse (non-current portion)	58.8	58.8	-
Bonds	390.0	390.0	-
Other debt	2.8	2.8	-
Total	451.5	451.5	-

<i>2018 in € millions</i>	Total	1 to 5 years	Beyond 5 years
Lease payables relating to contracts refinanced with recourse (non-current portion)	65.0	65.0	-
Finance lease liabilities – real estate	0.1	0.1	-
Finance lease liabilities – non-real estate	3.7	3.7	-
Bonds	431.1	431.1	-
Other debt	4.1	4.1	-
Total	504.1	504.1	-

14.3. Net debt

The concept of net debt as used by the Group represents gross debt (see note 14.2) less gross cash (see note 14.1 – cash and cash equivalents). Gross debt includes all interest-bearing debt and debt incurred through the receipt of financial instruments.

It does not include:

- the gross purchase commitments of leased assets (liability) and residual interests in leased assets;
- the derivative instrument hedging Schuldschein notes; and
- lease liabilities.

Net debt 2019

in € millions	31 Dec. 2018	Cash flows	Non-cashflows				31 Dec. 2019
			Amortised cost of the loan	Conver- sion	Reclassi- fication to liabilities held for sale	Other	
Cash and cash equivalents *	608.4	(4.9)	-	0.8	(10.5)	-	593.8
Bank overdrafts **	(3.6)	(14.7)	-	-	-	-	(18.2)
Cash and cash equivalents net of bank overdrafts⁽¹⁾	604.8	(19.5)	-	0.8	(10.5)	-	575.6
Commercial paper and bank debt	(287.1)	(5.0)	-	-	0.1	-	(292.0)
Net cash at bank	317.7	(24.6)	-	0.8	(10.4)	-	283.6
Convertible bond (OCEANE)	(185.5)	1.0	(4.7)	-	-	-	(189.2)
Bond (Euro PP)	(102.2)	2.6	(2.7)	-	-	-	(102.3)
Bond (Schuldschein)	(149.8)	2.8	(2.9)	-	-	-	(149.9)
Leases refinanced with recourse	(97.2)	6.9	-	-	-	-	(90.3)
Factoring liabilities with recourse	(28.5)	20.3	-	-	4,3	-	(4.0)
Other non-current liabilities	(6.1)	-	-	-	-	6.1	-
Sub-total	(569.4)	33.6	(10.3)	-	4.3	6.1	(535.8)
Net debt	(251.7)	9.0	(10.3)	0.8	(6.1)	6.1	(252.2)

* Positive gross cash and cash equivalents.

** Including current bank overdrafts totalling €18.2 million at 31 December 2019 and €3.6 million at 31 December 2018.

⁽¹⁾ The -€29.3 million change in net cash and cash equivalents as shown in the statement of cash flows is equal to the sum of monetary outflows (-€19.5 million), translation adjustments (€0.8 million), and reclassification under liabilities held for sale (-€10.5 million).

The net debt in 2019 includes in particular €238.5 million corresponding to TMF contracts, self-funded with recourse.

Net debt 2018

in € millions	31 Dec. 2017	Cash flows	Non-cashflows				31 Dec. 2018
			Newly consolidated companies	Amortised cost of the loan	Conversion	Other	
Cash and cash equivalents*	237.9	356.1	13.6	-	0.8	-	608.4
Bank overdrafts**	(5.1)	1.5	(0.1)	-	-	-	(3.6)
Cash and cash equivalents net of bank overdrafts⁽¹⁾	232.9	357.6	13.5	-	0.8	-	604.8
Commercial paper	(130.8)	(155.7)	(0.5)	-	0.1	(0.2)	(287.1)
Net cash at bank	102.0	201.9	13.1	-	0.9	(0.2)	317.7
Convertible bond (ORNANE)	-	(184.5)	-	(1.0)	-	-	(185.5)
Bond (Euro PP)	(102.1)	2.5 ⁽²⁾	-	(2.6)	-	-	(102.2)
Bond (Schuldschein)	(149.7)	2.7 ⁽²⁾	-	(2.8)	-	-	(149.8)
Leases with recourse	(108.8)	11.6	-	-	-	-	(97.2)
Factoring liabilities with recourse	(12.2)	(16.3)	-	-	-	-	(28.5)
Other liabilities with recourse	(3.1)	3.1	-	-	-	-	-
Finance lease liabilities	(4.7)	-	(1.4)	-	-	-	(6.1)
Sub-total	(380.6)	(180.9)	(1.4)	(6.4)	-	-	(569.4)
Net debt	(278.6)	20.9	11.7	(6.4)	0.9	(0.1)	(251.7)

* Positive gross cash and cash equivalents.

** Including current bank overdrafts totalling €3.6 million at 31 December 2018 and €5.1 million at 31 December 2017.

⁽¹⁾ The €372.0 million change in net cash and cash equivalents as shown in the statement of cash flows is equal to the sum of monetary outflows (€357.6 million) and cash resulting from newly consolidated companies (€13.5 million) less translation losses (€0.8 million).

⁽²⁾ Monetary flows on Nonconvertible bonds corresponds to €5.4 million of interest paid over the year. These interest paid are shown within "Interest paid" in the consolidated statement of cash flows.

15. Equity

15.1. Share capital

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 €23,512,79.67. The total number of shares with voting rights attached was thus increased to 245,380,430.

	Number of shares			Value in € millions		
	Total	Treasury shares ⁽¹⁾	Outstanding	Share capital	Issue premium	Treasury shares
At 1 January 2018	245,140,430	9,529,793	235,610,637	23.5	253.0	(58.1)
Purchases of treasury shares, net of sales	-	5,858,838	(5,858,838)	-	-	(15.6)
Exercise of options and award of free shares	-	(1,410,000)	1,410,000	-	-	9.1
OCEANE equity component	-	-	-	-	16.7	-
Refund of issue premium	-	-	-	-	(29.4)	-
At 31 December 2018	245,140,430	13,978,631	231,161,799	23.5	240.3	(64.6)
Purchases of treasury shares, net of sales	-	9,564,513	(9,564,513)	-	-	(26.3)
Exercise of options and award of free shares	-	(85,000)	85,000	-	-	0.0
Capital increase	240,000	-	-	-	0.7	-
Refund of issue premium	-	-	-	-	(27.4)	-
At 31 December 2019	245,380,430	23,458,144	221,922,286	23.5	213.6	(90.9)

⁽¹⁾ At 31 December 2019, all of the shares are in its own account. At 31 December 2018, 13,854,631 shares were in its own account and 124,000 were part of the liquidity agreement.

The number of dematerialised shares stands at 183,046,396.

The number of registered shares is 62,334,034, a total of 245,380,430.

Bearer shares

At 31 December 2017, following the share split on 2 June 2017, a total of 1,093,844 shares were recorded in the name of *Caisse des Dépôts et Consignations* in the Group's share register.

During the 2018 fiscal year, only one shareholder claimed its shares (1,688 shares after the split) from *Caisse des Dépôts et Consignations*. The number of Econocom Group shares registered in the name of

Caisse des Dépôts et Consignations in our register therefore amounts to 1,092,156 shares.

In 2019, following claims from two shareholders (for a total of 6,488 shares) from *Caisse des Dépôts et Consignations*, the number of Econocom Group shares registered in the name of *Caisse des Dépôts et Consignations* in our register therefore amounts to 1,085,668 shares.

15.2. Changes in equity attributable to owners of the parent

At 31 December 2019, equity attributable to owners of the parent amounted to €410.2 million (€396.4 million at 31 December 2018). The table below shows changes in this item:

<i>in € millions</i>	Attributable to owners of the parent
At 31 December 2018	396.4
IFRS 16 Leases (Lessee) impact	(3.0)
At 1 January 2019	393.4
Comprehensive income	45.5
Share-based payments, net of tax	0.7
Refund of issue premium, net	(27.4)
Capital increase	0.7
Treasury share transactions	(26.3)
Transactions on stock options	-
Change in fair value of liabilities under put options	3.2
Impact of put options granted to non-controlling shareholders	8.1
Reclassifications of reserves attributable to owners of the parent/non-controlling interests further to additional acquisitions	6.3
Miscellaneous (transactions impacting non-controlling interests and other transactions)*	6.1
At 31 December 2019	410.2

* Primarily concern the disposal of Rayonnance:

15.3. Changes in equity not recognised in profit or loss

15.3.1. ECONOCOM GROUP SHARE-BASED PAYMENTS

The Group regularly awards stock purchase and subscription options, as well as free shares, to Management, certain corporate officers and select employees. These transactions are recognised at fair value at the grant date using the Black-Scholes-Merton mathematical option pricing model.

Fair value, corresponding to the estimated cost of the services provided by the beneficiaries, is recognised on a

straight-line basis in "Personnel costs" over the vesting period. An offsetting entry is recorded to equity. Subsequent changes in the fair value of the options do not impact the initial measurement.

At the end of each reporting period, the Group revises the assumptions used to calculate the number of equity instruments. The impact of this revised estimate, if any, is taken to profit or loss and the expenses accrued adjusted accordingly. The offsetting entry is recorded in equity.

15.3.1.1. Stock subscription option plans

Stock options have been granted to some of the Group's employees and corporate officers for an agreed unit price. Stock purchase and stock subscription option plans are equity-settled share-based payment transactions. In accordance with the number of options expected to vest, the fair value of the options granted is

expensed over the vesting period. When the options are exercised, equity is increased by the proceeds received.

The characteristics of these plans are detailed below. It should be noted that the number of options granted remains unchanged but that owing to the share split, the number of rights attached to each option has doubled.

<i>Stock option plans</i>	2013 Options	2014 Options⁽¹⁾				2017 Options⁽²⁾	Total
Year granted	2013	2014	2015	2016		2017	
Options outstanding at 31 December 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, forfeited or cancelled	-	(64,380)	(700)	(10,000)		-	(75,080)
Options outstanding at 31 December 2019	250,000	1,599,620	356,800	85,000		90,000	2,381,420
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 31 December 2019	500,000	3,199,240	713,600	170,000		90,000	4,672,840
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	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023		Dec. 2023	-

(1) In December 2014, the Board of Directors approved a plan to issue 2,500,000 stock subscription rights. These options were issued by the Compensation Committee in 2014 (2,075,000 options), 2015 (360,000 options) and 2016 (105,000 options). The formula adopted will allow Econocom Group to issue new shares upon exercise of these options.

(2) In May 2017, the Board of Directors approved a plan to issue 2,000,000 stock subscription rights, 1,950,000 of which were issued in December 2017 by the Compensation Committee. These options will also give rise to the issue of new shares.

The fair values of the options were measured at the grant date using the Black-Scholes-Merton mathematical option pricing model. The table below shows the measurements along with the main assumptions used:

General information		Initial measurement assumptions (IFRS 2)					
Plan	Year granted	Options outstanding	Fair value	Volatility	Vesting period	Estimated future dividend in %	RFIR ⁽¹⁾
2013	2013	250,000	1.21	24%	4 years	2%	1.14%
	2014	1,599,620	0.73	28%	4 years	2%	0.32%
2014	2015	356,800	1.00	28%	4 years	2%	0.35%
	2016	85,000	1.65	30%	4 years	2%	0.02%
2017	2017	90,000	1.08	29%	4 years	2%	0.13%

⁽¹⁾ RFIR: risk-free interest rate.

Options are measured at fair value at the grant date in accordance with IFRS 2.

Volatility is calculated by an actuary based on a four-year record of daily prices preceding the option grant date, in line with the maturity of the options.

A detailed description of these stock option plans can be found in section 5.10 of the Management Report.

15.3.1.2. Free share plan

In 2019, the Econocom Board of Directors did not award free shares.

Vesting may be subject to the achievement of individual and/or collective objectives, that may be internal and/or external to the Econocom Group. As at 31 December 2019, 790,000 free shares had not been exercised.

	2016			2018			Total
Tranches	3	1	2	3	4	5	
Free shares outstanding at 31 Dec. 2018	140,000	15,000	402,500	342,500	342,500	342,500	1,585,000
Award	-	-	-	-	-	-	-
Vesting	(70,000)	(15,000)	-	-	-	-	(85,000)
Exercise	-	-	-	-	-	-	-
Loss	(70,000)	-	(205,000)	(145,000)	(145,000)	(145,000)	(710,000)
Free shares outstanding at 31 Dec. 2019	-	-	197,500	197,500	197,500	197,500	790,000
Expiry date	May 2019	Feb 2019	March 2020	March 2021	March 2022	March 2023	-

Each tranche is contingent on the employee being present in the Group throughout the vesting period, and on a series of conditions relating to performance and share price.

15.3.1.3. Econocom Group share-based payment expense in the income statement

The total expense taken to profit or loss in 2019 in respect of share-based payments amounted to €0.7 million, and was recorded in personnel costs within recurring operating profit. A tax effect was recognised for an amount that was not material.

The total expense taken to profit or loss in 2018 in respect of share-based payments amounted to €1.1 million, and was recorded in personnel costs within recurring

operating profit. A tax effect was recognised for an amount that was not material.

15.3.2. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The impact of provisions for pensions and other post-employment benefits on consolidated equity is set out in note 17.

15.3.3. TREASURY SHARES

Treasury shares and the related transaction costs are recorded as a deduction from equity. When they are sold, the consideration received in exchange for the shares net of the transaction costs is recorded in equity.

At 31 December 2019, the Group held 23,458,144 treasury shares (i.e., 9.6% of the total number of shares) through the parent company Econocom Group SE.

The net acquisition cost of shares acquired and the proceeds from the sale of shares sold were respectively deducted from or added to equity.

15.3.4. DIVIDEND

The Board of Directors recommends that at the Annual General Meeting shareholders vote to refund the issue premium considered as paid-in capital, in an amount of €0.12 per share. The table below also shows the dividend per share paid by the Group in respect of previous years.

	Issue premium refund proposed in 2020	Issue premium refunded in 2019	Issue premium refunded in 2018
Total dividend in € millions ⁽¹⁾	29.4	29.4	29.4
Dividend per share in € (after the share split)	0.12	0.12	0.12

⁽¹⁾ Calculated based on the total number of shares outstanding at 31 December of each year.

As this refund of the issue premium is subject to the approval of the Annual General Meeting, it is not recognised as a liability in the consolidated financial statements for the year ended 31 December 2019.

15.3.5. CURRENCY TRANSLATION RESERVES

Currency translation reserves correspond to the cumulative effect of the consolidation

of subsidiaries with functional currencies other than the euro. Foreign exchange gains and losses recorded in equity attributable to owners of the parent and non-controlling interests represented a decrease of €5.7 million *versus* a decrease of €6.5 million at 31 December 2018. At 31 December 2019, changes in this item result chiefly from fluctuations in the value of the pound sterling, Brazilian real, Swiss franc and Polish zloty.

15.4. Change in non-controlling interests

At 31 December 2019, non-controlling interests amounted to €73.7 million (€94.9 million at 31 December 2018). The table below shows changes in this item:

<i>in € millions</i>	Non-controlling interests
At 31 December 2018	94.9
Share of comprehensive income attributable to non-controlling interests	3.9
Impact of put options granted to non-controlling shareholders	(8.1)
Reclassifications between equity attributable to owners of the parent and non-controlling interests following acquisitions of additional shares	(6.3)
Miscellaneous transactions impacting reserves* of non-controlling interests	(10.8)
At 31 December 2019	73.7

* Primarily concern the disposal of Rayonnance

The share of profit recognised in the income statement for non-controlling interests represents +€3.9 million for 2019 (compared with +€5.2 million in 2018).

15.5. Information regarding non-controlling interests

At 31 December 2019, non-controlling interests primarily concerned Econocom's "Satellites" in the Digital Services & Solutions activity: Altabox, Alter Way, Asystel Italia, Bizmatica, Econocom Digital Security, Exaprobe, Helis, Infeeny and EnergyNet.

Together these companies accounted for 13.4% of total assets and 27.2% of consolidated equity at 31 December 2019. Taken individually, none of these entities represents a significant percentage of

Econocom Group's total assets or consolidated equity.

Current accounts granted to these companies by Econocom Finance SNC amounted to €18.8 million at 31 December 2019.

After eliminating items between these companies and other Group companies, these entities contributed €605.9 million to revenue in 2019 (€578.6 million in 2018).

16. Provisions

The Group recognises provisions when it has a legal or constructive obligation towards a third party as a result of past events which is likely to result in an outflow of resources that can be measured reliably.

The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation, taking into account the risks and uncertainties known at the reporting date.

Long-term provisions

Long-term provisions cover risks which are not reasonably expected to materialise for several years, and concern employee-related risks. They are discounted if required.

Short-term provisions

Short-term provisions primarily correspond to provisions for claims related to the Group's normal operating cycle and which are expected to be settled within 12 months.

They mainly include:

- provisions for employee-related risks (including risks arising from reorganisation measures);
- tax and legal risks (disputes in progress with clients, suppliers, agents or tax authorities);
- deferred commissions, (calculated contract-by-contract based on the residual value of leased assets, less any residual commercial value of the contracts concerned);
- other provisions.

Some disputes are described in note 24 – Assessments made by Management and sources of uncertainty.

Contingent liabilities

Other than the general risks described in note 19, the Group did not identify any material risks not provisioned in its financial statements.

Provisions for restructuring and employee-related risks

Provisions for restructuring and employee-related risks in the amount of €6.7 million cover future costs related particularly to the ongoing transformation of the Digital Services & Solutions business line, on the one hand, and litigation with former employees, on the other.

Provisions for tax, legal and commercial risks

This item includes provisions for legal and commercial risks in the amount of €17.2 million, which mainly cover the risks related to ongoing litigation with clients.

Provisions for other risks

Provisions for other risks (€8.5 million) cover risks of a very varied nature, of which nearly three-quarters in France.

Change in 2019 provisions

<i>in € millions</i>	31 Dec. 2018	Addi- tions	Reversals not used	Rever- sals (used)	IFRS 5	Other and ex- change diffe- rences	31 Dec. 2019
Restructuring and employee-related risks	7.3	3.2	(0.9)	(2.4)	(0.5)	-	6.7
Tax, legal and commercial risks	17.4	11.2	(2.6)	(5.2)	(1.7)	-	19.2
Deferred commissions	1.7	0.1	(0.3)	-	-	-	1.5
Other risks	17.2	4.3	(4.0)	(0.2)	(5.1)	(3.8)	8.5
Total	43.7	18.9	7.8	(7.8)	(7.4)	(3.8)	35.8
Long-term	2.1	1.6	(0.1)	(0.3)	-	-	3.3
Short-term	41.6	17.3	(7.7)	(7.5)	(7.4)	(3.8)	32.6
Profit impact of movements in provisions							
Profit (loss) from continuing operations		7.1	(6.5)	(3.8)			
Profit (loss) from discontinued operations		11.8	(1.2)	(3.0)			
Income tax expense			(0.1)	(1.0)			

Change in 2018 provisions

<i>in € millions</i>	31 Dec. 2017	Changes in scope of consoli- dation	Addi- tions	Rever- sals (not used)	Rever- sals used	Other and ex- change diffe- rences	31 Dec. 2018
Restructuring and employee-related risks	9.8	0.9	2.2	(2.0)	(3.9)	0.3	7.3
Tax, legal and commercial risks	19.4	0.8	7.0	(3.5)	(5.2)	(1.1)	17.4
Deferred commissions	0.9	-	0.8	-	-	-	1.7
Other risks	12.2	0.4	10.4	(2.4)	(3.3)	-	17.2
Total	42.3	2.1	20.4	(7.9)	(12.4)	(0.7)	43.7
Long-term	1.1	1.7	0.1	(0.7)	(0.1)	0.1	2.1
Short-term	41.2	0.4	20.3	(7.2)	(12.3)	(0.8)	41.6
Profit (loss) impact of movements in provisions							
Profit (loss) from continuing operations			11.1	(2.6)	(8.3)		
Profit (loss) from discontinued operations			8.8	(3.9)	(3.4)		
Income tax expense			0.4	(1.4)	(0.7)		

17. Provisions for pensions and other post-employment benefit obligations

17.1. Description of pension plans

Post-employment benefits are granted under defined contribution plans or defined benefit plans.

17.1.1. DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the Group pays fixed contributions to an external entity that is responsible for the plan's administrative and financial management. The employer is therefore free of any subsequent obligation as the agency is in charge of paying employees the amounts to which they are entitled (basic Social Security pension plan, supplementary pension plans).

Special case: Pensions plans in Belgium

The Belgian "Vandenbroucke Law" states that employers must guarantee a minimum return on employee contributions. All Belgian defined contribution plans are therefore treated as defined benefit plans in accordance with IFRS.

As from 1 January 2016, the Group has been required to guarantee a minimum return for contributions paid in. The return depends on the yield on Belgian 10-year government bonds but should be between 1.75% and 3.25%. There will be no distinction made between employer and employee contributions.

Employers are exposed to a financial risk as a result of this guaranteed minimum return for defined contribution plans in Belgium, since they have a legal obligation to pay additional contributions if the plan does not have sufficient assets to pay all benefits relating to past service costs.

These plans are classified and accounted for as IAS 19 defined benefit plans.

17.1.2. DEFINED BENEFIT PLANS

Defined benefit plans are characterised by the employer's obligation to its employees. Provisions are therefore accrued to meet this obligation.

The defined benefit obligation is calculated using the projected unit credit method, which uses actuarial assumptions as regards salary increases, retirement age, mortality, employee turnover and the discount rate.

Changes in actuarial assumptions, or the difference between these assumptions and actual experience, result in actuarial gains or losses. These are recognised in other comprehensive income for the period in which they occur, in accordance with the Group's accounting principles.

For the Group, defined benefit post-employment plans primarily concern the benefits described below:

- severance pay in France:
 - ▶ lump-sum benefits calculated according to the employee's years of service and his/her average compensation over the last 12 months prior to his/her departure,
 - ▶ the calculation is based on inputs defined by the Human Resources Department in France in November each year,

- ▶ the calculated amount is set aside under provisions in the statement of financial position;
- termination benefits in Italy:
 - ▶ rights vested by employees for each year of service pro rata to their gross annual compensation, revised every year and paid in advance or upon retirement, voluntary departure or termination,
 - ▶ the calculated amount is set aside under provisions in the statement of financial position.

At Econocom International Italia and Asystel Italia, all rights arising after 1 January 2007 have been transferred to an external entity and provisions therefore only concern rights vested at 31 December 2006 for which the Group was still liable at 31 December 2019.

Since Italy requires rights to be transferred to a third party or treasury fund as from a certain threshold only, certain rights relating to Bizmatica were kept on the Group's books.

- "Group" insurance in Belgium:
 - ▶ defined contribution plans, which provide a guaranteed return on payments made by the employer and the employee, payable as either a lump-sum benefit or equivalent annuity, or compensation in the event of death during employment. As the payment guaranteed by the insurance company is uncertain, the Group presents these plans as defined benefit plans, even though the amount of such plans in the statement of financial position is subject to only minimal changes;
- company pension plans in Austria: these are paid on the basis of employees' years of service and also cover the risk of death and disability. The benefits are also paid over to the surviving spouse in the event of death of the employee.

The Group has plan assets in France, Belgium and Austria. The expected rate of return on plan assets has been set at the same level as the rate used to discount the obligation.

The amounts which Econocom expects to pay directly in 2020 in respect of its employer contribution to the bodies in charge of collecting contributions, will represent around €1.1 million.

17.2. Actuarial assumptions and experience adjustments

Actuarial valuations depend on a certain number of long-term variables. These variables are reviewed every year.

	France		Other countries ⁽¹⁾	
	2019	2018	2019	2018
Retirement age	63-65 years	63-65 years	60-65 years	63-65 years
Salary increase rate and rights vested	2.20%	2.40%	1.00%-2.20%	1.00%-2.25%
Inflation rate	1.70%	1.90%	1.70%	1.90%
Discount rate	0.70%	1.60%	0.70%	1.60%
Mortality table	INSEE 2013-2015	INSEE 2012-2014	-	-

(1) Individually, the "Other countries" had an immaterial impact.

The employee turnover rate was determined based on statistics for each country and business. The employee turnover rate is applied depending on the age band of each employee and, for certain countries, depending on the employee's status (managerial-grade/non-managerial-grade).

A decrease of around 0.25 percentage points in the discount rate would lead to an

increase in the provision of approximately €1.9 million. A 0.25 percentage point increase in the discount rate would lead to a €1.4 million decrease in the provision.

In accordance with IAS 19, the discount rates applied to determine the amount of the obligation are based on the yield on long-term private-sector bonds over a term matching that of the Group's obligations.

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018*
Present value of obligation (a)	72.2	63.1
Present value of plan assets (b)	27.3	18.5
Impact of discontinued activities and disposals (c)	7.8	
Provision for pension obligations (a) – (b) – (c)	37.1	44.6
Long-service awards	0.3	0.5
Provisions for pension and other post-employment benefit obligations	37.4	45.1

* In accordance with the specifications of the standards, data at 31 December 2018 are not restated for the impact of the application of IFRS 5 from 1 January 2019 (see 1.1.1.1). The total net amount reclassified at 31 December 2019 to assets held for sale was €7.3 million.

17.3. Income and expenses recognised in profit or loss

Items of pension cost

<i>in € millions</i>	31 Dec. 2019	31 Dec. 2018 restated*
Service cost	(3.9)	(3.9)
Curtailment/termination	1.7	1.4
Interest expense	(0.6)	(0.6)
Expected return on plan assets	0.3	0.3
Total costs recognised in profit or loss	(2.5)	(2.7)
Total costs recognised in other items of comprehensive income	(0.9)	(2.0)

* Following the application of IFRS 5 (see 2.2.5.)

Service cost is shown within "Personnel costs" in the income statement. Interest expense, corresponding to the cost of discounting the obligation, is included in "Financial expenses". Curtailments and terminations are mainly included in non-recurring operating profit.

17.4. Changes in provisions recorded in the statement of financial position

Changes in the 2019 provision

<i>in € millions</i>	31 Dec. 2018	Changes in scope of consoli- dation	Income state- ment	Benefits paid directly	Reclas- sifica- tion of liabilities held for sale	Actua- rial gains and losses ⁽¹⁾	31 Dec. 2019
France	37.8	(0.3)	2.0	(0.8)	(5.9)	(2.3)	30.5
Other countries	6.8	-	0.5	(0.9)	(1.3)	1.4	6.6
Provisions for pensions	44.6	(0.3)	2.5	(1.6)	(7.2)	(0.9)	37.1
Long-service awards (France)	0.5	-	(0.2)	-	(0.1)	-	0.3
Total	45.1	(0.3)	2.3	(1.6)	(7.3)	(0.9)	37.4

⁽¹⁾ Cumulative revaluation gains and losses carried in other comprehensive income represented a net negative amount of €4.3 million in 2019 and €5.0 million in 2018, i.e., a change of €0.7 million between the two periods, resulting primarily from the change in actuarial assumptions.

Change in the 2018 provision

<i>in € millions</i>	31 Dec. 2017	Changes in scope of consolidation	In the income statement	Benefits paid directly	Actuarial gains and losses	31 Dec. 2018
France	39.0	0.1	1.3	(1.0)	(1.7)	37.8
Other countries	6.3	0.6	1.6	(1.5)	(0.3)	6.8
Provisions for pensions	45.3	0.7	2.9	(2.5)	(2.0)	44.6
Long-service awards (France)	0.4	-	0.1	-	-	0.5
Total	45.7	0.7	3.0	(2.5)	(2.0)	45.1

17.5. Changes in plan assets

Changes in 2019 plan assets

<i>in € millions</i>	31 Dec. 2018	Valuation of termination of employment	Expected return	Benefits paid by employer	Benefits paid by fund	Curtailment/ termination	Actuarial gains and losses	31 Dec. 2019
France	3.8	-	0.1	-	(0.8)	-	-	3.1
Other countries ⁽¹⁾	14.7	8.7	0.2	1.1	(0.9)	0.2	0.1	24.1
Total	18.5	8.7	0.3	1.1	(1.6)	0.2	0.1	27.3

⁽¹⁾ Including €23.6 million at 31 December 2019 relating to Belgian entities.

Change in 2018 plan assets

<i>in € millions</i>	31 Dec. 2017	Changes in scope of consolidation	Expected return	Benefits paid by employer	Benefits paid by fund	Curtailment/ termination	Actuarial gains and losses	31 Dec. 2018
France	4.7	-	0.1	-	(1.0)	-	-	3.8
Other countries ⁽¹⁾	14.9	-	0.2	0.6	(1.5)	0.2	0.3	14.7
Total	19.6	-	0.3	0.6	(2.5)	0.2	0.3	18.5

17.6. Estimated payments under defined benefit plans (no discounting) over a ten-year period

Timing of estimated payments to be made to employees under the main defined benefit plans, either by the plan (plan assets) or directly by Econocom if there are no plan assets:

<i>in € millions</i>	Due in less than 1 year	1-2 years	2-3 years	3-4 years	4-10 years	Total
Estimated payments	1.2	1.7	2.0	2.3	32.6	39.8

18. Notes to the consolidated statement of cash flows

Definition of cash flows

Cash flows are presented in the statement of cash flows, which analyses changes in cash flows from all activities, including continuing and discontinued operations as well as activities held for sale.

Cash as presented in the statement of cash flows includes cash and cash equivalents, presented net of bank overdrafts. Year-on-year changes in cash and cash equivalents can be broken down as follows in 2019 and 2018:

<i>in € millions</i>	2019	2018
Net cash and cash equivalents at 1 January	604.8	232.9
Change in net cash and cash equivalents	(29.3)	372.0
Net cash and cash equivalents at 31 December	575.6	604.8

18.1. Comments on the consolidated statement of cash flows from (used in) operating activities

Net cash used in operating activities totalled €125.8 million in 2019 compared to €119.9 million in 2018, reflecting:

- cash flow from operating activities totalling €140.1 million in 2019 versus €105.7 million in 2018;
- the financing of innovative digital or non-IT contracts in the Technology Management & Financing business (through the funding entity in Ireland and more generally through self-funded

contracts) for -€7.7 million in 2019 (€39.0 million in 2018);

- other drops in working capital requirement (down €7.6 million in 2019 compared with a drop of 80.2 million in 2018); this decline reflects the constant attention paid to the reduction of the cash requirements of each entity;
- income tax paid before tax credits of €29.6 million.

18.1.1. NON-CASH EXPENSES (INCOME)

<i>in € millions</i>	Notes	2019	2018 restated*
Elimination of share of profit (loss) of associates and joint ventures		-	-
Depreciation/amortisation of property, plant and equipment and intangible assets**	10.1/10.2	57.7	30.0
Net additions to (reversals from) provisions for contingencies and expenses		3.6	1.9
Change in provisions for pensions and other post-employment benefit obligation		1.1	0.6
Impairment of long-term financial assets		1.0	-
Impairment of trade receivables, inventories and other current assets		6.6	4.3
Total provisions, depreciation, amortisation and impairment		70.1	36.9
Change in residual interest in leased assets⁽¹⁾		3.2	(17.8)
Cost of discounting residual interest in leased assets and gross commitments on residual financial assets		(1.5)	(1.0)
Losses (gains) on disposals of property, plant and equipment and intangible assets		2.6	0.8
Gains and losses on fair value remeasurement	2.4	-	(0.2)
Expenses calculated for share-based payments		0.7	1.1
Impact of sold operations and changes in consolidation methods and other non-cash expenses (income)		(25.8)	(0.3)
Other non-cash expenses (income)		(24.0)	0.3
Non-cash expenses (income)		49.2	19.4

⁽¹⁾ Changes in the Group's residual interest in leased assets compare the undiscounted value of the residual interest from year to year, adjusted for currency impacts. The impact for the period of discounting is eliminated in the "Other non-cash expenses (income)" item.

* Following the application of IFRS 5 (see 2.2.5.)

** Includes €25.3 million in 2019 for the share of rental payments that is considered an amortisation of rights of use, in accordance with IFRS 16.

18.1.2. COST OF NET DEBT

The reconciliation of financial expense booked in the income statement with financial expense relating to the cost of debt as presented in the statement of cash flows can be presented as follows:

<i>in € millions</i>	2019 consolidated income statement	Discounting and change in fair value	Currency impact and other	Cost of net debt in 2019
Net financial expense – operating activities	4.7	(1.5)	(1.0)	2.2
Other financial income and expenses	(19.2)	0.6	1.2	(17.3)
Total	(14.5)	(0.8)	0.2	(15.2)

18.1.3. CHANGE IN WORKING CAPITAL REQUIREMENT

Changes in working capital can be analysed as follows:

<i>in € millions</i>	Notes	31 Dec. 2018	Change in working capital in 2019	Reclassif. of assets /Liabilities held for sale	Other changes ⁽¹⁾	31 Dec. 2019
Other long-term receivables, gross	10.4	15.2	1.9	(2.6)	(0.9)	13.6
Inventories, gross	12.1	72.0	13.5	(14.5)	(1.9)	69.2
Trade receivables, gross	12.2	1,240.9	(114.4)	(60.9)	(1.3)	1,064.3
Other receivables, gross	12.2	91.2	28.6	(8.4)	(8.0)	103.4
Residual interest in leased assets ⁽²⁾	11.1	163.8	-	-	1.1	165.0
Current tax assets		10.2	-	(0.1)	8.0	18.1
Other current assets	12.2	66.2	1.5	(5.4)	(4.0)	58.4
Trade receivables and other operating assets		1,659.5	(68.9)	(91.8)	(6.9)	1 492.0
Other non-current liabilities	12.5	(69.9)	(1.0)	-	28.5	(42.4)
Trade payables	12.3	(854.0)	71.9	23.0	2.2	(756.9)
Other payables	12.3	(250.3)	(6.1)	20.7	12.0	(223.7)
Current tax liabilities		(14.9)	(0.5)	1.0	(3.6)	(18.0)
Other current liabilities	12.4	(275.2)	(14.6)	13.2	38.2	(238.4)
Gross commitments on residual financial assets ⁽³⁾	11.2	(98.1)	(0.7)	-	(2.7)	(101.5)

<i>in € millions</i>	Notes	31 Dec. 2018	Change in working capital in 2019	Reclassif. of assets /Liabilities held for sale	Other changes⁽¹⁾	31 Dec. 2019
Trade and other operating payables		(1,562.4)	49.0	57.8	74.5	(1,381.0)
Other changes in working capital requirement ⁽⁴⁾		11.6	4.6			16.2
Total change in working capital requirements		-	(15.3)		-	-

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

(2) Changes in the residual interest in leased assets are shown in cash flows from operating activities.

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

(4) Change in deferred tax assets relates to the additional tax depreciation in Italy which is considered a working capital requirement item, whereas tax revenue is considered as recurring operating profit.

18.2. Breakdown of net cash from (used in) in investing activities

Net cash used in investing activities totalled -€27.1 million, primarily reflecting:

- cash outflows of €23 million resulting from investments in property, plant and equipment and intangible assets relating

to the Group's IT infrastructure and applications (see note 10);

- net cash outflows of €0.7 million linked to the payments of earnouts and deferred debt and inflows following the disposal of Rayonnance and Jade.

18.3. Breakdown of net cash from (used in) in financing activities

- Net cash from financing activities amounted to -€118 million, mainly reflecting:
- cash outflows of €26 million relating to net treasury share buybacks;
- cash outflows of €27.5 million relating to payments made to shareholders during the year (refund of issue premiums);
- net cash outflows of €6.9 million corresponding to the decrease in refinancing liabilities on lease contracts and liabilities on self-funded contracts;

- outflows of €40.9 million in repayments of financial debts;
- net cash inflows of €23.6 million following the issue of commercial paper;
- €26.9 million of outflows relating to IFRS 16 restatements;
- interest payments totalling €16 million in the year (including coupon payments on Schuldschein and Euro PP bonds).

19. Risk management

19.1. Capital adequacy framework

The gearing or net debt/equity ratio came out at 52.1% at 31 December 2019, compared to 51.2% at 31 December 2018.

It is calculated by taking financial debt as presented in Note 14, less cash and total equity as shown on the statement of financial position at the reporting date.

The Group seeks a level of gearing that maximises value for shareholders while maintaining the financial flexibility that is required to implement its strategic projects.

19.2. Risk management policy

The Group's activities are subject to certain financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group's overall financial risk management policy focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis in the Digital Services & Solutions

businesses. Financial market risks (interest rate and currency risk) and liquidity risks are handled by Group Management.

19.2.1. MARKET RISK

At the end of the year, Group Management fixes all of the rates to be applied in the following year's budgeting process.

The Group manages its exposure to interest rate and currency risks by using hedging instruments such as swaps and foreign exchange forward contracts. These derivative financial instruments are used purely for hedging and never for speculative purposes.

19.2.1.1. Currency risk

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as North and South America, the Group may be exposed to currency risk on other currencies. The table below summarises the sensitivity of certain consolidated income statement lines to an increase or decrease of 10% in exchange rates against the euro, linked to the translation of the subsidiaries' foreign currency accounts.

Sensitivity of income statement

in € millions	Contribution to the consolidated financial statements							Sensitivity to a change of:	
	EUR	GBP	USD	BRL	PLN	Other	Total	+10%	-10%
Revenue from continuing operations	2,646.5	65.1	175.1	15.9	14.3	9.7	2,926.6	(25.5)	31.1
Profit (loss) from continuing operations	109.6	3.4	7.0	2.3	1.2	0.7	124.2	(1.3)	1.6
Profit	41.3	2.6	5.2	1.3	0.2	(2.0)	48.6	(0.7)	(0.8)

Since the subsidiaries' purchases and sales are mainly denominated in the same currency, this exposure is limited. Econocom Group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge risks on internal flows.

The Group also manages finance lease agreements denominated in US dollars in its Technology Management & Financing business. Currency risk is hedged naturally due to the specific way in which these

agreements work. Regardless of movements in the dollar, the impact on profit or loss is not material.

19.2.2. INTEREST RATE RISK

Econocom's operating income and cash flows are substantially independent of changes in interest rates. Sales of leases to refinancing institutions are systematically based on fixed rates. Income arising on these contracts is therefore set at the outset and only varies if the contract is amended.

The table below presents a breakdown of fixed-rate and floating-rate debt:

in € millions	At 31 December 2019		At 31 December 2018	
	Outstanding	% total debt	Outstanding	% total debt
Fixed rate ⁽¹⁾	531.8	64%	534.8	62%
Floating rate ⁽²⁾	296.0	36%	321.7	38%
Gross debt⁽²⁾ (see note 14.2)	827.8	100%	856.5	100%

⁽¹⁾ Of which the OCEANE convertible bond (issued in March 2018) and all "Schuldschein" notes: one tranche of the notes (€115 million) bears interest at floating rates; however, an interest rate swap was set up at the outset to convert this floating rate to a fixed rate.

⁽²⁾ Excluding current bank overdrafts.

At 31 December 2019, some of the Group's debt is at floating rates and comprises short-term borrowings (credit lines and commercial paper), and short-term factoring agreements.

The interest rate sensitivity analysis shows that a 1% (100 basis point) rise in short-term interest rates would result in a €2.1 million impact on in profit before tax.

19.2.3. PRICE RISK

The Group is exposed to the risk of fluctuations in the residual interests of leased equipment within the scope of its Technology Management & Financing business. It deals with this risk by calculating the future value of equipment using the diminishing balance method, thereby guarding against the risk of obsolescence. This method is described in note 11.1.

The credit lines and commercial paper in place at 31 December 2019 are shown below:

2019 in € millions	Total amount available	Total amount drawn down
Unconfirmed credit lines ⁽¹⁾	102.5	-
Confirmed credit lines	151.1	8.9
Sub-total: credit lines	253.6	8.9
Commercial paper	450.0	278.5
Sub-total: commercial paper	450.0	278.5
Total credit lines and commercial paper	703.6	287.5

⁽¹⁾ Repayment schedule not defined.

The credit lines ensure that the Group has the liquidity needed to fund its assets, short-term cash requirements and development at the lowest possible cost.

In October 2015, Econocom set up a commercial paper programme on the French market. At 31 December 2019, the amount outstanding under this

The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and prudent nature of the selected method.

19.2.4. LIQUIDITY RISK

The Financing Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating cash flow forecasts on a monthly basis for the Group's 15 main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the Group's cash pooling system in order to offset cash surpluses and internal cash requirements.

programme (capped at €450 million) was €278.5 million.

The characteristics of bond debt are set out in note 14.2.

Based on its current financial forecasts, Econocom Management believes it has sufficient resources to ensure the continuity of its activities.

Maturity analysis for financial liabilities (excluding derivative instruments) and other liabilities (including liabilities under put and call options on noncontrolling interests)

The following maturity analysis for financial liabilities (principal and interest) shows remaining contractual maturities on an undiscounted basis:

<i>2019 in € millions</i>	Total commitment	Less than 1 year	1 to 5 years	Beyond 5 years
Lease liabilities	59.2	21.5	37.7	-
Gross commitments on residual financial assets	108.7	21.8	86.9	-
Liabilities relating to contracts refinanced with recourse	94.3	35.6	58.8	-
Bank debt, commercial paper and other	292.0	289.2	2.8	-
Convertible bonds (OCEANE)	222.8	5.6	217.3	-
Non-convertible bonds (Euro PP/Schuldschein)	262.2	50.6	211.6	-
Trade payables	756.9	756.9	-	-
Other payables (excluding derivative instruments)	222.8	222.8	-	-
Other current (financial) liabilities	35.6	35.6	-	-
Non-current non-interest-bearing liabilities	42.4	3.3	39.1	-
Total	2,097.1	1,443.0	654.1	-

<i>2018 in € millions</i>	Total commitment	Less than 1 year	1 to 5 years	Beyond 5 years
Finance lease liabilities	6.1	2.2	3.8	-
Gross commitments on residual financial assets	105.1	26.9	78.2	-
Liabilities relating to contracts refinanced with recourse	105.9	40.8	65.0	-
Bank debt, commercial paper and other	287.2	283.0	4.2	-
Convertible bonds (OCEANE)	228.3	5.5	222.8	-
Non-convertible bonds (Euro PP/Schuldschein)	267.4	5.1	262.3	-
Trade payables	854.0	854.0	-	-
Other payables (excluding derivative instruments)	249.6	249.6	-	-
Other current (financial) liabilities	70.0	70.0	-	-
Non-current non interest-bearing liabilities	64.5	2.1	62.4	-
Total	2,238.1	1,539.2	698.9	-

19.2.5. CREDIT AND COUNTERPARTY RISK

The Group has no significant exposure to credit risk. It has policies in place to ensure that sales of goods and services are made to clients with an appropriate credit history. The Group's exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Distribution and Services businesses, as well as non-recourse refinancing with bank subsidiaries and credit insurance in the Technology Management & Financing business. For its Technology Management & Financing business, the Group nevertheless has the option of retaining the credit risk on certain strategic transactions; lease contracts on which Econocom bears

the counterparty risk represent less than 10% of outstanding rentals in the TMF business. The Group decided to concentrate its strategic transactions bearing credit risk within its subsidiary Econocom Digital Finance Limited to ensure a consistent risk management approach.

The Group only invests with investment-grade counterparties, thus limiting its credit risk exposure.

Maximum credit risk exposure

As the Group has no credit derivatives or continuing significant involvement in the transferred assets, its maximum exposure in this respect is equal to the carrying amount of its financial assets (see note 13.1).

Aged balance of receivables past due but not impaired

2019 in € millions	Carrying amount	Receivables not past due	Breakdown by maturity			
			Total	Less than 60 days	Between 60 and 90 days	Over 90 days
Trade receivables – refinancing institutions, gross	98.3	46.9	51.4	31.5	13.4	6.5
Other receivables, gross	966.0	744.0	222.3	78.5	23.3	120.4
Impairment of doubtful receivables	(63.9)	(12.9)	(51.1)	(0.1)	(0,1)	(51,0)
Trade and other receivables, net	1,000,4	778.1	222.5	110.0	36.6	75.9

19.2.6. EQUITY RISK

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom Group at 31 December 2019 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.

20. Off-balance sheet commitments

20.1. Commitments received as a result of acquisitions

Vendors warranties in connection with acquisitions carried out in prior years were non-significant.

20.2. Commitments given in respect of disposals

For the disposals which took place in 2019 the vendor warranties granted by the group were not material.

20.3. Bank covenant

Only one covenant exists for the Euro PP private placement bond and the Schuldschein notes (private placement under German law). A breach would not result in early redemption; rather, it would force the Group to pay a higher interest rate until the ratio is brought back within the relevant bounds. It is calculated as of 31 December of each year, and corresponds to the ratio of net debt to proforma EBITDA. It may not exceed 3x over two consecutive years. At 31 December 2019, this covenant was respected.

20.4. Guarantee commitments

in € millions

Total guarantees given – 2019

Guarantees given by Econocom to banks for securing credit lines and borrowings ⁽¹⁾	350.0
Guarantees given by Econocom to refinancing institutions to cover certain operational risks, residual financial values, and invoice and payment mandates granted to Econocom ⁽²⁾	273.7
Guarantees given to clients for the Group's sales activities and guarantees given to suppliers	121.3
Total guarantees given	745.0

⁽¹⁾ Including €56.5 million recognised in financial liabilities. The guarantees relating to financing lines not yet drawn at 31 December 2019 totalled €293.5 million and €227.2 million at 31 December 2018.

⁽²⁾ Including €211.0 million refinanced at 31 December 2019, including €90.3 million in the statement of financial position relating to liabilities under finance leases with recourse. The amount of guarantees given to refinancers and not refinanced at 31 December 2019 was €62.7 million compared with €24.2 million at 31 December 2018.

The Group's off-balance sheet commitments can be analysed as follows by maturity and type of commitment:

<i>in € millions</i>	Less than 1 year	1-5 years	Beyond 5 years	At 31 December 2019	At 31 December 2018
Commitments given	66.8	438.5	239.7	745.0	646.8
Commitments given to banks	32.3	317.7	-	350.0	300.7
Commitments given to refinancers	-	34.6	239.1	273.7	254.7
Commitments given to customers and suppliers	34.5	85.1	0.5	120.1	90.3
Other guarantees	-	1.1	0.1	1.2	1.1
Commitments received	0.6	1.0	-	1.6	2.1
Guarantees and pledges	0.6	1.0	-	1.6	2.1

21. Information on the transfer of financial assets

21.1. Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of owning the asset.

The Group only derecognises all or part of a financial liability when it is extinguished, *i.e.*, when the obligation specified in the contract is discharged, cancelled or expires.

Transfer of cash flows only

When the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognises it and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

Retaining substantially all the risks and rewards of ownership of a divested financial asset

If the Group has retained substantially all the risks and rewards of ownership of a divested financial asset, it continues to recognise the financial asset in its entirety in addition to recognising the consideration received as a secured borrowing.

Retaining control of a financial asset

If the Group has retained control of a financial asset, it continues to recognise it on the statement of financial position to the extent of its continuing involvement in that asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the divested asset, it recognises the part it has retained in the asset and an associated liability for the amounts it is required to pay.

Full derecognition

When a financial asset is derecognised in full, a gain or loss on disposal is recorded in the income statement for the difference between the carrying amount of the asset and the consideration received or receivable, adjusted where necessary for any gains or losses recognised in other comprehensive income and accumulated in equity.

Partial derecognition

When a financial asset is partially derecognised, the Group allocates the previous carrying amount of the financial asset between the part that continues to be recognised in connection with the Group's continuing involvement and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income, is recognised in profit or loss. A cumulative gain or loss carried in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

Factoring liabilities

Certain subsidiaries of Econocom Group use factoring to diversify financing sources

and reduce credit risk. Factoring with contractual subrogation involves the transfer of ownership of trade receivables and all associated rights to the factor. This means transfer of the right to receive cash flows.

As required under IFRS 9 – Financial instruments: Recognition and Measurement, these receivables are derecognised when substantially all the risks and rewards of ownership are transferred to the factor. Where this is not the case they are maintained in the statement of financial position after the transfer and a financial liability is recorded as an offsetting entry for the cash received.

21.2. Information on the transfer of assets – Assets not derecognised in full

Assignment of trade receivables

For the purpose of optimising its cash management for its Digital, Services & Solutions businesses, the Group assigns a portion of its trade receivables throughout the year to factoring companies. At 31 December 2019, the Company had an amount of €299.9 million with factoring companies, resulting in non-recourse financing of €246.7 million. The unfinanced amount of €49.2 million is recognised in long-term financial assets and other receivables, and corresponds to unassignable receivables (security guarantees).

<i>in € millions</i>	2019	2018
Receivables assigned to factoring companies	299.9	285.5
Payables	4.0	8.6
Non-factored receivables	49.2	23.9
Receivables sold with no recourse*	246.7	253.0

* Receivables sold do not include the portion of receivables financed with recourse, classified in liabilities.

The overall factoring cost amounted to €2.5 million in 2019 compared with €3.1 million in 2018.

Refinancing with recourse

In certain very limited cases, Econocom Group retains its exposure to the credit risk on its factored receivables. In this case, the Group transfers title to the equipment under the lease to the refinancing institution for the duration of the lease, as collateral for the transaction.

However, for the purposes of simplification, the Group recognised a financial liability equal to the total amount factored with recourse and recorded a gross asset (representing its “continuing involvement” as defined by IFRS 9) in trade receivables for an amount of €90.3 million at 31 December 2019 (€97.2 million at 31 December 2018).

21.3. Information on transfers of assets associated with refinancing – Derecognised assets

21.3.1. NATURE OF CONTINUING INVOLVEMENT

Residual financial value

Outstanding amounts under the Group's lease agreements with customers are refinanced on a non-recourse basis except in very rare cases.

The Group's active risk management policy is aimed at limiting both credit risk and any other continuing involvement. Accordingly, the Group derecognises outstanding amounts under leases refinanced on a non-recourse basis.

However, the Group frequently sells, and commits to repurchase, the leased equipment at the same time as the outstandings under leases. These purchase obligations are classified within “gross commitments on residual financial assets” and recognised in statement of financial position liabilities.

Other continuing involvement

The main legal forms of refinancing contracts for lease outstandings are described below:

- outstandings assigned in full: Econocom considers that it has no other involvement within the meaning of IFRS 7;
- outstandings assigned as sales of receivables: Econocom has continuing

involvement since it retains a portion of the risk associated with the contractual relationship and ownership of the assets;

- outstandings assigned under finance leases: Econocom has continuing involvement since it retains a portion of the risk associated with the contractual relationship.

Risk from continuing involvement depends above all on Econocom's relationship with its customers, and as such is considered, managed and, where appropriate, covered by provisions as an operational risk and not a financial risk.

21.3.2. RECOGNITION IN INCOME STATEMENT

For Econocom Group, the cost of transferring outstandings is an operating expense included in the economic analysis of each transaction, and is included in profit (loss) from continuing operations accordingly. In contrast, costs relating to the factoring of trade receivables are of a financial nature and are classified within net financial expense. Gains and costs relating to unwinding the discount on the residual interest in leased assets and to gross commitments on residual financial assets are considered as operating costs and are included in “Financial income – operating activities”.

21.3.3. BREAKDOWN OF TRANSFERS FOR THE YEAR

Refinancing is part of the operating sales cycle and its seasonal nature is thus linked to that of its business and not to the presentation of the statement of financial position.

A significant part of this business takes place in December, which is traditionally an important month for companies where ICT investments and digital investments more generally are concerned.

22. Related-party information

This note presents material transactions between the Group and its related parties.

22.1. Management compensation

The Group's key management personnel are the Chairman, the Vice-Chairman, the Managing directors and the members of the Executive Committee.

The conditions related to the compensation of the Chairman, the Vice-Chairman and the Managing directors are determined by the Board of Directors

on the recommendation of the Compensation Committee. The Board has given its Chairman a mandate to determine the compensation of the other senior managers of the Group upon the recommendations of the Compensation Committee.

<i>in € millions</i>	2019	2018
Short-term benefits (including payroll costs)	(4.8)	(4.6)
Retirement benefits and other post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	(2.2)	(0.2)
Share-based payments	(0.2)	(1.1)
Attendance fees ⁽¹⁾	-	.
Total	(7.2)	(5.9)

⁽¹⁾ The table only shows compensation paid to key management personnel and excludes attendance fees paid to non-executive Directors.

The table above shows the amounts expensed for the members of the Executive Committee and the Managing directors. This table does not show fees billed to Econocom Group entities by management, which are disclosed in note 22.2 below.

The compensation policy for Directors and members of the Executive Committee is set out in further detail in the Board of Directors' Management Report in section 5.7.1.

22.2. 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.

The related-party transactions outlined below primarily concern the main

transactions carried out with the Chairman of the Board of Directors, its Vice-Chairman, the Managing directors and the Executive Directors, or with companies controlled by the Group or over which it exercises significant influence. These transactions exclude the components of compensation presented above.

Transactions between related parties are carried out on an arm's length basis.

<i>in € millions</i>	Income		Expenses		Receivables		Payables	
	2019	2018	2019	2018	2019	2018	2019	2018
Econocom International BV (EIBV)	0.3	0.6	(2.4)	(2.7)	-	-	0.1	0.1
SCI Dion-Bouton	0.6	-	(2.5)	(2.4)	2.7	2.1	-	-
SCI Maillot Pergolèse	-	-	(1.3)	(1.0)	0.2	0.2	-	-
SCI JMB	-	-	(1.1)	(1.1)	0.3	0.3	-	-
APL	-	-	(0.2)	-	-	-	-	-
GMPC	-	-	-	(0.8)	-	-	-	-
Bay Consulting SPRL	-	-	(0.5)	(0.4)	-	-	-	-
Orionisa consulting	-	-	(1.2)	(1.3)	-	-	-	-
Métis	-	-	(1.0)	-	-	-	0.6	-
Total	0.9	0.6	10.2	(9.7)	3.2	2.6	0.7	0.1

Relations with companies controlled by Jean-Louis Bouchard

SCI Dion-Bouton, of which Jean-Louis Bouchard is Managing Partner, owns the building in Puteaux, and it received €2.5 million in rent in 2019 (€2.4 million in 2018). A receivable of €0.6 million was booked following the vacating of the premises on 1 October 2019. In addition, the Econocom Group booked receivables of €2.7 million representing the deposits paid by Econocom France SAS to SCI Dion-Bouton and the repayments expected from it.

Econocom International BV (EIBV) – of which Jean-Louis Bouchard is a Partner – is a non-listed company that directly holds 36.40% of the capital of Econocom Group SE at 31 December 2019. Econocom International BV billed fees of €2.4 million to Econocom Group SE and its subsidiaries in 2019 for managing and coordinating the Group. These fees amounted to €2.7 million in 2018. It was also rebilled an amount of €0.3 million by Econocom Group entities. Debt totalling €0.1 million corresponds to trade payables due from the Spanish entities to SCI EIBV.

Transactions with SCI Maillot Pergolèse, which owns the premises in Clichy and of which Jean-Louis Bouchard is Partner and Robert Bouchard Manager, consist of rent for 2019 amounting to €1.3 million. Receivables in the amount of €0.2 million correspond to guarantees issued by Econocom SAS.

SCI JMB, which owns the premises in Villeurbanne and of which Jean-Louis Bouchard is Managing Partner, billed the Group a total amount of €1.1 million for rent in both 2019 and 2018. Econocom SAS paid €0.3 million in guarantees to SCI JMB.

Relations with companies controlled by Robert Bouchard

Gestion Management de la Petite Ceinture (GMPC) had invoiced the Group €0.8 million for consulting services in 2018. No invoices were recognised in 2019.

Other relations with related parties

BAY Consulting SPRL – of which Martine Bayens is Managing Partner – billed the Group consulting fees totalling €0.5 million in 2019.

The Group also recognised liabilities in 2015 for commitments to one of the Managing directors to purchase non-controlling interests in Alterway for €0.4 million.

Econocom Group committed to invest €3 million in investment fund Educapital I FCPI, which is managed by a management company (Educapital SAS), of which Marie-Christine Levet, an independent Director on the Econocom Group Board of Directors, is chair and shareholder.

Orionisa Consulting, which is controlled by Jean-Philippe Roesh, invoiced consulting services in the amount of €1.2 million.

23. Subsequent events

As of 1 January 2020, Anne Lange, Rafi Kouyoumdjian and Jean Mounet stepped down as directors.

On 10 February 2020, Econocom Group was informed an agreement had been entered into under the terms of which Econocom International BV undertook to purchase the 5.4% equity interest (i.e. 13,278,091 shares) held in Econocom Group SE by two companies controlled by Walter Butler. The selling price agreed was €3 per Econocom Group SE share. The sale is subject to the usual condition precedent that Econocom International BV obtains a bank loan for the full purchase price.

On 28 February 2020, Econocom announced it had entered exclusive negotiations with the Chequers Capital investment company with a view to disposing of its subsidiary Econocom Business Continuity which is responsible for all maintenance activities in France. This planned disposal is part of its strategy to refocus its activities, announced and embarked upon in 2019. The disposal is subject to the approval of the competition authorities.

In order to face the COVID-19 pandemic and ensure the continuation of activity, the Group adopted relevant measures and is gradually adapting these over time. The consequences of this pandemic did not have a significant effect on Econocom Group's business in January and February 2020. Its rapid spread across Europe and in particular, Italy, Spain and France, since the beginning of March, has led Econocom to anticipate an ongoing uncertain impact on its first quarter revenue in 2020. Part of the projected decline may only translate into a deferral to the second quarter if the lock-down measures are not further renewed beyond the end of April. At this stage, it is still quite difficult to measure the impact on the full year of 2020. However, regarding the financial position for the year ended 31 December 2019, the Group believes that the consequences of the health crisis did not have a significant impact and do not call into question the assumptions and estimates used for this closing.

24. Assessments made by Management and sources of uncertainty

The main areas in which judgement was exercised by Group Management were as follows:

- impairment of goodwill (note 9.3): each year, the Group reviews the value of the goodwill in its consolidated financial statements. These impairment tests are particularly sensitive to medium-term financial projections and to the discount rates used to estimate the value in use of CGUs;
- measurement of provisions for pensions (see note 17): an actuary calculates the provision for retirement benefits using the projected unit credit method. This calculation is particularly sensitive to assumptions regarding the discount rate, salary increase rate and employee turnover rate;
- valuation of the stock options granted since November 2002: the actuarial formulae used are sensitive to assumptions concerning employee turnover, changes in and volatility of the share price of Econocom Group SE, as well as the probability of Management achieving its objectives (see note 15.3.1);
- valuation of the Group's residual interest in leased assets: this valuation is performed using the method described in note 11.1 and verified each year using statistical methods;
- assessments of the probability of recovering the tax loss carryforwards and tax credits of the Group's subsidiaries (see note 7 on tax loss carryforwards);
- provisions (note 16): provisions are recognised to cover probable outflows of resources to a third party with no equivalent consideration for the Group. They include provisions for litigation of any nature which are estimated on the basis of the most probable, conservative settlement assumptions. To determine these assumptions, Group Management relies, where necessary, on assessments made by external consultants;
- like most digital service companies, Econocom benefits from a research tax credit (*Crédit d'Impôt Recherche*) and competitiveness and employment tax credit (*Crédit d'impôt pour la compétitivité et l'emploi*) in France. The findings of the completed tax audits confirmed the positions adopted by the Group in its financial statements.

Lastly, the accounting methods used in the event of acquisitions are described in the note on business combinations.



shareholders

1. Share performance and shareholders	256		
1.1. Econocom group SE share performance	256	1.6. Annual General Meeting	266
1.2. Name, registered office and legal form	258	1.7. Provisions that could delay, defer or prevent a change in control of the Company	269
1.3. Corporate Purpose (article 3 of the Bylaws)	258	1.8. Notifications of major shareholdings	271
1.4. Share capital	259	1.9. Econocom's largest shareholder	272
1.5. Rights attached to shares	262		

1. Share performance and shareholders

1.1. Econocom group SE share performance

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

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

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

2019	Price (in €)			Volume		
	Highest (in €)	Lowest (in €)	Last (in €)	Price (in €)	Number of shares traded	Value (in € thousands)
January	3.23	2.79	3.09	3.03	6,359,334	19,300
February	3.72	2.98	3.55	3.40	8,183,178	27,805
March	3.80	3.36	3.55	3.59	6,010,681	21,567
April	4.01	3.45	3.62	3.68	3,878,115	14,262
May	3.62	2.94	3.11	3.14	3,863,691	12,116
June	3.40	2.93	3.07	3.11	2,996,948	9,331
July	3.24	2.88	3.01	3.05	3,320,357	10,120
August	3.24	2.68	2.71	2.87	2,878,893	8,258
September	2.95	2.28	2.30	2.55	3,728,108	9,490
October	2.48	2.00	2.34	2.32	6,831,355	15,821
November	2.62	2.30	2.35	2.43	3,205,255	7,782
December	2.44	2.22	2.43	2.28	2,375,624	5,427
Total 2019	4.01	2.00	2.43	3.01	53,631,539	161,281

1.2. Name, registered office and legal form

Company name: Econocom group SE

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

Legal form, incorporation, published documents:

Econocom was incorporated as a joint-stock company (*société anonyme*) under Belgian law on 2 April 1982, under a deed held by Jacques Possoz, notary, and published in the Belgian Official Gazette (*Moniteur belge*) of 22 April 1982 (no. 820–11). It was transformed into a European company (*Societas europaea*) by decision of the General Shareholders' Meeting of 18 December 2015 under a deed of the same date held by Tim Carnewal, notary, published in the Belgian Official Gazette of 31 December 2015.

Econocom is a European Company (*Societas europaea*) governed by the provisions of Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European Company (the "SE Regulation") and Directive No. 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees and the provisions of Belgian law in respect of European Companies, as well as, for all other matters not yet covered or only partially covered by the SE Regulation, Belgian law applicable to public limited companies insofar as they are not contrary to specific provisions applicable to European Companies. Econocom is a listed company within the meaning of article 1:11 of the new Belgian Companies Code (*Code des sociétés*).

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

Term: indefinite.

Financial year: 1 January to 31 December.

1.3. Corporate Purpose (article 3 of the Bylaws)

The Company's purpose is, in all countries:

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

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

It may establish branch offices or subsidiaries in all countries.

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

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

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

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

1.4. Share capital

1.4.1. SHARE CAPITAL (ARTICLE 5 OF THE BYLAWS)

At 31 December 2019, the Company's share capital stood at €23,512,749.67 and was composed of 245,380,430 ordinary shares with no stated par value, held in registered, or dematerialised form. The capital is fully paid-up.

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

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

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

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

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

Pre-emptive rights may, however, in the Company's best interests, be limited or cancelled by decision of the Annual General Meeting ruling in accordance with the conditions required for amending the Bylaws or by the Board of Directors, within the authorised capital, in favour of one or more

designated persons who are not employees of the Company or its subsidiaries, all in accordance with legal provisions.

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

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

1.4.3. CHANGES IN CAPITAL

At 31 December 2019, the Company's share capital stood at €23,512,749.67 and was composed of 245,380,430 ordinary shares with no stated par value, held in registered, or dematerialised form. The capital is fully paid-up.

At 31 December 2019, authorised unissued capital (excluding additional paid-in capital) stood at €19,052,787.28.

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

The following changes to the share capital occurred in 2017:

- following the issue in 2014 of ORNANE bonds convertible into cash and/or new shares and/or exchangeable for existing shares for a total of €175 million, Econocom group bought back 39.12% of the bonds issued, while the remaining 60.88% was converted in 2017, resulting in the issue of 10,050,928 Econocom group shares through seven capital increases conducted on 17 February 2017, 3 March 2017, 16 March 2017, 21 March 2017, 24 March 2017, 31 March 2017 and 6 April 2017 (see details below) respectively, at the end of which Econocom group share capital represented €23,489,757.67, equivalent to 122,570,215 shares;

07 shareholders

share performance and shareholders

- following a decision by the Extraordinary General Meeting on 16 May 2017, Econocom group proceeded with a two-for-one share split, bringing its number of shares to 245,140,430 shares with a share capital of €23,489,757.67.

No changes were made to the share capital in 2018.

The following changes to the share capital occurred in 2019:

- in connection with the exercise of subscription options by a beneficiary of the 2014 Stock Option Plan, on 21 June 2019 Econocom issued 240,000 new shares after which the share capital of Econocom group stood at €23,512,749.67, represented by 245,380,430 shares.

The number of Econocom group shares and voting rights (denominator) both stood at 245,380,430 at 31 December 2019.

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

Transaction date	Type of issue	Change in the number of shares	Change in capital (in €)	Issue premiums (in €)	Total amount of the transaction (in €)	Number of shares	Paid-in capital (in €)
1 Jan. 2010						24,800,000	16,180,922.08
28 Oct. 2010	Capital increase as payment for an acquisition	1,372,897	895,755.62	14,206,111.38	15,101,867.00	26,172,897	17,076,677.70
14 Sept. 2012	Cancellation of treasury shares	(2,000,000)	-	-	-	24,172,897	17,076,677.70
14 Sept. 2012	Four-for-one share split	72,518,691	-	-	-	96,691,588	17,076,677.70
12 Sept. 2013	Capital increase as payment for an acquisition	9,527,460	1,682,642.38	50,734,212.37	52,416,854.75	106,219,048	18,759,320.08
18 Nov. 2013	Capital increase as payment for a takeover bid	6,313,158	1,114,965.29	36,763,982.71	37,878,948.00	112,532,206	19,874,285.37
31 Dec. 2013	Cancellation of treasury shares	(6,014,892)	-	-	-	106,517,314	19,874,285.37
24 Jan. 2014	Capital increase through convertible bonds (OCEANE)	20,000	3,732.00	101,268.00	105,000.00	106,537,314	19,878,017.37
25 Feb. 2014	Capital increase through convertible bonds (OCEANE)	266,028	49,640.82	1,347,006.18	1,396,647.00	106,803,342	19,927,658.19

Transaction date	Type of issue	Change in the number of shares	Change in capital (in €)	Issue premiums (in €)	Total amount of the transaction (in €)	Number of shares	Paid-in capital (in €)
26 Mar. 2014	Capital increase through convertible bonds (OCEANE)	210,592	39,296.47	1,066,311.53	1,105,608.00	107,013,934	19,966,954.66
28 May 2014	Capital increase through convertible bonds (OCEANE)	708,428	132,192.66	3,587,054.34	3,719,247.00	107,722,362	20,099,147.32
18 June 2014	Capital increase through convertible bonds (OCEANE)	7,850,228	1,464,852.54	39,748,844.46	41,213,697.00	115,572,590	21,563,999.86
29 Dec. 2014	Cancellation of treasury shares	(3,053,303)	-	-	-	112,519,287	21,563,999.86
17 Feb. 2017	Capital increase through convertible bonds (ORNANE)	400,000	76,640.00	4,299,240.00	4,375,880.00	112,919,287	21,640,639.86

Transaction date	Type of issue	Change in the number of shares	Change in capital (in €)	Issue premiums (in €)	Total amount of the transaction (in €)	Number of shares	Paid-in capital (in €)
26 Mar. 2014	Capital increase through convertible bonds (OCEANE)	210,592	39,296.47	1,066,311.53	1,105,608.00	107,013,934	19,966,954.66
28 May 2014	Capital increase through convertible bonds (OCEANE)	708,428	132,192.66	3,587,054.34	3,719,247.00	107,722,362	20,099,147.32
18 June 2014	Capital increase through convertible bonds (OCEANE)	7,850,228	1,464,852.54	39,748,844.46	41,213,697.00	115,572,590	21,563,999.86
29 Dec. 2014	Cancellation of treasury shares	(3,053,303)	-	-	-	112,519,287	21,563,999.86
31 Mar. 2017	Capital increase through convertible bonds (ORNANE)	1,961,518	375,826.85	21,106,537.80	21,482,364.65	118,680,917	22,744,568.17
6 Apr. 2017	Capital increase through convertible bonds (ORNANE)	3,889,298	189.50	41,855,117.90	42,600,307.40	122,570,215	23,489,757.66
2 June 2017	Two-for-one share split	122,570,215	-	-	-	245,140,430	23,489,757.66
21 June 2019	Capital increase by the exercise of subscription option	240,000	22,992	639,408	662,400	245,380,430	23,512,749.67

The Extraordinary General Meeting of 21 May 2019 renewed for five years from the decision of the Annual General Meeting the authorisation granted to the Board of Directors to buy back treasury shares in the proportion of up to 20% of share capital, in accordance with article 7:215 of the new Belgian Companies Code. The minimum purchase price was set at €2 per share and the maximum price at €10 per share. These authorisations apply to the acquisition of Company shares by one or more of its direct subsidiaries, pursuant to the legal provisions on the acquisition by subsidiaries of shares in their parent company.

On 19 May 2015, the Extraordinary General Meeting granted to the Board of Directors, for a five-year period as from the publication of the revised Bylaws, *i.e.* 9 June 2015, the authorisation granted to the Board of Directors to increase the share capital, in accordance with articles 7:198 and 7:199 of the new Belgian Companies Code, on one or several occasions, under conditions it deems fit, in the maximum amount of €21,563,999.86.

At 31 December 2019, Econocom group held 23,458,144 treasury shares representing 9.56% of the total number of shares outstanding.

1.5. Rights attached to shares

1.5.1. PARTICIPATION IN ANNUAL GENERAL MEETINGS AND VOTING RIGHTS

1.5.1.1. Participation in Annual General Meetings

1.5.1.1.1. Right to participate in Annual General Meetings

All shareholders are entitled to attend Econocom group's Annual General Meetings, regardless of the number of shares they hold, provided that they meet the admission requirements set out in the

"Annual General Meetings" section of this chapter.

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

1.5.1.1.2. Right to call Annual General Meetings

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

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

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

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

Shareholders wishing to exercise this right must:

- (i)** prove that they actually hold at least 3% of the Econocom group's share capital on the date of filing of their request; and
- (ii)** ensure that their shares representing at least 3% of the share capital are duly registered at the record date.

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

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

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

1.5.1.1.4. Right to ask questions

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

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

1.5.1.1.5. Other rights to information

All Econocom group shareholders have specific rights to information under the new Belgian Companies Code.

Most rights to information concern Annual General Meetings. They include, among other things, the right to consult or to obtain a copy at no cost of:

- (i) the text of the meeting notices and, if available, of the amended agenda
- (ii) the total number of shares and voting rights,

(iii) the documents to be presented to the Annual General Meeting (annual financial statements, reports and other documents described in article 7:148 of the new Belgian Companies Code),

(iv) for every subject to be addressed on the agenda, any decision proposed or, when the subject does not require the adoption of a decision, a comment by the Board of Directors,

(v) if available, any proposed decision introduced by shareholders, as soon as possible after receipt by the Company and

(vi) proxy forms and forms for voting by mail. These documents/items may be consulted on Econocom's website (www.econocom.com) and during normal office hours on working days at Econocom group's registered office located at Place du Champ de Mars 5, 1050 Brussels, from the date of publication of the Notice of Meeting. Holders of registered shares will receive a copy of these documents together with the Notice of Meeting.

1.5.1.2. Right to vote at General Meetings

1.5.1.2.1. Principle

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

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

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

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

1.5.1.2.2. Quorum and voting requirements

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

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

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

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

15.1.2.3. Proxy voting

All shareholders can choose to be represented at a Annual General Meeting by a proxy, who may or may not be a shareholder of the Company, in accordance with articles 7:142 to 7:145 of the new Belgian Companies Code.

The Board of Directors may decide on the form of proxy. Proxies must reach the Company no later than the sixth day preceding the date of the Meeting. All proxy voting forms that reach the Company before the revised agenda is published, pursuant to article 7:130 of the new Belgian Companies Code, remain valid for the agenda items covered.

15.1.2.4. Distance voting

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

1.5.2. DISTRIBUTION OF PROFITS

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

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

Acting on a recommendation of the Board of Directors, the Annual General Meeting independently determines how the residual profit balance will be used and allocated by simple majority vote of members present, within the limits set by articles 7:212 and 7:214 of the new Belgian Companies Code. No profits are distributed when, at the end of the last reporting period, net assets as shown in the annual financial statements total less than paid-up capital or would total less than paid-up capital if profits were distributed or if net assets exceed called-up capital plus any reserves not available for distribution pursuant to the law or to the Company's Bylaws.

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

1.5.3. LIQUIDATION

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

For this purpose they will have the broadest powers conferred by articles 2:87 *et seq.* of the new Belgian Companies Code. The Annual General Meeting determines the fees payable to the liquidators. The liquidators can only assume their duties after their appointment by the Annual General Meeting has been approved by the Commercial Court pursuant to articles 2:83 *et seq.* of the new of Belgian Companies Code.

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

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

The remaining balance is allocated equally among all shares.

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

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

The Company's Annual General Meeting may, however, limit or cancel such pre-emptive rights under specific conditions upon presentation of a report of the Board of

Directors. Any such decision is subject to the same quorum and voting requirements as a decision to increase the Company's share capital. Shareholders may also allow the Board of Directors to limit or cancel said pre-emptive rights in the event of a capital increase within the authorised capital limits.

1.5.5. CHANGES IN RIGHTS ATTACHED TO SHARES

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

1.6. Annual General Meeting

Ordinary General Meetings

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

Extraordinary General Meetings and Special General Meetings

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

Content of General Meeting convening notices

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

- the date, time and place of the Annual General Meeting;
- the agenda, indicating the items to be discussed as well as resolution proposals;
- a clear and accurate description of the formalities to be completed by shareholders in order to attend the Annual General Meeting and exercise their voting rights, including the deadline by which shareholders should indicate their intention to attend the Meeting:
 - ▶ the right of shareholders to add items to the agenda, file resolution proposals, and ask questions, as well as the period in which these rights may be exercised and the email address to which shareholders should send their requests. Where applicable, the Notice of Meeting also indicates the deadline for publishing the revised agenda. The Notice may contain only the details of these periods and the email address to be used, provided that more detailed information on shareholder rights is posted on the Company's website,
 - ▶ the procedure to follow in order to vote by proxy, and in particular the proxy voting form, the conditions in which the Company will accept notifications of the appointment of proxies sent by electronic means, along with the timeframe within which the proxy voting rights may be exercised,
 - ▶ where appropriate, the procedure and timeframe set by or pursuant to the Bylaws allowing shareholders to participate in the Annual General Meeting remotely and opt for distance voting prior to the Meeting (articles 28 and 34 of the Bylaws);
- the record date, along with a statement indicating that only people who are shareholders at that date are entitled to attend and vote at the Annual General Meeting;
- the address where shareholders can obtain, for example, the full text of the documents and resolution proposals described, along with the procedure to follow in order to obtain such documents;
- the exact website address on which the information mentioned below will be available.

Availability of documents on Econocom's website

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

- the Notice of Meeting, along with the revised agenda reflecting items subsequently added thereto and the related resolution proposals where applicable, and/or the resolution proposals formulated within the timeframe given;

- the total number of shares and voting rights at the date of the Notice of Meeting, including separate totals for each class of shares, when the Company's share capital is divided into two or more share classes;
- the documents to be submitted to the Annual General Meeting;
- for each item placed on the Annual General Meeting agenda, a resolution proposal or, when the matter to be discussed does not require any resolution to be adopted, the Board of Directors' comments thereon. The resolution proposals formulated by shareholders pursuant to article 7:130 of the new Belgian Companies Code are posted online as early as practicably possible after they have reached the Company;
- the proxy voting form and, where applicable, the postal voting form, unless these forms are sent directly to each shareholder.

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

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

Formalities and notice periods

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

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

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

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

Formalities to be completed in order to attend Annual General Meetings

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

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

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

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

1.7.1. GENERAL INFORMATION

Laws relating to takeover and squeeze-out bids and their implementing orders, as well as the new Belgian Companies Code and other applicable laws, contain various provisions (such as the requirement to disclose major shareholdings – see section 8 of this chapter – and competition provisions) that may be applicable to the Company, and which place certain restrictions on hostile takeover bids or other changes of control. These provisions could discourage potential takeover bids that other shareholders may consider to be in their interests and/or prevent shareholders from selling their shares at a premium.

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

1.7.2. AUTHORISED CAPITAL (ARTICLE 7 OF THE BYLAWS)

Pursuant to a decision of Econocom's Extraordinary General Meeting of 19 May 2015, the Board of Directors was granted authorisation to increase the share capital, on one or more occasions, under conditions it deems fit, by an amount of up to €21,563,999.86. At 31 December 2019, authorised unissued share capital stood at €19,052,787.28 (excluding additional paid-in capital).

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

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

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

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

In the event that a capital increase is carried out within the authorised capital, the Board of Directors will allocate any issue premium to a restricted account. This account will form part of shareholders' equity in the same way as the share capital, and, provided it is converted into capital by the Board of Directors, may only be reduced or cancelled by the Annual General Meeting under the conditions required by article 7:208 of the new Belgian Companies Code.

The Board of Directors may limit or cancel pre-emptive subscription rights of existing shareholders in accordance with the conditions set forth in articles 7:190 *et seq.* of the new Belgian Companies Code if it is in the Company's interests. It may even do so

for one or more specific parties other than employees of the Company or of its subsidiaries, except as provided in article 7:201 of said new Companies Code.

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

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

The Company may only acquire its own shares or (if applicable) profit shares by means of a purchase or exchange, directly or by a person or entity acting in their own name but on the Company's behalf following a decision of an Annual General Meeting voting pursuant to the quorum and majority requirements set forth in article 7:154 of the new Belgian Companies Code, which sets the maximum number of shares or profit shares that can be acquired, the period for which the authorisation is granted, within the limit provided in article 7:215 of the new Belgian Companies Code, and the minimum and maximum consideration.

Such an authorisation was given to the Board of Directors by the Extraordinary General Meeting of 21 May 2019, for a period of five years from the date of the Annual General Meeting, for up to 20% of the share capital, as provided in article 7:215 of the new Belgian Companies Code. The minimum purchase price was set at €2 per share and the maximum purchase price at €10 per share. These authorisations apply to acquisitions of Company shares by its direct subsidiaries, pursuant to the legal provisions on the acquisition by subsidiaries of shares of the parent company.

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

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

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

1.8. Notifications of major shareholdings

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

Pursuant to these provisions, any natural or legal person who acquires, directly or indirectly, securities carrying voting rights of the Company must notify it and the FSMA

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

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

1. the acquisition or sale of securities carrying voting rights, regardless of how the securities were acquired or sold, for example, by means of a purchase, sale, exchange, contribution, merger, spin-off or succession;
2. unintentionally crossing the specified thresholds (due to an event altering the allocation of voting rights); or
3. the conclusion, modification or termination of an agreement to act in concert.

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

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

The Company is also required to publish the total amount of capital, the total number of securities carrying voting rights and the total number of voting rights, as well as a breakdown by class (where appropriate) of the number of securities carrying voting rights and the total number of voting rights, at the end of each calendar month during which changes occurred in these amounts. Where appropriate, the Company is also required to publish the total number of

bonds convertible into securities carrying voting rights and rights to subscribe for securities not yet issued carrying voting rights (whether or not these are evidenced by certificates), the total number of voting rights that would result from exercising these conversion or subscription rights, and the total number of shares with no voting rights.

1.9. Econocom's largest shareholder

Jean-Louis Bouchard, Chairman of Econocom group, remains Econocom's largest shareholder, with approximately 36.4% of the share capital at 31 December 2019.



statutory auditor's report on the consolidated financial statements

**Statutory auditor's report
to the general shareholders'
meeting on the consolidated
accounts**

274

Report on the consolidated accounts 274
Other legal and regulatory requirements 279

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts

for the year ended 31 December 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Econocom Group SE (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 21 May 2019, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2020. We started the statutory audit of the Consolidated Financial Statements of Econocom Group SE before 1990.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement and earnings per share, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 2,936.8 million and the consolidated income statement shows a profit for the year attributable to owners of the parent of EUR 44.7 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Observation - Subsequent event of the year end

As far as the COVID 19 pandemic is concerned, we draw attention to point 6 of the management report and to note 23 "Subsequent events" of the consolidated accounts. The group indicates that, although the consequences of the pandemic on its whole business in 2020 are difficult to measure at this stage, this pandemic had no significant impact on its financial situation for the year ended 31 December 2019. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Annual goodwill impairment test

<i>Description of the Key Audit Matter</i>	The assets side of the consolidated financial statements of Econocom Group as at 31 December 2019 show an amount of EUR 512,9 million for goodwill to be tested annually for impairment as required by International Financial Reporting Standards (see note 9 of the consolidated accounts).
--	---

We considered these impairment tests as a key audit matter because goodwill accounts for 17% of total assets as at 31 December 2019 and because its recoverable amount as determined by the Board of Directors is based on assumptions related to, among other elements, the business plan (sales, profit margin, working capital needs), the cash flow growth ratio beyond the forecast period, and the cash flow discount rate.

How our Audit addressed the Key Audit Matter

We received the goodwill impairment tests from Econocom Group and we challenged the reasonableness of the method and key assumptions used.

In the performance of the above procedures, we relied on our in-house experts of the Valuation practice group. We compared the assumptions with market assumptions and with economic forecasts (among other things). We also reviewed Econocom Group's strategic plan development procedure as approved by the Company's Board of Directors. In addition, we received and reviewed the sensitivity analyses to determine the impact of possible changes in key assumptions, and we performed our own independent sensitivity analysis to quantify the negative impact on management's models that would result in depreciation. We particularly focused on the CGU Services, representing the major part of goodwill (EUR 399,1 million). We also analysed the reasonableness of the discounted future cash flow forecasts by comparing them with the Group's market capitalisation.

Residual interest in leased assets*Description of the Key Audit Matter*

The residual interest in leased assets as at 31 December 2019 (see note 11 of the consolidated accounts) amount to EUR 164,9 million, i.e. EUR 33 million in current assets and EUR 131,9 million in non-current assets. Overall, residual interests as at 31 December 2019 account for 2.7% of the historic acquisition value of the portfolio of assets leased out by Econocom Group.

These residual interests agree with the start-of-lease forecast of the end-of-lease market value of the assets. The carrying amount of these assets depends on various calculation methods and on whether it concerns fixed-term contracts or renewable contracts («TRO»). In either case, the carrying amount of the assets depends on assumptions based on historic statistics on the end-of-lease realisation value of the assets disposed of, but also on discount rate assumptions as regards the fixed-term contracts. The Group regularly updates these assumptions on the basis of its experience with resale or sublease markets for second-hand materials. We considered the residual interest in leased assets as a key audit matter because these estimates impact the timing of recognition of such contracts, on the one hand, and there is a risk of depreciation if the forecast figures would prove to exceed fair market values.

*How our Audit
addressed
the Key Audit
Matter*

We obtained the key estimates of the residual interest in leased assets as well as of the year-over-year changes in hypotheses. We critically evaluated the procedure put in place by Econocom Group management for proper application to the above estimates and we checked, on a sample basis, the system for correct contract data input. Subsequently, using management's assumptions, we recalculated the value of the residual interest in leased assets for the entire population. Finally, we ascertained that the margins realised on the end-of-lease disposal of the assets were positive. We found these assumptions to be consistent and in line with our expectations.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines as necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

08 statutory auditor's report on the consolidated financial statements

statutory auditor's report to the general shareholders' meeting on the consolidated accounts

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, of the separate report on non-financial information and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, the separate report on non-financial information, and the other information contained in the annual report on the consolidated accounts, as well as to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit, and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information contained in the annual report on the consolidated accounts, namely chapters 1 to 4, 7 and 9 to 11, is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information is included in a separate report which is part of section 3 of the annual report on the consolidated accounts. The report of non-financial information contains the information required by virtue of article 3:32, §2 of the Companies' and Associations' Code, and agrees with the consolidated accounts for the same year. The Company has prepared the non-financial information, based on the principles of the United Nations Global Compact. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do *not* express an opinion as to whether the non-financial information has been prepared in accordance with the principles of the United Nations Global Compact as disclosed in the consolidated accounts.

08 statutory auditor's report on the consolidated financial statements

statutory auditor's report to the general shareholders' meeting on the consolidated accounts

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statement

- This report is consistent with the additional report to the Audit Committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 1 April 2020

The statutory auditor

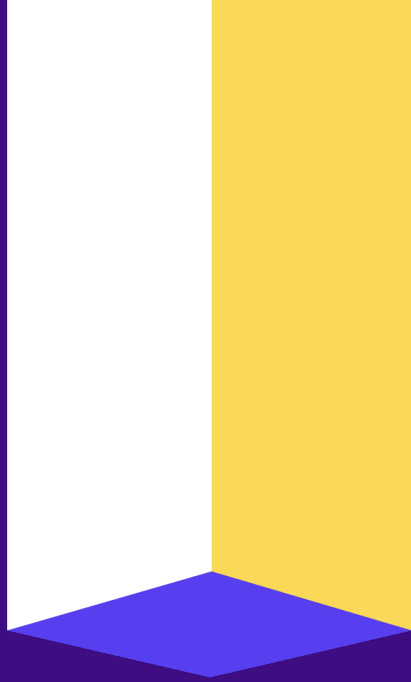
PwC Réviseurs d'Entreprises SRL / Bedrijfsrevisoren BV

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Represented by

Alexis Van Bavel

Réviseur d'Entreprises / Bedrijfsrevisor



09

chairman's statement

Chairman's statement

We hereby declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2019, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, financial position and profit or loss of the Company and the undertakings in the consolidation taken as a whole, and that the Management Report includes a fair review of the performance of the business and the profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the main risks and uncertainties.

9 March 2020

On behalf of the Board of Directors



Jean-Louis Bouchard

Chairman of the Board



condensed parent company financial statements*

1. Parent company statement of financial position	284
2. Parent company income statement	286
3. Parent company statement of cash flows	288

ECONOCOM GROUP SE PARENT STATUTORY FINANCIAL STATEMENTS

In accordance with article 105 of the Belgian Companies Code, Econocom Group SE hereby states that the following financial statements are an abridged version of the full annual financial statements that can be obtained from the Company and which will be filed with the Banque Nationale de Belgique. This abridged version does not contain all of the notes to the parent company financial statements or the Statutory Auditor's report, which contained an unqualified audit opinion in relation to the annual financial statements.

* The parent company financial statements are prepared in accordance with Belgian GAAP.

1. Parent company statement of financial position

Asset

<i>in € thousands</i>	31 Dec. 2019	31 Dec. 2018
Start-up costs	1,348	1,879
Fixed assets	1,022,009	935,435
Intangible assets		0
Property, plant and equipment	5	8
Plant and equipment, fixtures and fittings	5	8
Long-term financial assets	1,022,004	935,427
Related parties	1,006,571	926,651
Equity interests	756,271	676,351
Receivables	250,300	250,300
Entities with which there are capital links	485	467
Equity interests	485	467
Receivables		0
Other long-term financial assets	14,948	8,309
Shares	11,130	7,224
Receivables and cash guarantees	3,818	1,086
Current assets	68,962	167,276
Non-current receivables		0
Trade receivables		
Other receivables		
Inventories and work-in-progress		0
Current receivables	11,188	122,257
Trade receivables	5,124	9,075
Other receivables	6,064	113,182
Cash investments	57,050	40,678
Treasury shares*	57,050	40,678
Other investments		0
Cash and cash equivalents	435	3,780
Accrual accounts	289	561
Total assets	1,092,319	1,104,591

* Including impairment (33,461).

Liabilities*in € thousands*

	31 Dec. 2019	31 Dec. 2018
Total equity	349,028	394,818
Share capital	23,513	23,490
Paid-in capital	23,513	23,490
Uncalled capital		
Issue premiums	194,708	223,514
Revaluation gain	2,520	2,520
Reserves	59,819	43,444
Statutory reserve	2,351	2,349
Unavailable reserves	57,050	40,678
For treasury shares	57,050	40,678
Available reserves	418	418
Retained earnings (+)/(-)	87,552	104,117
Profit for the year	(19,084)	(2,267)
Provisions and deferred taxes	1,921	4,612
Provisions for contingencies and losses	1,921	4,612
Other contingencies and losses	1,921	4,612
Deferred taxes		
Payables	741,370	705,160
Non-current liabilities	440,130	436,765
Financial liabilities	440,130	436,765
Unsubordinated bonds	440,130	436,765
Trade payables	0	0
Prepayments received on orders		
Other non-current liabilities		
Current liabilities	301,240	268,395
Current portion of non-current liabilities	2,646	2,662
Financial liabilities	278,500	254,900
Bank loans and borrowings	278,500	254,900
Trade payables	1,398	5,944
Trade payables	1,398	5,944
Accrued taxes and personnel costs	1,260	1,532
Income tax expense	667	72
Compensation including payroll costs	593	1,460
Other non-current liabilities	17,436	3,357
Accrual accounts		
Total equity and liabilities	1,092,319	1,104,591

2. Parent company income statement

<i>in € thousands</i>	31 Dec. 2019	31 Dec. 2018
Sales and Services	25,673	30,521
Revenue	22,036	24,753
Changes in inventories of finished goods and work in progress: increase (decrease) (+)/(-)		
In-house production of fixed assets		
Other operating income	3,637	4,687
Non-recurring operating income	0	1,080
Cost of sales and Services	23,005	25,438
Materials and goods for resale		
Services and miscellaneous goods	24,014	25,104
Personnel costs (including payroll costs) and pensions (+)/(-)	1,597	2,679
Amortisation/depreciation and impairment of start-up costs, property, plant and equipment and intangible assets	5	6
Additions to (reversals of) impairment of inventories, work-in-progress and trade receivables (+)/(-)	0	0
Additions to (reversals of) provisions for contingencies and losses (+)/(-)	(2,691)	(2,385)
Other operating expenses	80	33
Capitalised restructuring costs (-)		
Non-recurring operating expenses		
Operating income	2,668	5,084
Financial income	38,884	32,250
Recurring financial income	32,245	31,038
Income from long-term financial assets	25,165	25,209
Income from current assets	1,922	1,254
Other financial income	5,158	4,575
Non-recurring financial income	6,639	1,212
Financial expenses	58,755	39,344
Recurring financial expenses	12,745	16,758
Cost of debt	12,157	10,493
Additions to (reversals of) impairment of current assets other than inventories, work-in-progress and trade receivables (+)/(-)	150	2
Other financial expenses	438	6,263
Non-recurring financial expenses	46,010	22,586

in € thousands

31 Dec. 2019

31 Dec. 2018

Profit for the year before tax (+)/(-)	(17,203)	(2,011)
Withdrawal from deferred taxes		
Transfer to deferred taxes		
Income tax (+)/(-)	1,881	257
Income tax expense	639	385
Tax adjustments and reversals of tax-related provisions	1,242	(128)
Profit for the year	(19,084)	(2,267)
Deductions from tax-free reserves		
Transfers to tax-free reserves		
Profit for the year available for distribution (+)/(-)	(19,084)	(2,267)

in € thousands

31 Dec. 2019

31 Dec. 2018

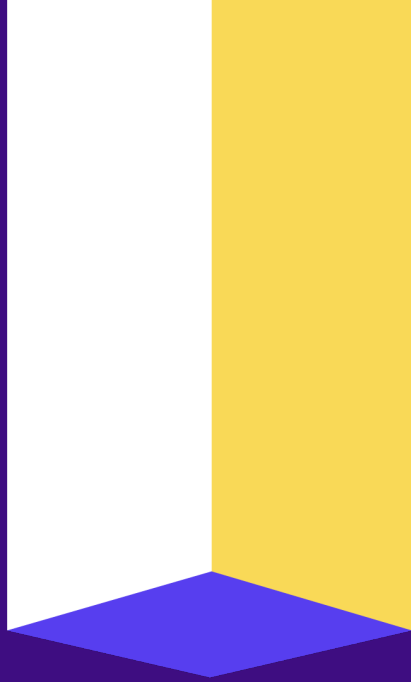
Profit available for distribution (+)/(-)	82,766	83,340
Profit for the year available for distribution (+)/(-)	(19,084)	(2,267)
Retained earnings (+)/(-)	101,850	85,607
Deductions from equity	9,593	23,868
from equity and issue premiums		
from reserves	9,593	23,868
Appropriations to equity	23,891	5,358
to equity and issue premiums		
to the statutory reserve	2	0
to other reserves	23,889	5,358
Appropriation to retained earnings (+)/(-)	68,468	101,850
Share of associates in losses		
Profit available for distribution		
Dividends		
Directors or managers		
Employees		
Other beneficiaries		

3. Parent company statement of cash flows

<i>in € thousands</i>	31 Dec. 2019	31 Dec. 2018
Profit	(19,084)	(2,267)
Income tax expense	639	385
Depreciation, amortisation and impairment	26,101	22,592
Impact of changes in provisions for other contingencies and losses	(2,691)	(2,516)
Gains/losses on disposal of long-term financial assets		
Dividends received from equity interests	(18,570)	(18,951)
Interest received on non-current financial receivables	(6,515)	(6,177)
Gains/losses on disposal of treasury shares	180	5,712
Cash flow from operating activities (a)	(19,940)	(1,222)
Change in current receivables	111,069	(101,763)
Change in other current assets	272	(362)
Change in trade payables	(4,547)	1,160
Change in accrued taxes and personnel costs (current portion)	(272)	146
Change in other current liabilities	14,140	2,456
Change in working capital requirements (b)	120,662	(98,363)
Income tax expense (c)	(639)	(385)
Net cash from (used in) operating activities (a + b + c)	100,083	(99,970)
Start-up costs		
Acquisition of property, plant and equipment and intangible assets for internal use	(2)	(2)
Disposal of property, plant and equipment and intangible assets for internal use		
Acquisition of equity interests	(101,824)	(86,483)
Disposal of equity interests	6,402	300
Acquisition of non-current financial receivables		(200,000)
Repayment of non-current financial receivables		50,700
Acquisition of other long-term financial assets	(7,636)	(2,708)
Disposal of other long-term financial assets	479	351
Dividends received from equity interests	18,570	18,951
Interest received on non-current financial receivables	6,515	6,177

in € thousands

	31 Dec. 2019	31 Dec. 2018
Net cash from (used in) investing activities (d)	(77,496)	(212,714)
Euro Private Placement – issue costs	106	106
Euro Private Placement – financial expenses	2,632	2,632
Euro Private Placement – interest	(2,632)	(2,632)
Schuldschein loans – issue costs	126	126
Schuldschein loans – financial expenses	2,781	2,788
Schuldschein loans – interest	(2,797)	(2,823)
OCEANE (2018 issue)		200,000
OCEANE – issue costs	298	(1,383)
OCEANE – financial expenses	4,364	3,587
OCEANE – coupons	(1,000)	
Commercial paper	23,600	152,900
Acquisition of treasury shares	(28,371)	(27,714)
Disposal of treasury shares	2,226	15,507
Dividends paid during the year/refund of additional paid-in capital	(27,265)	(28,129)
Change in other liabilities		
Net cash from (used in) financing operations (e)	(25,932)	314,965
Change in cash and cash equivalents (a + b + c + d + e)	(3,345)	2,281



11

key consolidated figures

Key consolidated figures

	2013 Published in 2014 AR	2014 Restated	2015	2016 Adjusted Published in 2017 AR****	2018	2019
Number of shares (at 31 December)						
Ordinary shares	213,034,628	225,038,574	225,038,574	225,038,574	245,140,430	245,380,430
Total	213,034,628	225,038,574	225,038,574	225,038,574	245,140,430	245,380,430
Free float	48.44%	57.67%	53.82%	54.20%	57.86%	57.90%
Average number of shares outstanding	191,880,800	219,876,782	217,017,790	215,443,595	232,763,830	227,816,144
Per share data (in €)						
Net dividend (on ordinary shares)*	0.05	0.08	0.09	0.1	0.12	0.12
Gross dividend (on ordinary shares)*	0.06	0.08	0.09	0.1	0.12	0.12
Profit (loss) from continuing ordinary operations**	0.48	0.42	0.53	0.63	0.46	0.55
Pay-out ⁽¹⁾	0.15	0.26	0.17	0.67	0.71	0.61
Operating profit**	0.41	0.31	0.50	0.57	0.37	0.44
Profit before tax**	0.36	0.26	0.42	0.32	0.31	0.35
Profit for the period (attributable to owners of the parent)**	0.23	0.14	0.27	0.15	0.17	0.20
Cash flow from operating activities **	0.41	0.39	0.46	0.56	0.45	0.61
Equity attributable to owners of the parent***	1.22	1.16	1.02	0.89	2.0	1.97
Price/earnings ⁽²⁾	18	23	16	45	17	12
Price/cash flow from operating activities ⁽³⁾	10	8	9	12	6	4
Net yield ⁽⁴⁾	1.08%	2.29%	2.05%	1.43%	4.1%	4.9%
Gross yield ⁽⁴⁾	1.44%	2.29%	2.05%	1.43%	4.1%	4.9%

	2013 Published in 2014 AR	2014 Restated	2015	2016 Adjusted Published in 2017 AR****	2018	2019
Stock market data (in €)						
Average	3.10	3.55	3.85	5.69	3.70	3.01
At 31 december	4.16	3.28	4.275	6.97	2.91	2.43
High	4.18	4.58	4.49	7.17	7.3	4.01
Low	2.49	2.42	3.01	3.69	2.28	2.00
Annual yield at 31 December ⁽⁵⁾	41%	(19%)	33%	65%	(49%)	(12.3%)
Annual volume (in units)	42,978,376	58,190,840	49,761,106	54,198,704	213,263,403	53,631,539
Average daily trading volume	169,876	228,200	194,380	210,888	836,327	210,320
Annual volume (value) (in € millions)	281	201	383	308	789	161
Market capitalisation at 31 December (in € millions) ⁽⁶⁾	886	738	962	1 569	713	597
Listing market ⁽⁷⁾	TC	TC	TC	TC	TC	TC
Salaried employees	8,195	8,587	9,134	10,008	10,813	10,323

* Refund of issue premiums.

** Expressed as a ratio of the average number of shares outstanding.

*** Expressed as a ratio of total shares.

**** In the 2017 table, the number of shares is shown after the share split approved by the Extraordinary General Meeting of 16 May 2017.

(1) Payout rate: gross return/profit for the year attributable to owners of the parent before amortisation or reduction of goodwill.

(2) Share price at 31 December/profit for the year.

(3) Share price at 31 December/cash flows from operating activities before cost of net debt and income tax.

(4) Net (gross) yield/share price at 31 December.

(5) Annual yield = change in share price at 31 December relative to 31 December of the previous year plus net return/share price at 31 December of the previous year.

(6) Market capitalisation = total number of shares at 31 December x share price at 31 December.

(7) Listing market = Brussels from 9 June 1988. The share has been listed on the Marché à terme continu (TC) since 16 March 2000.

Econocom group addresses

The Econocom Brand

Austria

Franzosengraben 12
A – 1030 Vienna
Tel.: +43 1 79520 0
office@econocom-austria.at

Belgium

Econocom (registered office)
Place du Champ de Mars, 5
/ B14
1050 Brussels

Parc Horizon
Chaussee de Louvain 510/B80
1930 Zaventem
Tel.: +32 2 790 81 11
info.be@econocom.com

Canada

249 St Jacques Street
Suite 302
Montreal
Quebec H2Y 1M6
Tel.: +1 514 664 1192

Czech Republic

Anděl Parc
Radlická 14 / 3201 – Smíchov
150 00 Prague 5
Tel.: +420 225 100 300
info.cz@econocom.com

France

42 Rue Médéric
92110 Clichy
Tel.: +33 1 41 67 30 00
contact@econocom.com

21 Avenue Descartes
Immeuble Astrale
92350 Le Plessis-Robinson
Tel.: +33 1 73 23 87 00

Germany

Herriotstr. 8
60528 Frankfurt am Main
Tel.: +49 69 71408-00
info.de@econocom.com

Ireland

3rd Floor IFSC House
Custom House Quay
Dublin 1
Tel.: +353 1 6750300
info.ie@econocom.com

Italy

c/o Econocom Village
Via Varesina 162
20156 Milan
Tel.: +39 02 33 62 61
info.it@econocom.com

Luxembourg

4 rue d'Arlon
L-8399 Windhof
Tel.: +352 39 55 50-226
info.lu@econocom.com

Morocco

Technopolis
Batiment B1
11100 Sala Al Jadia
Tel.: +212 5 38 04 33 00
info.ma@econocom.com

1st floor, Residence Boissy
322 Bd Zerkoun
20270 Casablanca
Tel.: +212 (0) 522 789 032
info.ma@econocom.com

Poland

Ulica Twarda 18
00-105 Warsaw
Tel.: +48 22 202 67 30
info.pl@econocom.com

Spain

C/ Cardenal Marcelo Spinola
28016 Madrid
Tel.: +34 91 411 91 20
info.es@econocom.com

C/ Pallars, 99
08018, Barcelona
Tel.: +34 93 470 30 00
info.es@econocom.com

Switzerland

Route de Champ-Colin 12
CH-1260 Nyon
Tel.: +41 22 363 79 30
info.ch@econocom.com

The Netherlands

Computerweg 22
NL-3542 DR Utrecht
Tel.: +31 30 63 58 333
info.nl@econocom.com

UK

Eton House
18/24 Paradise Road
Richmond-upon-Thames
Surrey TW9 1SE
Tel.: +44 20 8940 2199
info.gb@econocom.com

US

149 East 36th Street
New York, NY, 10016
Tel.: +1 514 664 1192

The group's other brands

Brasil

Econocom Brasil
Av. Sagitário, 138 - 24º andar
Torre City – Alpha Square
Offices
Alphaville – SP
Cep : 06473-073
Tel.: +55 11 4195-9663
commercial-brazil@
econocom.com

France

Alter Way
1 Rue Royale, Batiment D227,
Les Bureaux de la Colline
92210 Saint-Cloud
Tel.: +33 1 41 16 34 95
contact@alterway.fr

Aragon-eRH

Tour Vista
52 Quai de Dion Bouton
92800 Puteaux
Tel.: +33 01 41 67 32 40
contact@aragon-erh.com

ASP Serveur

785 Voie Antiope
13600 La Ciotat
Tel.: 0 805 360 888
contact@aspserveur.com

Cineolia

51 Avenue du Maréchal Joffre
92000 Nanterre
Tel.: + 33 9 67 85 13 01
service-clients@cineolia.fr

Digital Security

50 Avenue Daumesnil
75012 Paris
Tel.: + 33 1 70 83 85 85
info@digitalsecurity.fr

Les Collines de l'Arche

76 Route de la Demi-Lune
Immeuble Madeleine D
92057 Paris
La Défense Cedex
Tel.: +33 1 39 62 00 20
commercial@
econocom-security.com

DMS

42 Rue Mederic
92110 Clichy
Tel.: +33 1 41 67 36 26
contact@digitaldimension.fr

Exaprobe

13 B Avenue Albert Einstein
CS90217
69623 Villeurbanne Cedex
Tel.: +33 4 72 69 99 69
contact@exaprobe.com

Fifty Eight

16 Rue Washington
75008 Paris
admin@
fiftyeight-consulting.com

Helis

6 Rue Royale
75008 Paris
Tel.: +33 1 53 20 05 12
contact@helis.fr

Infeeny

5 Rue d'Uzes
75002 Paris
Tel.: +33 1 49 70 81 33
contact@infeeny.com

Rayonnance

114 Avenue Charles de Gaulle
92 522 Neuilly sur Seine –
Cedex
Tel.: +33 1 42 33 34 05
contact@rayonnance.fr

Synertrade

66 Avenue Charles de Gaulle
92200 Neuilly-sur-Seine
Tel.: +33 1 56 98 29 29
contact@synertrade.com

Germany

Energy Net GmbH
Gutleutstraße 165-171
60327 Francfort-sur-le-Main
Tel.: +49 69 97697090
info@energy-net.de

Italy

Asystel Italia
Via Perin del Vaga 16
20156 Milan
Tel.: +39 02 38 084 1
info@asystelitalia.it
Bizmatica
c/o Econocom Village
Via Varesina 162
20156 Milan
Tel.: +39 02 8312 4001
info@bizmatica.com

Luxembourg

Synertrade
12 Rue Guillaume Schneider
2522 Luxembourg
Tel.: +352 09 29 27 26
contact@synertrade.com

Spain

Altabox
C/Arquimedes, 655
33211 Gijón, Asturias
Tel.: +34 902 43 00 46
info@altabox.net

Gigigo

Calle Dr. Zamenhof, 36 bis,
28027 Madrid
Tel. +34 91 743 1436
business@gigigo.com

Nexica

C/ Acer, 30-32, 1r 4a
08038 Barcelona
Tel.: + 34 902 202 223
hola@nexica.com

UK

JTRS Ltd
Suite 1 Fulshaw Hall
Alderley Road,
Wilmslow Cheshire
SK9 1RL
Tel.: 0330 223 0500
info@jtrs.co.uk

See the complete list of our regional addresses on www.econocom.com

Econocom Communications Department

42 Rue Médéric

92110 CLICHY

FRANCE

email: communication.groupe@econocom.com

www.econocom.com

Designed & published by  **LABRADOR** +33 (0)1 53 06 30 80
INFORMATION DESIGN

April 2020



You can find us at econocom.com or on



econocom

Equipment, services and financing for the digital company