

2015 half-year report

econocom

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

I hereby declare that to the best of my knowledge, the financial statements for the half-year ended 30 June 2015 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole, and the interim management report appended hereto gives a fair description of the material events that occurred during the first six months of the financial year and their impact on the financial statements and of the major related-party transactions, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

3 September 2015


Jean-Louis Bouchard
Chairman of Econocom

MANAGEMENT REPORT

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I.

1. GROUP'S POSITION AND HIGHLIGHTS

In the first half of 2015, Econocom Group enjoyed a healthy sales dynamic and growth across all its businesses. The Group also continued its investment policy in the digital sector by carrying out seven targeted transactions and strengthened and diversified its financial resources by issuing a bond loan (EuroPP) of €101 million amid favourable market conditions.

The Group posted revenue of €1.1 billion in the first half, up 15%, 12% of which was organic, thus continuing the strong growth trend reported in the last quarter of 2014 (up 11%). This dynamic is a testament to Econocom's successful positioning in the digital transformation market and the complementary nature of its three core businesses.

The seven investment transactions carried out during the first half serve to reinforce the Group's presence in four key sectors with high growth potential: security (Clesys and Econocom Digital Security, Europe's first CERT dedicated to IoT security), web and mobile apps (Bizmatica and Alter Way in the field of open source), digital solutions via its subsidiary Digital Dimension, and transformation consultancy (Helis).

1.1. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE FIRST HALF

The Group focused its acquisition strategy on SMBs operating in high-potential markets.

At the beginning of February, the Group acquired a 45% stake in Helis, a French company that provides critical infrastructure and network consulting and engineering and posted revenue of €7.6 million in 2014.

In March, the Group announced it had acquired the entire share capital of Clesys, an infrastructure, data centre and network security specialist. Clesys's 55 engineers and consultants provide services ranging from security and compliance audits and data flow security to complete security system monitoring. The company posted revenue of €5.5 million in 2014.

In June, the Group announced it had acquired a stake in the following companies:

- Alter Way, the Internet and open source leader, which posted €10.1 million in revenue in 2014. Econocom's investment accounts for 65.45% of the company's shares.
- Bizmatica, in which Econocom holds a 70% stake, is an Italian company which reported revenue of €12 million in 2014 and develops business and mobile applications services. Bizmatica covers the entire value chain from consulting to design and from implementation to solutions management.
- Nexica, a Spanish critical applications hosting provider and cloud expert which achieved revenue of €8.7 million in 2014, is now wholly owned by Digital Dimension, a subsidiary of Econocom.
- Norcod, a French specialist in B2B mobile solutions which reported revenue of €11.7 million in 2014, is wholly owned by Digital Dimension.

Lastly, the creation of Digital Security will enhance Econocom's IT security offering. Econocom Digital Security, of which the Group owned 75.3% on 30 June 2015, will innovate by launching the first CERT (Computer Emergency Response Team) for IoT security. The CERT is a team of recognised cyber-security experts who provide operational emergency prevention and response and advanced consulting services. Digital Security will have its own IoT security R&D laboratory.

1.2. FINANCING OPERATIONS

The Group reinforced and diversified its financial resources and benefited from attractive market conditions. After the successful issue of net share settled bonds convertible into new shares and/or exchangeable for existing shares (ORNANE) of €175 million in January 2014, in May 2015 the Group successfully finalised an issue of bonds with maturities of five and seven years as part of a private placement (Euro PP) of €101 million with eight institutional investors. These funds will enable the Group to continue its ambitious growth plan.

Econocom, which recently joined the new Tech 40 index, has decided to list its new bonds on Alternext.

2. HALF-YEAR RESULTS

2.1. Key figures (unaudited)

(in € millions)	H1 2015	H1 2014 restated	Change
Revenue	1,122.3	973.8	15%
<i>Technology Management & Financing</i>	<i>567.3</i>	<i>491.2</i>	<i>15%</i>
<i>Services</i>	<i>344.0</i>	<i>315.6</i>	<i>9%</i>
<i>Products & Solutions</i>	<i>211.0</i>	<i>167.0</i>	<i>26%</i>
Recurring operating profit before amortisation of intangible assets from acquisitions*	43.4	32.1	35%
Recurring operating profit	41.4	30.6	35%
Operating profit	40.3	25.0	61%
Other financial expenses and income	(6.2)	(8.5)	(27%)
Change in fair value of the ORNANE embedded derivative component	(2.0)	5.3	-
Profit before tax	32.1	21.8	47%
Income tax	(11.5)	(5.9)	95%
Profit from discontinued operations	(0.2)	(0.9)	-
Profit for the period including non-controlling interests	20.4	15.0	36%
Profit for the period excluding non-controlling interests	20.8	15.5	34%
Profit for the period attributable to non-controlling interests	(0.4)	(0.5)	(15%)
Profit for the period attributable to owners of the parent, restated*	24.1	11.2	115%
Shareholders' equity and net debt			
Operating cash flow before cost of net debt and income tax	38.2	27.3	40%
Shareholders' equity including non-controlling interests	261.2	279.6	(7%)
Net cash at bank	81.0	47.5	71%
Net debt	(250.8)	(176.5)	42%
Earnings per share (€)			
Basic earnings per share (€)	0.190	0.143	33%
Diluted earnings per share (€)	0.185	0.138	34%
Restated earnings per share (€)**	0.220	0.104	112%

(in units and €)	30 June 2015	30 June 2014
Average number of outstanding shares	109,591,312	108,331,999
Total number of shares as of 30 June	112,519,287	115,572,590
Share price (€)	7.38	6.92
Market capitalisation (in € millions)	830	800

* Before amortisation of the ECS customer portfolio and the Osiatis brand.

** Before amortisation of the ECS customer portfolio and the Osiatis brand and before the change in fair value of the ORNANE embedded derivative component, net of income tax.

In the first half of 2015, Econocom Group reported consolidated revenue of €1,122.3 million, up 15% from €973.8 million in the first half of 2014, which reflects the Group's healthy business dynamic.

Recurring operating profit for the Group* amounted to €43.4 million on 30 June 2015, a substantial rise of 35% compared with €32.1 million in the first half of 2014. This strong growth was driven by the improved operating margins across all business lines during the period and is a result of the implementation of business synergies, the successful integration of the Services activities and productivity plans conducted across all the Group's activities.

The Group's operating profit stood at €40.3 million, rising over 60% from €25 million in the same prior-year period. Non-recurring expenses were very low on 30 June 2015 (€1.1 million). As previously announced, the integration of Osiatis Group is now complete and did not generate any exceptional expenses in 2015 (compared with €5.6 million in the first half of 2014).

Financial result for the first half was unfavourably affected to the tune of €2 million by the mark-to-market value of the ORNANE embedded derivative component following the rise in the share price during the first half (on 30 June 2014, the change in the derivative, conversely, resulted in an income of €5.2 million).

Net profit for the first half of 2015 amounted to €20.4 million, up 36%.

Restated net profit** stood at €24.1 million, resulting in a 112% rise in restated earnings per share.

Equity amounted to €261 million as of 30 June 2015, compared with €281 million at 31 December 2014. This change is due to the first-half results, repayment of share premiums and buying back treasury shares.

Net debt at 30 June 2015 stood at €251 million and was composed of:

(in € millions)

Gross cash and cash equivalents	132.2
Short-term credit facilities and bank loans	(51.2)
ORNANE convertible bonds	(170.3)
Private placement (Euro PP)	(100.6)
Contracts and receivables refinanced with recourse	(47.4)
Other liabilities and factoring liabilities	(13.5)

* Before amortisation of the ECS customer portfolio and the Osiatis brand.

** Before amortisation of the ECS customer portfolio and the Osiatis brand and before the change in fair value of the ORNANE embedded derivative component, net of income tax.

2.2. Breakdown of key figures by business

Revenue and recurring operating profit* are broken down as follows:

Revenue (in € millions)	H1 2015	H1 2014 restated	Change
Technology Management & Financing	567.3	491.2	15%
Services	344.0	315.6	9%
Products & Solutions	211.0	167.0	26%
Revenue	1,122.3	973.8	15%

Recurring operating profit* (in € millions)	H1 2015	H1 2014 restated	Change
Technology Management & Financing	25.4	17.1	49%
Services	13.6	12.1	12%
Products & Solutions	4.4	2.9	52%
Recurring operating profit*	43.4	32.1	35%

In the first half of 2015, the Technology Management & Financing business reported revenue of €567 million compared with €491 million a year before (an entirely organic growth of 15%). This performance reflects the healthy business dynamic, supported by its funding division, Econocom Digital Finance Ltd, which contributed around 5% to the activity's revenue. This excellent dynamic can also be found in the business line's recurring operating profit and is the result of investments made as part of the "Mutation 2013 – 2017" strategic plan.

Services achieved revenue of €344 million compared with €316 million for the first half of 2014, i.e. a 9% rise, 2% of which is organic growth.

Eighteen months after the acquisition of Osiatis, Econocom now has a robust, extensive, competitive services platform and is thus in a position to deploy digital offerings which will help consolidate its organic growth. Operating profitability for the activity increased during the period.

Products & Solutions reported revenue of €211 million compared with €167 million a year before, i.e. an entirely organic increase of 26%. This strong growth confirms the lively sales in the high-growth connected devices market, which accounts for over half the activity's growth, particularly in the public sector, healthcare and education. This performance is also down to the strong business synergies with the Group's other business lines and its successful launch in Italy in the high-growth digital assets market.

* Before amortisation of the ECS customer portfolio and the Osiatis brand.

2.3. Breakdown of key figures by geographical area

Revenue and recurring operating profit* can be analysed as follows:

Revenue (in € millions)	H1 2015	H1 2014 restated	Change
France	602.9	516.4	17%
Benelux	180.8	157.9	14%
Southern Europe	196.1	177.5	10%
Northern & Eastern Europe and Americas	142.5	122.0	17%
Revenue	1,122.3	973.8	15%

All the Group's geographical areas posted strong growth in revenue of between 10 and 17%.

Growth in France was mainly driven by the excellent performance of the Technology Management & Financing and Products & Solutions businesses, whilst the rest was a result of external growth transactions.

The rise in Benelux was due to the Technology Management & Financing business, with some significant contracts signed and an excellent business momentum.

Southern Europe, meanwhile, performed well in the first half (up 10%), driven mainly by the growth of Technology Management & Financing in Italy and Spain and the successful launch of Products & Solutions in Italy.

Northern & Eastern Europe also reported a healthy sales dynamic, particularly in Germany and Ireland in the Technology Management & Financing business.

3. OUTLOOK

After a record second half 2014, the Group's Management is satisfied with the results of the first half of 2015. The first-half growth dynamic, supported by the first trends of the third quarter, has enabled Econocom to:

- Confirm its 2015 guidance: another year of organic growth in revenue and a rise in recurring operating profit and net earnings per share.
- Expect a sharp rise in restated net earnings per share.
- Confirm the objectives of its Mutation 2017 plan: €3 billion in revenue and €150 million recurring operating profit in 2017.

4. RISK FACTORS AND DISPUTES

The risk factors described in the 2014 annual report did not significantly change in the first half.

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. One of the Services division's French subsidiaries underwent a tax inspection regarding the research tax credit for 2009 and 2010. The conclusions of the inspection upheld the Group's position as recorded in its financial statements.

5. RELATED PARTIES

There has been no major change regarding related parties since the publication of the 2014 annual report.

6. HUMAN RESOURCES

Econocom Group employed 8,972 people as of 30 June 2015, compared with 8,588 as of 31 December 2014.

The Group's workforce has increased by 4%, whilst revenue is up 15%. Econocom has also expanded its sales teams by around 40 people, i.e. a 7% rise in the sales force, which will serve to support the Group's growth.

7. SHARE PRICE AND OWNERSHIP STRUCTURE

The Econocom share price stood at €7.375 on 30 June 2015.

The following changes took place in the ownership structure:

	30 June 2015	31 Dec. 2014
Companies controlled by Jean-Louis Bouchard	41.03%	41.03%
Public shareholders	55.24%	57.67%
Treasury shares	3.73%	1.30%
Total	100%	100%

Econocom Group was notified that as from 30 June 2015 three shareholders, (other than the companies controlled by Jean-Louis Bouchard) – Butler Management Ltd (and, indirectly WB Finance et Partenaires and Walter Butler), French company AXA SA, and American firm Kabouter Management, LLC – had exceeded the 5% share ownership threshold.

CONSOLIDATED FINANCIAL STATEMENTS

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Unless otherwise stated, all amounts are in in € millions.

II.

1. CONSOLIDATED FINANCIAL STATEMENTS AND EARNINGS PER SHARE

As of 30 June 2015 and as of 30 June 2014

(in € millions)	Notes	First-half 2015	First-half 2014 restated
Revenue from continuing operations	3	1,122.3	973.8
Operating expenses		(1,080.9)	(943.2)
Cost of sales		(759.1)	(638.8)
Personnel costs		(232.3)	(221.2)
External expenses		(79.2)	(79.5)
Depreciation, amortisation and provisions		(2.6)	0.7
Net impairment losses on current and non-current assets		(4.5)	0.6
Taxes (other than income taxes)		(8.6)	(7.5)
Other operating income and expenses		2.9	0.3
Net financial income, operating activities		2.5	2.2
Recurring operating profit	3	41.4	30.6
Non-recurring operating income and expenses	8	(1.1)	(5.6)
Operating profit		40.3	25.0
Financial income	9	0.2	5.3
Financial expenses	9	(8.4)	(8.5)
Profit before tax		32.1	21.8
Income tax expense		(11.5)	(5.9)
Profit from continuing operations		20.6	15.9
Share of profit/(loss) of associates and joint ventures		(0.0)	0.0
Profit (loss) from discontinued operations	2	(0.2)	(0.9)
Profit for the period including non-controlling interests		20.4	15.0
Non-controlling interests		(0.4)	(0.5)
Profit for the period attributable to owners of the parent		20.8	15.5
(in €)			
Basic earnings per share - continuing operations		0.19	0.15
Basic earnings (loss) per share - discontinued operations		(0.00)	(0.01)
Basic earnings per share		0.19	0.14
Diluted basic earnings per share - continuing operations		0.19	0.15
Diluted basic earnings (loss) per share - discontinued operations		(0.00)	(0.01)
Diluted earnings per share		0.19	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	First-half 2015	First-half 2014 restated
Profit for the period	20.4	15.0
<i>Items that will not be reclassified to profit or loss</i>	-	-
<i>Items that may be reclassified to profit or loss</i>	0.5	1.3
Foreign currency translation adjustments	0.5	1.3
Other comprehensive income (expense)	0.5	1.3
Total comprehensive income for the period	20.9	16.3
Attributable to owners of the parent	21.6	16.7
Attributable to non-controlling interests	(0.7)	(0.4)

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2015

Assets

(in € millions)	<i>Notes</i>	30 June 2015	31 December 2014 restated
Non-current assets			
Intangible assets		59.5	57.6
Goodwill	2.3	441.6	380.8
Property, plant and equipment		28.1	26.2
Financial assets		21.9	22.4
Residual interest in leased assets		65.9	62.6
Other long-term receivables		4.0	2.2
Deferred tax assets		9.9	13.6
Total non-current assets		630.9	565.4
Current assets			
Inventories	4.1	30.7	27.3
Trade and other receivables	4.2	893.1	724.0
Residual interest in leased assets		27.3	25.9
Current tax assets		10.6	14.8
Other current assets		67.0	34.5
Cash and cash equivalents		132.2	207.3
Total current assets		1,160.9	1,033.8
Assets held for sale		-	2.1
Total assets		1,791.8	1,601.3

Equity and liabilities

(in € millions)	Notes	30 June 2015	31 December 2014 restated
Share capital	5.1	21.6	21.6
Additional paid-in capital and reserves		177.4	208.9
Profit for the period		20.8	31.3
Equity attributable to owners of the parent		219.8	261.8
Non-controlling interests	5.3	41.4	19.5
Total equity		261.2	281.3
Non-current liabilities			
Financial liabilities	6	48.0	46.0
Gross liability for purchases of leased assets		42.0	38.2
Bonds	6	265.5	167.0
Long-term provisions		5.7	5.1
Provisions for pensions and other post-employment benefit obligations		38.2	36.1
Other non-current liabilities		53.6	20.7
Deferred tax liabilities		3.4	6.8
Total non-current liabilities		456.4	319.9
Current liabilities			
Financial liabilities	6	64.1	97.6
Gross liability for purchase of leased assets		12.3	13.0
Bonds	6	5.3	2.6
Short-term provisions		32.9	40.6
Current tax liabilities		10.0	8.7
Trade and other payables	4.3	731.1	682.2
Other current liabilities	4.3	218.5	153.8
Total current liabilities		1,074.2	998.5
Liabilities related to assets held for sale		-	1.6
Total equity and liabilities		1,791.8	1,601.3

3. CONSOLIDATED STATEMENT OF CASH FLOWS

As of 30 June 2015

(in € millions)	First-half 2015	First-half 2014 restated
Profit for the period	20.4	15.0
Elimination of share of profit/(loss) of associates and joint ventures	(0.0)	(0.0)
Depreciation/amortisation	8.1	6.3
Impairment of financial assets	-	(0.1)
Impairment of trade receivables, inventories and other current assets	3.9	1.5
Losses/(gains) on disposals of property, plant and equipment and intangible assets	0.1	0.1
Impact of changes in fair value of the ORNANE embedded derivative component	2.0	(5.3)
Changes in residual interest in leased assets	(1.0)	4.1
Cost of discounting residual interest in leased assets and Gross liability for purchases of leased assets	(1.9)	(1.7)
Changes in provisions	(8.3)	(7.2)
Income and expenses related to share-based payment	0.7	0.5
Impact of sold operations and changes in integration methods	(2.4)	-
Cash flows from operating activities after cost of net debt and income tax	21.6	13.2
Income tax expense	11.3	5.9
Cost of net debt	5.3	8.2
Cash flows from operating activities before cost of net debt and income tax (a)	38.2	27.3
Change in working capital (b)	(96.7)	(110.7)
Income tax paid (c)	(10.9)	(9.6)
Net cash from operating activities (a+b+c=d)	(69.4)	(93.0)
<i>of which cash flow from discontinued operating activities</i>	<i>(0.2)</i>	<i>(0.6)</i>
Acquisition of property, plant and equipment and intangible assets, excluding the Technology Management & Financing business	(5.6)	(10.3)
Disposal of property, plant and equipment and intangible assets, excluding the Technology Management & Financing business	0.0	0.5
Acquisition/disposal of property, plant and equipment allocated to Technology Management & Financing	(0.6)	(0.2)
Acquisition of financial assets	(0.3)	(3.7)
Disposal of financial assets	0.2	3.7
Acquisition of companies and businesses, net of cash acquired	(36.0)	(37.3)
Disposal of companies and businesses	1.9	-
Net cash used in investing activities (e)	(40.4)	(47.3)
<i>of which cash flow from discontinued investing activities</i>	<i>1.0</i>	<i>-</i>

(in € millions)	First-half 2015	First-half 2014 restated
Buyback and redemption of OCEANE convertible bonds	-	(47.4)
Issuance of ORNANE convertible bonds	-	175.0
Issuance of other non-convertible bonds	101.0	-
Exercise of stock options	0.4	8.2
Acquisitions and disposal of treasury shares	(21.9)	(21.8)
Changes in refinancing liabilities on lease contracts and liabilities on self-funded contracts	3.8	(3.1)
Increase in non-current financial liabilities	0.3	-
Repayment of non-current financial liabilities	(1.2)	(8.8)
Increase in current financial liabilities	1.1	85.3
Repayment of current financial liabilities	(47.0)	(43.4)
Interest paid	(5.1)	(6.5)
Dividends paid during the period	-	(12.9)
Net cash from financing activities (f)	31.4	124.6
<i>of which related to discontinued operations</i>	-	0.6
Impact of changes in exchange rates on cash and cash equivalents (g)	0.8	0.8
Impact of opening cash balance of discontinued operations	-	(0.2)
Change in cash and cash equivalents (d+e+f+g)	(77.6)	(15.1)
Cash and cash equivalents as of 1 January	207.3	150.1
Change in cash and cash equivalents	(77.6)	(15.1)
Cash and cash equivalents as of 30 June*	129.7	135.0

*Net of bank overdrafts as of 30 June 2015, i.e. € 2.5 million.

The main movements in the consolidated statement of cash flows are explained in note 6.1.

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of 30 June 2014 and 30 June 2015

(in € millions)	Number of shares	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income and expense	Attributable to owners of the parent	Attributable to non-controlling interests	Total
Balance as of 1 January 2014, reported	106,517,314	19.9	175.0	(6.1)	74.9	(3.8)	259.9	0.1	260.0
Impact of IFRIC 21 interpretation					1.4		1.4		1.4
Balance as of 1 January 2014, restated	106,517,314	19.9	175.0	(6.1)	76.3	(3.8)	261.3	0.1	261.4
Profit for the period, restated	-	-	-	-	15.5	-	15.5	(0.5)	15.0
Other comprehensive income (expense), net of tax	-	-	-	-	-	1.2	1.2	0.1	1.3
Total comprehensive income for first half 2014	-	-	-	-	15.5	1.2	16.7	(0.4)	16.3
Recognition of share-based payments	-	-	-	-	0.5	-	0.5	-	0.5
Conversion and buyback of OCEANE convertible bonds	9,055,276	1.7	29.2	-	-	-	30.9	-	30.9
Exercise of stock options	-	-	-	26.8	(18.6)	-	8.2	-	8.2
Dividends paid	-	-	-	-	(12.9)	-	(12.9)	-	(12.9)
Treasury share transactions	-	-	-	(22.2)	0.3	-	(21.9)	-	(21.9)
Transactions with an impact on non-controlling interests ⁽¹⁾	-	-	-	-	(7.6)	-	(7.6)	4.8	(2.8)
Balance as of 30 June 2014, restated	115,572,590	21.6	204.2	(1.4)	53.5	(2.6)	275.1	4.5	279.6
Balance as of 1 January 2015, reported	112,519,287	21.6	205.3	(8.7)	46.7	(4.9)	259.9	19.5	279.5
Impact of interpretation of IFRIC 21					1.8		1.8	0.0	1.8
Balance as of 1 January 2015 restated	112,519,287	21.6	205.3	(8.7)	48.5	(4.9)	261.8	19.5	281.3
Profit for the period	-	-	-	-	20.8	-	20.8	(0.4)	20.4
Other comprehensive income (expense), net of tax	-	-	-	-	-	0.8	0.8	(0.3)	0.5
Total comprehensive income for first half 2015	-	-	-	-	20.8	0.8	21.6	(0.7)	20.9
Cancellation of shares	-	-	-	-	-	-	-	-	-
Conversion and buyback of OCEANE convertible bonds	-	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	0.4	-	0.4	-	0.4
Repayment of share premiums ⁽²⁾	-	-	(16.2)	-	-	-	(16.2)	-	(16.2)
Treasury share transactions	-	-	-	(21.4)	(0.1)	-	(21.5)	-	(21.5)
Transactions with an impact on non-controlling interests ⁽¹⁾	-	-	-	-	(26.3)	-	(26.3)	22.6	(3.7)
Balance at 30 June 2015	112,519,287	21.6	189.1	(30.1)	43.3	(4.1)	219.8	41.4	261.2

(1) Impact mainly related to (i) the put option over non-controlling interests in the acquisitions during the period (impact on "Equity attributable to owners of the parent" and "Non-controlling interests") and (ii) the initial recognition, at fair value, of non-controlling interests in these acquisitions.

(2) Paid in July 2015.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. Statement of compliance and basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 – Interim Financial Reporting and IFRS as adopted by the European Union as of 30 June 2015⁽¹⁾.

The consolidated financial statements of Econocom Group include the financial statements of Econocom Group SA/NV and its subsidiaries. They are presented in millions of euros. The fact that the 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.

They were approved for issue by the Board of Directors on 3 September 2015 and have not been subject to a review by the statutory auditors.

The interim financial statements comply with exactly the same accounting rules and policies as those used for the full-year financial statements drawn up on 31 December 2014, as set forth in the 2014 annual report, with the exception of the point described in paragraph 1.2.1 hereafter and as a result of the first application of the IFRIC 21 interpretation.

They comply with the minimum disclosures required by IAS 34, and, consequently, should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2014, as reported in the 2014 annual report.

The specific rules for preparing interim financial statements are as follows:

1.1.1. Assessment methods specific to interim financial statements

Provisions for post-employment benefits

Expenses in the first half for post-employment benefits are calculated on the basis of actuarial assessments made at the end of the previous period. These assessments are adjusted, if applicable, to allow for reductions, liquidations or other major, non-recurring events which took place during the half-year.

Income tax

For interim financial statements, income tax expenses (current and deferred) are calculated by applying to the accounting result for the period, for each tax entity, the estimated average income tax rate for the current year. This expense is, if applicable, adjusted with the income tax impact of exceptional items during the period.

(1) Available in English on the web site: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Goodwill

Goodwill is tested for impairment at each year-end using the method described in note 2.11 of the consolidated financial statements of the 2014 annual report, as well as any time there is an indication that an impairment may have occurred.

1.1.2. Use of estimates

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

The main accounting policies requiring the use of estimates are:

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

As of the date on which the condensed consolidated interim financial statements were reviewed by the Board of Directors, Management believes that as far as possible, these estimates take into account all available information.

The Osiatis brand

The Group has decided to focus communication with respect to its three core businesses on a single brand. The infrastructure and application Services which previously traded as Econocom-Osiatis will thus from now on come under the Econocom brand. The Group continues to own the Osiatis brand and will continue to use it for ongoing multi-year contracts. However, Econocom intends gradually to bring all its external and internal communication about its Service business under the Econocom brand. To take into account this change, the estimated useful life of the brand has been reduced. The Osiatis brand was initially amortised over ten years. Econocom Group estimates that the remaining useful life is four years as of 1 January 2015. The amortisation schedule for the Osiatis brand has thus been adjusted prospectively in order to take into account this change in estimation. The amortisation expense for the first half amounted to €1.1 million, compared with €0.5 million in the first half of 2014.

1.2. New standards, amendments and interpretations

1.2.1. New standards and interpretations applicable as of 1 January 2015

The interpretation of IFRIC 21 (levies) adopted by the European Union in June 2014 is applied retrospectively since 1 January 2015. This new standard requires levies (excluding income taxes) to be recognised on the date of the obligating event; liabilities may only be recognised gradually if the obligating event for the levy is gradual.

The taxes affected by this new standard are the French corporate solidarity contribution (*contribution sociale de solidarité des sociétés*: C3S, levy for French companies) and the land taxes. The application of this new standard will result in:

- recognition of C3S a year later than previously (tax due on 1 January for revenue generated in the previous year);
- recording of all C3S and certain land taxes on 1 January, whereas they were previously spread out on a straight line basis over the year.

The 2014 consolidated financial statements have been restated accordingly (the impacts were determined at the opening of the oldest financial year published, i.e. on 1 January 2014). The impacts are presented in paragraph 1.4.

1.2.2. Standards and interpretations adopted by IASB but not yet applicable as of 30 June 2015

The Group has not early adopted any of the following new standards or interpretations whose application is not mandatory for the financial year beginning 1 January 2015:

- Amendment to IAS 19 – Employee Contributions to Defined Benefit Plans
- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 9 – Financial Instruments;
- Amendment to IAS 16/IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendment to IFRS 11 – Acquisition of an interest in a joint operation;
- Amendment to IAS 1 – Disclosure Initiative, mandatory as of 1 January 2016;
- Annual improvements, cycles 2010-2012 and 2012-2014.

The impact of these standards is not yet known or cannot yet be reasonably estimated at this stage. (cf. note 2.2.3 of the notes to the consolidated financial statements of the 2014 annual report).

1.3. Changes in accounting policy

There were no changes in accounting policy during the first half of 2015 other than those required to comply with new or amended IFRSs applicable to financial periods beginning on or after 1 January 2015, and presented in note 1.2.1.

1.4. Changes in the statement of financial position

Changes in presentation and reclassifications are made when they provide information that is both reliable and more relevant to users of the financial statements, and when the amended presentation structure is likely to be other than temporary, so that comparability is not compromised. When a change in presentation has a significant impact, the comparative information must also be reclassified.

The Group made several changes to the presentation of the financial statements as of 30 June 2015, the effects on the financial statements of which are described below.

1.4.1. Reclassifications in the balance sheet as of 31 December 2014

(in € millions)	31 December 2014 (reported)	Impacts IFRIC 21 (cf. § 1.2.1)	31 December 2014 restated
Non-current assets	566.6	(1.2)	565.4
Current assets	1,033.8	-	1,033.8
Assets held for sale	2.1	-	2.1
Total assets	1,602.5	(1.2)	1,601.3
Equity	279.5	1.8	281.3
Non-current liabilities	319.9	-	319.9
Current liabilities	1,001.5	(3.0)	998.5
Liabilities held for sale	1.6	-	1.6
Total equity and liabilities	1,602.5	(1.2)	1,601.3

1.4.2. Adjustments to the income statement as of 30 June 2014

(in € millions)	30 June of 2014 (reported)	Impact IFRIC 21 (cf. § 1.2.1)	Reclassification of financial expenses	Impact of discontinuing the Services – business Germany	Cancellation of share of profit/(loss) of associates of Interadapt	Impact of the full integration Interadapt	30 June 2014 restated
Revenue from continuing operations	972.2	-	-	(2.2)	-	3.8	973.8
Operating expenses	(943.1)	(1.2)	2.1	3.1	-	(4.1)	(943.2)
Recurring operating profit	29.1	(1.2)	2.1	0.8	-	(0.3)	30.6
Non-recurring operating income and expenses	(5.7)	-	-	0.1	-	-	(5.6)
Operating profit	23.4	(1.2)	2.1	0.9	-	(0.3)	25.0
Net financial expense	(1.0)	-	(2.1)	-	-	-	(3.1)
Profit before tax	22.4	(1.2)	-	0.9	-	(0.3)	21.8
Income tax	(6.4)	0.4	-	-	-	0.1	(5.9)
Profit (loss) from continuing operations	16.0	(0.7)	-	0.9	-	(0.2)	15.9
Share of profit/(loss) of associates and joint ventures	(0.1)	-	-	-	0.1	-	-
Profit (loss) from discontinued operations	-	-	-	(0.9)	-	-	(0.9)
Profit for the period	15.9	(0.7)	-	-	0.1	(0.2)	15.0
Non-controlling interests	(0.3)	-	-	-	-	(0.2)	(0.5)
Profit for the period attributable to owners of the parent	16.3	(0.7)	-	-	0.1	(0.1)	15.5

In addition to the change in accounting method resulting from the application of IFRIC 21, the reclassifications and adjustments in profit for the first half of 2014 concern:

- Reclassification of certain financial expenses initially classified in recurring operating profit and reclassified in financial profit due to their nature (financial interest on bank accounts, financial factoring expenses). This reclassification had already been carried out in the financial statements on 31 December 2014.
- In accordance with IFRS 5, retrospective reclassification of the effects in the income statement of the Services business in Germany on a separate line in accordance with IFRS 5 – Discontinued Operations
- On 31 December 2013, the Group had a notable influence on Interadapt because Econocom already held a strategic stake of 28.76% via its subsidiary Osiatis Do Brasil. The call option held by Econocom for Interadapt and exercised in 2014 resulted in a retrospective takeover as of 1 January 2014.

2. CHANGES IN THE SCOPE OF CONSOLIDATION

2.1. Changes in the scope of consolidation in the first half of 2015

2.1.1. Acquisitions or stakes

The companies which came into the scope of consolidation are presented below in chronological order. For all these transactions, goodwill is determined on a provisional basis. In accordance with IFRS 3, there is a “measurement period” which ends one year after the acquisition date and during which the Group may recognise adjustments to these provisional amounts (cf. § 2.4.3 of the consolidated financial statements of the 2014 annual report).

The purchase price of all these transactions was €33.9 million; some of these transactions include an earn-out payment based on revenue and/or productivity.

• Clesys

In February 2015 Econocom-Osiatis SAS acquired 100% of the share capital of Clesys, a French company which specialises in systems and network architecture security and reported revenue of €5.5 million in 2014.

This takeover gave rise to €2.2 million in goodwill after allocation of the acquisition price.

• Helis

In February 2015, Econocom-Osiatis SAS acquired a 45% stake in Helis, along with EINV which acquired 20% of the share capital. Created in 2004, Helis is a French consulting and engineering firm specialising in IT infrastructure. With a combination of technical and functional expertise, the company covers every stage of added-value projects by offering its clients consulting and services in high-growth, differentiating areas (cloud, convergence, virtualisation, security, telecoms, etc.). Helis posted revenue of €7.6 million in 2014.

An analysis of the shareholders’ agreement and the characteristics of the ownership structure revealed that Econocom Group has control of Helis.

Helis’s founder still retains 35% of the share capital, which could be sold to Econocom as of 2019, either by exercising the founder’s put option, or by exercising Econocom’s call option. A liability for the put option over the non-controlling interests has therefore been recognised in the Group’s consolidated statement of financial position, measured based on an estimation of Helis’s EBIT for 2018. A corresponding decrease in the equity of the parent company has also been recognised (Econocom-Osiatis, which in turn was wholly-owned by the Group).

The cost of this business combination was calculated using the full goodwill method, and gave rise to €16.4 million in goodwill.

• **Norcod and Norcod Solutions Santé**

At the end of March 2015, Digital Dimension acquired the entire share capital of Norcod, a company headquartered in the north of France that specialises in connected solutions for businesses. In 2014, Norcod posted revenue of €11.7 million. Norcod has considerable expertise in deployment management and after-sales services for mobile devices for warehouses, implementing innovative solutions based on voice technologies and Wi-Fi solutions.

The takeover gave rise to €5 million in goodwill after allocation of the acquisition price.

With this transaction, Digital Dimension and Econocom Group bought into the capital of French company Norcod Solutions Santé. Each holds 22.5% of the company, whilst the former head of Norcod owns 55%.

This company was acquired in 2015 for the purpose of assisting its clients in digitalising processes in the hospital sector (paramedical and nursing homes). An analysis of the shareholders' agreement did not lead to control. Norcod Solutions Santé was evaluated using the equity method. €0.3 million equity goodwill was recognised and classified in investments in associates.

• **Nexica**

At the end of April 2015, Digital Dimension acquired 100% of Nexica, a Spanish company headquartered in Barcelona. Nexica is a critical business applications and cloud infrastructure hosting provider. With over 15 years' in the market, the company manages two data centres for IaaS (Infrastructure as a Service) services, with the ability to host added-value services such as e-commerce platforms and portals. In 2014, Nexica reported revenue of €8.7 million.

The takeover gave rise to €15.3 million in goodwill.

• **Alter Way**

At the end of May 2015, Econocom Group acquired 64.45% of Alter Way Group, a French open source provider specialising in web hosting, engineering, training and consulting. Alter Way reported cumulated revenue of €10.1 million at the end of 2014.

The minority shareholders, which include the founders of Alter Way, retain 35.55% of the share capital, which could be sold to Econocom as of 2019, either by exercising the minority shareholders' put option, or by exercising Econocom's call option. A liability for the put option over the non-controlling interests has therefore been recognised in the Group's consolidated statement of financial position, measured based on an estimation of Alter Way's EBIT for 2018. A corresponding decrease in the equity of the parent company has also been recognised.

The cost of this business combination was calculated using the full goodwill method, and gave rise to €12 million in goodwill.

- **Bizmatica**

In June 2015, Econocom International Italia acquired a 70% stake in Italian company Bizmatica. Bizmatica Group operates mainly in Italy and posted €12.3 million in revenue in 2014. It develops business and mobile applications services and covers the entire value chain from consulting to design and from implementation to solutions management.

The minority shareholders retain 30% of the share capital, which could be sold to Econocom as of 2019, either by exercising the minority shareholders' put option, or by exercising Econocom's call option. A liability for the put option over the non-controlling interests has therefore been recognised in the Group's consolidated statement of financial position, measured based on an estimation of Bizmatica's EBIT for 2017 and 2018. A corresponding decrease in the equity of the parent company has also been recognised.

The cost of this business combination was calculated using the full goodwill method, and gave rise to €9.1 million in goodwill for 100% of the share capital.

2.1.2. Increase in levels of interest

- **Interadapt**

In January 2015, Econocom Group acquired an additional tranche of shares in Interadapt, bringing its stake from 28.76% to 51.26%. The price for this additional tranche is 4.4 million BRL (i.e. €1.3 million at the closing exchange rate on 30 June 2015).

2.1.3. Companies created

- **Econocom Digital Security**

Econocom Digital Security SAS, a French company, was created in March 2015 by Econocom Group. Econocom opened up the capital to a managing partner who held 24.7% of the share capital on 30 June. The opening up of capital to other managing partners should bring Econocom Group's stake and control up to 55% by the end of 2015. The shareholders' agreement does not challenge Econocom's control. There are cross-options (combined put and call options) which may be exercised as of 2020. The estimated associated liability has been recorded in return for a reduction in equity attributable to owners of the parent.

2.1.4. Sold or discontinued operations

- **Sale of the Services business in Germany**

On 21 November 2014 Econocom finalised the sale agreement for Econocom Managed Services AG. This sale was completed during the first half of 2015 with retroactive effect on 1 January 2015.

The net loss from the discontinued operation amounted to €0.2 million. This includes the residual sale price, additional costs incurred during the period and the reduction of additional goodwill.

- **Asystel: sale of a business division in France**

At the end of June 2015, Asystel's small business division in France was sold to a third party, which generated a capital gain of €0.9 million, (after a reduction in goodwill of €0.2 million).

2.2. Adjustments to acquisitions made in the previous financial year

During the 12-month measurement period after the acquisition date, during which the opening amounts may be adjusted, Interadapt and Comiris's balance sheets were adjusted. These restatements were made on a prospective basis.

- **Interadapt**

An adjustment was recorded for the consideration transferred of Interadapt in order to take into account the fair value of shares during the transition from the equity method to the full consolidation method, generating an additional goodwill of €1.1 million recognised in the accounts on 30 June 2015.

- **Comiris**

Following an adjustment of the opening balance sheet affecting liabilities (advances and prepayments), an adjustment in goodwill of €0.2 million was recognised.

2.3. Changes in goodwill

As of 30 June 2015, goodwill was broken down as follows.

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

(in € millions)	Technology Management & Financing	Products & Solutions	Services	Total
Goodwill as of 1 January 2015	108.7	14.9	257.2	380.8
Adjustments to acquisition costs	-	-	1.3	1.3
Acquisitions	-	-	60.2	60.2
Foreign currency translation adjustments	-	-	(0.3)	(0.3)
Allocation	-	(0.2)	(0.2)	(0.4)
Goodwill as of 30 June 2015	108.7	14.7	318.2	441.6

In the first half of 2015, the acquisitions made were allocated to the Services business.

3. SEGMENT REPORTING

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

- Technology Management & Financing
- Services
- Products & Solutions

"Miscellaneous activities" includes all segments which are not reportable in accordance with IFRS 8.

Revenue and segment results

Internal transactions include:

- sales of goods and services: the Group ensures that these transactions are performed at arm's length and that no significant internal margins are retained. In most cases, purchased internal goods and services are in turn sold on to end clients. Certain services are sold before they are actually performed. In this case, revenue is deferred and recognised in liabilities under "Other current liabilities";
- cross-charging of overheads and personnel costs;
- cross-charging of financial expenses.

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

"Recurring operating profit from ordinary activities" corresponds to operating profit before other non-recurring operating income and expenses and the amortisation of non-current intangible assets from major transactions (amortisation of the Osiatis brand and the ECS customer portfolio).

3.1. Reporting by operating business segment

The following table presents the contribution of each operating business segment to the Group's results:

(in € millions)	Technology Management & Financing	Products & Solutions	Services	Total operating segments	Other activities	Total
First-half 2015						
Revenue						
Revenue from external clients	567.3	211.0	344.0	1,122.3	-	1,122.3
Internal operating revenue	0.2	27.3	21.6	49.1	-	49.1
Total — Revenue from operating segments	567.5	238.3	365.6	1,171.4	-	1,171.4
Recurring operating profit from ordinary activities⁽¹⁾	25.4	4.4	13.6	43.4	-	43.4
Amortisation of the ECS customer portfolio and the Osiatis brand	(1.0)	-	(1.0)	(2.0)	-	(2.0)
Recurring operating profit from ordinary activities	24.4	4.4	12.6	41.4	-	41.4

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

First-half 2014

Revenue						
Revenue from external clients	491.1	167.0	315.6	973.7	0.1	973.8
Internal operating revenue	2.3	21.0	21.1	44.4	-	44.4
Total — Revenue from operating segments	493.4	188.0	336.7	1,018.1	0.1	1,018.2
Recurring operating profit from ordinary activities⁽¹⁾	17.1	2.9	12.1	32.1	-	32.1
Amortisation of the ECS customer portfolio and the Osiatis brand	(1.0)	-	(0.5)	(1.5)	-	(1.5)
Recurring operating profit from ordinary activities	16.1	2.9	11.6	30.6	-	30.6

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

3.2. Breakdown of revenue by geographical area

Revenue by geographical area (source)

(in € millions)	First-half 2015	First-half 2014
France	602.9	516.4
Benelux	180.8	157.9
Southern Europe	196.1	177.5
Northern & Eastern Europe	124.1	105.5
Americas	18.4	16.5
Total	1,122.3	973.8

4. CHANGES IN WORKING CAPITAL REQUIREMENTS

4.1. Inventories

(in € millions)	30 June 2015			31 December 2014		
	Gross	Provision	Net	Gross	Provision	Net
Equipment in the process of being refinanced	12.4	(2.6)	9.8	14.1	(2.1)	12.0
Other inventories	39.7	(18.8)	20.9	33.2	(17.9)	15.3
<i>IT and Telecom equipment</i>	16.3	(1.0)	15.3	10.4	(0.7)	9.7
<i>Spare parts</i>	23.4	(17.8)	5.6	22.8	(17.2)	5.6
Total	52.1	(21.4)	30.7	47.3	(20.0)	27.3

4.2. Trade and other receivables and other current assets

(in € millions)	30 June 2015	31 Dec. 2014
Trade receivables	808.2	647.1
Other receivables	84.9	76.9
Trade and other receivables	893.1	724.0
Residual interest in leased assets	27.3	25.9

Trade receivables items are broken down below by activity:

(in € millions)	30 June 2015				31 December 2014			
	Receivables invoiced net of depreciations	Out-standing rentals	Revenue accruals	Total	Receivables invoiced net of depreciations	Out-standing rentals	Revenue accruals	Total
Technology Management & Financing	339.9	276.5	9.5	625.9	250.7	241.5	9.2	501.4
<i>Trade receivables refinanced or in the process of being refinanced</i>	152.1	276.5	-	428.6	111.0	241.5	-	352.5
<i>User trade receivables (outstanding rentals refinanced but invoiced by Econocom)</i>	187.8	-	9.5	197.3	139.7	-	9.2	148.9
Services	77.2	-	58.6	135.8	61.4	-	40.1	101.5
Products & Solutions	20.7	-	25.8	46.5	25.8	-	18.4	44.2
Total	437.8	276.5	93.9	808.2	337.9	241.5	67.7	647.1

As of 30 June 2015 (in € millions)	Carrying amount	Receivables not past due	Receivables past due			
			Total	< 60 days	60 - 90 days	> 90 days
Refinancing institutions	152.1	113.8	38.3	26.8	6.8	4.7
Other receivables	701.5	507.4	194.1	89.3	20.5	84.3
Impairment losses on doubtful debts	(45.4)	(9.3)	(36.1)	(0.7)	(0.4)	(35.0)
Trade and other receivables, net	808.2	611.9	196.3	115.4	26.9	54.0

Refinancing institutions correspond to financial institutions that are subsidiaries of banks. Other receivables correspond to the Group's end clients, mainly companies and public-sector bodies in the eurozone. Impairment losses on doubtful debts include impairment on disputed receivables, impairment of past due receivables and provisions for leasing receivables that are self-financed or refinanced with recourse.

4.3. Trade and other payables and other current liabilities

(in € millions)	30 June 2015	31 Dec. 2014
Trade payables	517.5	464.1
Other payables	213.6	218.1
Trade and other payables	731.1	682.2

Other payables can be analysed as follows:

(in € millions)	30 June 2015	31 Dec. 2014
Accrued taxes and personnel costs	177.4	202.5
Customer prepayments	11.9	9.5
Financial instruments – negative fair value	7.6	5.7
Miscellaneous payables*	16.7	0.4
Other payables	213.6	218.1

*Including €16.2 million of repayment of share premiums paid in July 2015.

Other current liabilities can be analysed as follows:

(in € millions)	30 June 2015	31 Dec. 2014
Other liabilities	9.9	11.6
Deferred income	167.2	131.5
Miscellaneous current liabilities	41.4	10.7
Other current liabilities	218.5	153.8

5. EQUITY

5.1. Share capital of Econocom Group SA/NV

	Number of shares			Value (in € millions)		
	Total	Treasury shares	Outstanding	Share capital	Paid-in capital	Treasury shares
As of 31 December 2014	112,519,287	1,460,186	111,059,101	21.6	205.3	(8.7)
Refund of share premiums	-	-	-	-	(16.2)	-
Purchase of treasury shares	-	2,856,282	(2,856,282)	-	-	(22.2)
Options exercised	-	(120,000)	120,000	-	-	0.8
As of 30 June 2015	112,519,287	4,196,468	108,322,819	21.6	189.1	(30.1)

5.2. Stock option plans

Since 1998, stock options have been granted to some of the Group's employees, managers and corporate officers for an agreed unit price. The characteristics of these plans are detailed below:

Stock option plans	Number of options outstanding at 31.Dec. 2014	Options issued in the period	Options exercised during the period	Options lapsed or forfeited	Options outstanding at 30 June 2015	Rights granted in number of shares (comparable) at 31 Dec. 2014	Rights granted in number of shares (comparable) at 30 June 2015	Exercise price (in euros)	Average share price at the exercise date	Expiry date
2011	30,000	-	(30,000)	-	-	120,000	-	3.23	7.06	December 2015
	790,000	-	-	-	790,000	3,160,000	3,160,000	3.06	-	December 2016
2013	1,075,000	-	-	(200,000)	875,000	1,075,000	1,075,000	5.96	-	December 2018
2014*	2,075,000	-	-	-	2,075,000	2,075,000	2,075,000	5.52	-	December 2019
2015*	-	240,000	-	-	240,000	-	240,000	7.74	-	January 2020
Total	3,970,000	240,000	(30,000)	(200,000)	3,980,000	6,430,000	6,550,000	-	-	

* In December 2014, the Compensation Committee approved a plan to issue 2,500,000 stock subscription rights, 2,075,000 of which were issued in 2014 and 240,000 in the first half of 2015. The formula adopted will allow Econocom Group to issue new shares upon exercise of these options.

5.3. Change in non-controlling interests

(in € millions)

At 31 December 2014 - restated	19.5
Share of comprehensive income attributable to non-controlling interests	(0.7)
Share of the net assets of investments attributable to non-controlling interests	23.3
Increase in the stake in Interadapt	(0.7)
At 30 June 2015	41.4

5.4. Basic and diluted earnings per share

The weighted number of ordinary shares outstanding used to calculate earnings per share at 30 June 2015 is 109,591,312.

The adjusted number of shares used to calculate diluted earnings per share at 30 June 2015 is 112,295,051, and does not include any potential shares from the ORNANE convertible bond issues since these convertible bonds have an accretive impact at 30 June 2015.

6. NET CASH AT BANK AND NET DEBT

Given the seasonal nature of cash flows, a comparison with 30 June 2014 is more relevant than a comparison with 31 December 2014.

(in € millions)	30 June 2015	30 June 2014 restated
Cash and cash equivalents*	132.2	135.1
Bank debt**	(51.2)	(87.6)
Net cash at bank	81.0	47.5
Convertible bond debt	170.3	166.3
Non-convertible bond debt	100.6	-
Contracts with recourse	47.4	39.9
Debts from factoring receivables with recourse	6.8	11.4
Other liabilities including finance lease liabilities - real estate	6.7	6.4
Net debt	(250.8)	(176.5)

* Positive gross cash flow.

** Including bank overdrafts of € 2.5 million as of 30 June 2015.

The change in net debt between 30 June 2015 and 30 June 2014 is mainly attributable to the acquisitions during the half-year, treasury share buybacks and the growth of the in-house funding company.

6.1. Main changes in cash flows

(in € millions)	First-half 2015	First-half 2014 restated
Net cash from operating activities	(69.4)	(93.0)
Net cash from investing activities	(40.4)	(47.3)
Net cash from financing activities	31.4	124.6
Impact of changes in exchange rates on cash and cash equivalents and impact on opening net cash of discontinued operations	0.8	0.6
Change in cash and cash equivalents	(77.6)	(15.1)
Cash and cash equivalents as of 1 January	207.3	150.1
Change in cash and cash equivalents	(77.6)	(15.1)
Cash and cash equivalents as of 30 June *	129.7	135.0

* Net of bank overdrafts as of 30 June 2015, i.e. €2.5 million.

Breakdown of net cash used in investing activities

Net cash used in investing activities mainly reflects:

- Net cash outflows of €36.0 million following the acquisitions made during the period (Nexica, Norcod, Bizmatica, Alter Way, Helis, Clesys), the increase in the stake in Interadapt and payments for earn-outs and deferred liabilities;
- Net cash inflows of €1.9 million corresponding to the disposal of the Services activity in Germany and the business division of Asystel in France;
- Net cash outflows of (€6.2) million, resulting mainly from investments in the Group's IT infrastructures and applications.

Breakdown of net cash used in financing activities

The change in borrowings and financial debts during the first half of 2015 is mainly the result of:

- Inflows of €101 million following the issue of a private placement in May 2015, broken down into 2 tranches of €45.5 and €55.5 million, with maturities of 5 and 7 years respectively. The new bonds come with coupons with fixed rates and redeemable upon maturity (€2.364% at 5 years and 2.804% at 7 years);
- (€38.2) million for the repayment of a credit facility;
- (€21.9) million of net treasury share buybacks;
- (€5.1) million of financial interest payments.

7. FAIR VALUE OF FINANCIAL 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 financial models widely used on financial markets, and on market information available at the reporting date.

(in € millions)

Statement of financial position headings in accordance with IAS39 classifications	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss		Carrying amount
		Level 2	Level 3	
Current and non-current interest-bearing liabilities	383.0	-	-	383.0
Convertible bonds	170.3	-	-	170.3
Non-convertible bonds	100.6	-	-	100.6
Factoring debts with recourse	6.8	-	-	6.8
Finance lease liabilities	54.1	-	-	54.1
Bank overdrafts	2.5	-	-	2.5
Bank borrowings and other borrowings	48.7	-	-	48.7
Non-current non interest-bearing liabilities	8.4	-	45.2	53.6
Gross liability for purchases of leased assets financial values	54.3	-	-	54.3
Trade payables	517.5	-	-	517.5
Other payables	206.0	7.6	-	213.6
Other current liabilities	214.0	-	4.5	218.5
Total financial liabilities	1,383.2	7.6	49.7	1,440.5

* cf. note 2.3.1 of the consolidated financial statements of the 2014 annual report.

Non-current non-interest-bearing liabilities estimated at fair value through profit or loss (Level 3) correspond to earn-outs of €3.1 million for companies acquired between 2012 and 2015 and non-controlling liabilities from put options over non-controlling interest of €42.1 million.

Current non-interest-bearing liabilities estimated at fair value through profit or loss (Level 3) correspond to estimated earn-outs of €4.5 million for companies acquired between 2012 and 2015.

Other trade payables measured at fair value through profit or loss (Level 2) correspond to the derivative compound of ORNANE convertible bond and other derivatives used as hedges for currency exchange rate risks arising on transactions.

Based on the information held by the company, fair value of financial liabilities approximates their carrying amount, except for:

- convertible bonds (ORNANE), the market value of which was €11.48 per bond on 30 June 2015 (including accrued interest), i.e. a market value of €189.5 million for all the ORNANE convertible bonds outstanding at that date;
- the Euro PP private placement, the market value of which (including accrued interest) on 30 June 2015 was 98.7% per bond for tranche 1 (mature in 2020) and 99.4% per bond for tranche 2 (mature in 2022) respectively, i.e. a market value of €100.1 million for all the convertible bonds outstanding at that date;

Level-3 financial liabilities correspond to amounts payable in respect of put options granted to non-controlling interests (€42.1 million), and amounts due on acquisitions of companies. They are measured based on estimations of future performances of the companies concerned (for example, a multiple of EBIT).

8. NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	H1 2015	H1 2014 restated
Departure costs	(2.7)	(4.9)
Acquisition costs	(1.0)	(0.5)
Other operating income and expenses	2.6	(0.2)
Total	(1.1)	(5.6)

9. NET FINANCIAL EXPENSE

(in € millions)	H1 2015	H1 2014 restated
Change in fair value of the ORNANE embedded derivative component	-	5.3
Other financial income	0.2	0.0
Financial income	0.2	5.3
OCEANE convertible bonds - interest expenses	-	(3.0)
OCEANE convertible bonds - losses on redemption	-	0.1
ORNANE convertible bonds - Coupons at 1.5%	(1.3)	(1.3)
ORNANE convertible bonds – residual expenses - amortised cost	(2.0)	(1.7)
Change in fair value of the ORNANE embedded derivative component	(2.0)	-
EURO PP (€101 million) – interest expenses	(0.2)	-
Expenses on non-current liabilities	(0.4)	(0.0)
Changes in actuarial cost of provisions for pension and other post-employment benefit obligations	(0.4)	(0.4)
Interest on bank overdrafts	(1.1)	(1.2)
Financial expenses on factoring	(0.7)	(0.9)
Other financial expenses	(0.3)	(0.1)
Financial expenses	(8.4)	(8.5)
Net financial expense	(8.2)	(3.2)

Non-recurring items of net financial expense for the first half of 2015 consist of an expense from the change in fair value of ORNANE embedded derivative component, i.e. an expense of €2 million. In the first half of 2014, non-recurring items of net financial expense were composed of expenses from OCEANE convertible bonds and changes in the fair value of the ORNANE embedded derivative component representing an income of €2.3 million.

10. 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 transactions with related parties summarised below mainly concern the principal transactions carried out with companies in which the Chairman of Econocom Group's Board of Directors holds a directorship.

Econocom International NV is an unlisted company that owned 41.03% of the share capital of Econocom Group SA/NV as of 30 June 2015. Econocom International NV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group SA/NV and its subsidiaries for managing and coordinating the Group. These fees amounted to €1.2 million in the first half of 2015, compared with €2.8 million in 2014.

In June 2015, SCI Dion-Bouton, which owns the building in Puteaux, received €2.2 million in rent in respect of full-year 2015. In 2012, a deposit of €2.1 million was paid to SCI Dion-Bouton for the duration of the lease.

Transactions with SCI Maillot Pergolèse, which owns the premises in Clichy, consist of rent for the first half of 2015 amounting to €0.2 million.

As part of its Technology Management & Financing business, the Group refinances a number of contracts on a non-recourse basis with Ecofinance International. In 2015, the warranty and refinancing expenses paid to Ecofinance International amounted to €2.6 million. The company was dissolved in July 2015.

APL – whose Chairman is Robert Bouchard – chiefly invoiced the Group for maintenance services to the tune of €0.2 million in the first half of 2015.

11. SUBSEQUENT EVENTS

On 31 July 2015, Digital Dimension acquired Synertrade S.A, a European software vendor specialising in procurement. Digital Dimension holds 90% of the share capital. This acquisition will enable Digital Dimension to enhance its SaaS-mode business software solutions, offer new applications to its marketplace and step up its international deployment in the countries Synertrade already operates in. Synertrade posted revenue in excess of €13 million in 2014.

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