



econocom

MOBILITY ON DEMAND.

2012
half-year
report

CONTENTS

Statement by the person responsible for the half-year financial report	3
Management report	4
A. Consolidated key figures	5
B. Comments as of 30 June 2012	7
C. Group structure	11
Consolidated financial statements.....	13
A. Statement of comprehensive income	14
B. Consolidated statement of financial position	16
C. Consolidated statement of cash flows	18
D. Consolidated statement of changes in equity	20
E. Notes to the consolidated financial statements	21

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

To the best of my knowledge, the financial statements for the half-year ended 30 June 2012 have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of assets, liabilities, financial position and results of the company and the undertakings included in the consolidation as a whole, and the interim management report appended hereto gives a fair presentation of important events that have occurred during the first six months of the financial year, of their impact on the financial statements, and of major related-party transactions, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

30 August 2012



Chairman of Econocom
Jean-Louis Bouchard

MANAGEMENT REPORT

A. CONSOLIDATED KEY FIGURES

<i>(in € millions)</i>	H1 2012	H1 2011
Key figures (unaudited)		
Revenue by business	736.9	763.7
Services	123.4	127.0
Distribution	99.6	99.1
Leasing	482.8	519.5
Telecom	31.1	18.1
Recurring operating profit (before amortisation of ECS portfolio)	26.0	18.6
Recurring operating profit	25.0	17.6
Operating profit	21.3	12.8
Profit for the period, excluding non-controlling interests	13.7	2.7
Operating cash flow⁽¹⁾	26.9	17.1
Equity	134.0	123.0
Net cash and cash equivalents/(net debt)	(59.0)	(112.9)
Earnings per share (€)		
Earnings per share (€)	0.562	0.115
Diluted earnings per share (€)	0.522	0.113

(1) Operating cash flow before interest and taxes

	H1 2012	H1 2011
Number of shares	26,172,897	26,172,897
Share value as of 30 June (€)	16.69	15.21
Market capitalisation as of 30 June (in € millions)	437	398

Management report

During the first half of 2012, Econocom Group reported consolidated revenue of €737 million, compared with €764 million in first-half 2011. These results are a testament to the strong performance of the group's businesses, despite difficult market conditions, in which certain clients were particularly hesitant, causing a number of projects to be postponed.

Healthy sales margins, combined with cost savings resulted in recurring operating profit rising 42% to €26.0 million, before a €1 million amortisation of the ECS portfolio, versus €18.6 million for the first half of 2011.

The group's operating profit over the first half of 2012 stood at €21.3 million, compared to €12.8 million for the same period last year. Non-recurring expenses are mainly the operational restructuring costs (amounting to €3.7 million) incurred on the acquisition of ECS during the first half.

Net financial expense for the period (€2.2 million) improved significantly compared with first-half 2011 (€7.4 million), due to the loan secured for the acquisition of ECS being repaid at the end of the first

half of 2011. This amount consists mainly of interest expenses on the convertible bonds which were issued in May 2011 for a gross amount of €84 million.

Net profit for first-half 2012 increased more than four-fold to stand at €13.7 million. The theoretical tax rate for the period is 28.2% while the effective rate for the first half, excluding non-recurring items, is 31.2%, compared to 31.4% in the first half of 2011.

Econocom Group further strengthened its financial position with shareholders' equity reaching €134.0 million at the end of June 2012, compared to €123.0 million one year ago (and €135.5 million at the end of December 2011).

On 30 June 2012, gearing rose sharply to 44% (versus 92% on 30 June 2011). Net debt amounted to €59 million as of 30 June 2012 and is composed of:

Net cash	€47.3m
Convertible bonds	(€78.8m)
Refinancing with recourse	(€27.5m)

B. COMMENTS AS OF 30 JUNE 2012

1. SCOPE OF CONSOLIDATION

In the first half of 2012, Econocom expanded:

- its expertise in virtualisation and cloud technologies by acquiring a strategic interest in Centix, the Belgian independent market leader. Econocom Group acquired a 40% stake in the company, with a three-year option to purchase the company's remaining shares;
- its Telecoms business by acquiring 100% of Tactem, a Telecom Expense Management (TEM) solution provider. Tactem is a French independent software vendor specialising in telecommunications management for international companies.

2. RESULTS

2.1. Goodwill

No impairment of goodwill was recorded in the six months to 30 June 2012.

Goodwill can be broken down as follows:

(in € millions)

Goodwill	Net value as of 30 June 2012	Acquisition date
TACTEM	0.5	2012
Centix	0.4	2012
ECS	109.0	2010
Databail	2.7	2008
Alliance Support Services SA	3.7	2007
A2Z Holding	2.7	2005
Signal Service SA	7.5	2004
Other	8.6	1996 to 2007
Total	135.1	

Management report

2.2. Breakdown of key figures by business

Consolidated revenue, excluding intragroup transactions, can be analysed as follows:

<i>(in € millions)</i>	H1 2012	H1 2011
Services	123	127
Distribution	100	99
Leasing	483	520
Telecom	31	18
Total	737	764

The contribution of each business to recurring operating profit is as follows:

<i>(in € millions)</i>	H1 2012	H1 2011
Services	1.8	(0.4)
Distribution	1.8	1.2
Leasing	21.2	17.7
Telecom	1.4	0.9
Non-allocated costs	(0.2)	(0.8)
Total before amortisation of ECS portfolio	26.0	18.6

Services saw a slight dip in revenue compared to the first half of 2011. However, the plan to reorganise the business and the investments made in 2011 paid off, resulting in another positive contribution to recurring operating profit.

Distribution posted a 1% rise in revenue, in spite of the difficult market, whilst significantly improving profitability compared to the previous year.

Leasing suffered as a result of the implementation of a number of major contracts being postponed, after benefiting from two major deals in the first half of 2011. In spite of this, its contribution to recurring operating profit increased by almost 20% thanks to healthy sales margins and the synergies resulting from the acquisition of ECS.

Telecom grew significantly compared to first-half 2011, both revenue and profit-wise, due notably to the success of its business-to-business tablet management offering.

2.3. Breakdown of key figures by geographical area

Revenue by geographical area

<i>(in € millions)</i>	H1 2012	H1 2011
France	361	363
Benelux	136	165
Southern Europe	146	149
Northern and Eastern Europe	94	87
Total revenue	737	764

Recurring operating profit by geographical area

<i>(in € millions)</i>	H1 2012	H1 2011
France	8.2	4.8
Benelux	5.7	4.1
Southern Europe	7.0	6.4
Northern and Eastern Europe	5.1	3.3
Recurring operating profit before amortisation of ECS portfolio	26.0	18.6

Although revenue remained stable as a result of major contracts being postponed, France's contribution to recurring operating profit rose considerably, thanks to a number of synergies resulting from the integration of ECS and sales margins which performed well.

The Benelux benefited from two major Leasing deals in terms of revenue in the first half of 2011, which were not renewed in first-half 2012.

Southern Europe performed well during the first half, reducing the drop in its revenue to 2% despite unfavourable market conditions.

Northern and Eastern Europe posted a strong performance with an 8% rise in revenue and recurring operating profit increasing by more than 50%, thanks to a number of new clients being won, particularly in the United Kingdom.

3. OUTLOOK

The group's Management confirms its annual growth guidance of a slight rise in revenue, recurring operating profit in excess of €70 million and net earnings per share of around €2⁽¹⁾.

4. RISK FACTORS AND DISPUTES

To Econocom's knowledge, since the publication of the 2011 annual report, no risk factors (except market factors) or new disputes have been identified that could, taken individually or concurrently, have a material impact on the results, financial position or assets of the company or the group.

5. RELATED PARTIES

There has been no major change regarding related parties since the publication of the 2011 annual report.

6. HUMAN RESOURCES

The Econocom Group had 3,692 employees as of 30 June 2012, compared with 3,610 as of 31 December 2011.

7. SHARE VALUE AND OWNERSHIP STRUCTURE

The Econocom share value stands at €16.69 on 30 June 2012.

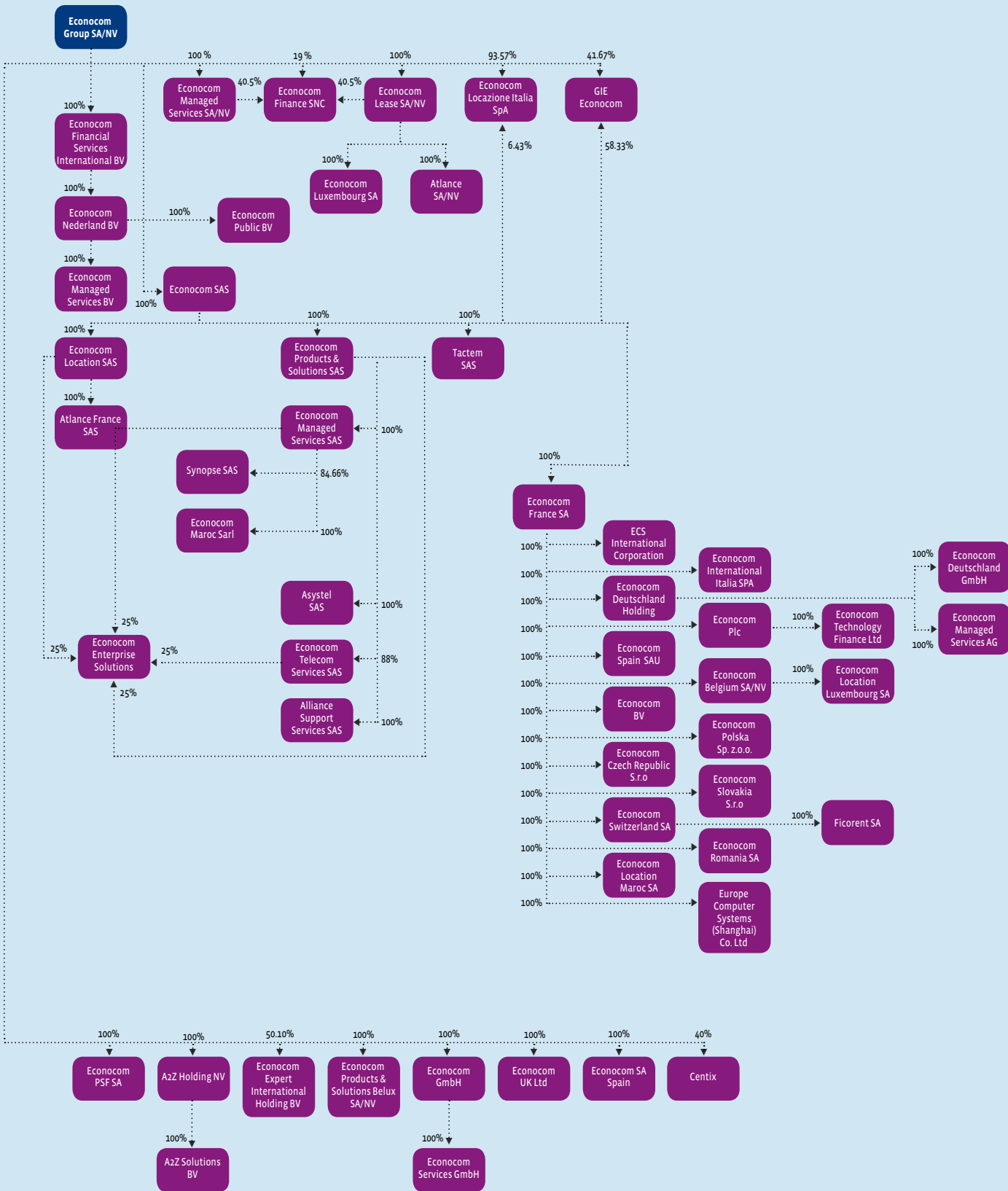
Ownership structure as of 30 June 2012:

	30 June 2012		31 December 2011	
	% of capital	Number of shares	% of capital	Number of shares
Companies controlled by Jean-Louis Bouchard	49.10%	12,849,864	49.10%	12,849,864
Société Générale			7.02%	1,837,273
Bestinver Gestion	9.84%	2,576,161	12.45%	3,259,181
Valgest - V. Wajs	4.60%	1,202,708	4.60%	1,202,708
Treasury stock	7.72%	2,019,345	6.04%	1,580,932
Public shareholders	28.75%	7,524,819	20.80%	5,442,939
Total	100%	26,172,897	100%	26,172,897

During the first half, Société Générale sold its stake to investors. The transaction was an unqualified success, with demand outstripping supply 2.3-fold.

(1) Before share is divided by 4

C. GROUP STRUCTURE



CONSOLIDATED FINANCIAL STATEMENTS

A. STATEMENT OF COMPREHENSIVE INCOME

Consolidated income and earnings per share as of 30 June 2012

<i>(in € thousands)</i>	H1 2012	H1 2011
Revenue from continuing operations	736,869	763,719
Operating expenses	(711,912)	(746,143)
Cost of sales	(545,256)	(576,568)
Personnel costs	(106,506)	(108,366)
External expenses	(48,732)	(48,860)
Depreciation, amortisation and provisions for impairment	(3,729)	(4,518)
Taxes (other than income taxes)	(5,724)	(5,783)
Impairment losses on current assets, net	(634)	(1,297)
Other operating income and expenses	418	(284)
Financial expense, operating activities	(1,749)	(467)
Recurring operating profit	24,957	17,576
Other non-recurring operating income and expenses	(3,698)	(4,793)
Operating profit	21,259	12,783
Net financial expense	(2,187)	(7,415)
Profit before tax	19,072	5,368
Income tax	(5,377)	(2,689)
Profit from continuing operations	13,695	2,679
Share of profit/(loss) of associates	32	40
Profit for the period including non-controlling interests	13,727	2,719
Non-controlling interests	(31)	2
Profit for the period excluding non-controlling interests	13,696	2,721
Basic earnings per share	0.562	0.115
Diluted earnings per share	0.522	0.113

Consolidated statement of comprehensive income

<i>(in € thousands)</i>	H1 2012	H1 2011
Profit for the period including non-controlling interest	13,727	2,719
Items to be recycled to profit for the period:		
Adjustments to the fair value of financial instruments and other financial assets	22	66
Exchange differences on translation of foreign transaction	611	(707)
Items recognized in equity (not to be recycled to profit for the period):		
Actuarial gains/losses on employee benefits		28
Taxes relating to other comprehensive income items		(13)
Income and expenses recognised directly in equity	633	(626)
Total comprehensive income for the period	14,360	2,093
Attributable to owners of the parent	14,329	2,095
Attributable to non-controlling interests	31	(2)

B. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

<i>(in € thousands)</i>	30 June 2012	31 Dec. 2011
Non-current assets		
Intangible assets, net	48,294	48,639
Goodwill	135,128	134,222
Property, plant and equipment, net	13,077	13,364
Financial assets	45,199	45,058
Long-term receivables	2,218	2,201
Deferred tax assets	13,444	13,104
Total non-current assets	257,360	256,588
Current assets		
Inventories	19,669	14,858
Trade and other receivables	647,226	596,752
Current tax assets	6,093	9,524
Other current assets	21,342	21,151
Cash and cash equivalents	75,532	144,772
Total current assets	769,862	787,057
Total assets	1,027,222	1,043,645

Equity and liabilities

	30 June 2012	31 Dec. 2011
Share capital	17,077	17,077
Additional paid-in capital and reserves	102,975	97,033
Profit for the period	13,696	21,512
Shareholders' equity	133,748	135,622
Non-controlling interests	245	(119)
Total equity	133,993	135,503
Non-current liabilities		
Financial liabilities and bonds	88,553	88,040
Non-current provisions	448	448
Provisions for pensions and other commitments	12,040	11,714
Other non-current liabilities	2,706	2,675
Deferred tax liabilities	13,760	9,299
Total non-current liabilities	117,507	112,176
Current liabilities		
Financial liabilities and bonds	58,477	67,264
Current provisions	26,787	29,125
Current tax liabilities	5,245	3,097
Trade and other payables	536,099	596,300
Other current liabilities	149,114	100,180
Total current liabilities	775,722	795,966
Total equity and liabilities	1,027,222	1,043,645

C. CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € thousands)</i>	H1 2012	H1 2011
Profit for the period including non-controlling interests	13,726	2,719
Share of profit/(loss) of associates	(32)	(40)
Depreciation of property, plant and equipment/amortisation of intangible assets	4,696	5,025
Impairment of financial assets	118	
Impairment of trade receivables, inventories and other current assets	1,077	316
(Gains)/losses on the disposal of property, plant and equipment and intangible assets	2	24
Non-recurring impact of indirect fees for the financing of ECS acquisition		3,002
Cancellation of other items of financial income	(99)	
Change in provisions	(2,263)	(1,245)
Income and expenses related to equity-based payment	552	473
Cash flows from operating activities after cost of net debt and income tax	17,777	10,274
Income tax expense	5,377	3,118
Cost of net debt	3,757	3,710
Cash flows from operating activities before cost of net debt and income tax (a)	26,911	17,102
Change in working capital (b)	(68,697)	(75,518)
Income tax paid (c)	5,060	(9,576)
Net cash used in operating activities (a+b+c=d)	(36,726)	(67,992)

Consolidated financial statements

<i>(in € thousands)</i>	H1 2012	H1 2011
Net cash used in operating activities (a+b+c=d)	(36,726)	(67,992)
Acquisition of property, plant and equipment and intangible assets, excluding the Leasing business	(3,097)	(2,651)
Disposal of property, plant and equipment and intangible assets, excluding the Leasing business	39	60
Acquisition/disposal of property, plant and equipment allocated to the Leasing business	(22)	(62)
Acquisition of financial assets	(6,840)	(5,222)
Disposal of financial assets	7,060	2,848
Dividends received	76	
Acquisition of companies and businesses, net of cash acquired	(764)	(193)
Net cash used in investing activities (e)	(3,548)	(5,220)
Increase in non-current liabilities	3,782	587
Convertible bonds - issue of convertible bonds		79,880
Convertible bonds - components of equity		3,286
Repayment of non-current financial liabilities	(3,928)	(124,114)
Increase in current financial liabilities	24,648	33,007
Repayment of current financial liabilities	(33,575)	(54,103)
Interest paid	(3,757)	(3,710)
Acquisitions and sale of treasury stock	(6,991)	450
Dividends paid during the period	(9,725)	(8,590)
Net cash used in financing activities (f)	(29,546)	(73,307)
Impact of changes in exchange rates	561	(186)
Change in cash and cash equivalents (d+e+f)	69,259	(146,705)
Cash and cash equivalents as of 1 January	144,772	217,873
Change in cash and cash equivalents	(69,259)	(146,705)
Cash and cash equivalents as of 30 June	75,513	71,168

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in € thousands)</i>	Number of shares	Share capital	Additional paid-in capital	Treasury stock	Reserves	Net income/ (expense) recognised directly in equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of 31 December 2011	26,172,897	17,077	72,530	(22,642)	69,744	(1,087)	135,622	(119)	135,503
Share-based payments					552		552		552
Acquisition and sale of treasury shares				(6,992)			(6,992)		(6,992)
Dividends paid					(9,762)		(9,762)		(9,762)
Changes in the scope of consolidation								333	333
Other transactions with owners									
Sub-total — transactions with owners	0	0	0	(6,992)	(9,210)	0	(16,202)	333	(15,869)
Profit for the period including non-controlling interests					13,696		13,696	31	13,727
Other comprehensive income items						633	633	(1)	632
Sub-total — total comprehensive income	0	0	0	0	13,696	633	14,329	30	14,359
Balance as of 30 June 2012	26,172,897	17,077	72,530	(29,634)	74,230	(454)	133,749	244	133,993
Balance as of 31 December 2010, revised	26,172,897	17,077	69,244	(16,011)	56,718	(1,437)	125,591	66	125,657
Share-based payments					349		349		349
Acquisition and sale of treasury shares				370			370		370
Dividends paid					(8,813)		(8,813)		(8,813)
Convertible bonds — items of equity			3,286				3,286		3,286
Sub-total — transactions with owners	0	0	3,286	370	(8,464)	0	(4,808)	0	(4,808)
Profit/(loss) for the period including non-controlling interests					2,721		2,721	(3)	2,718
Other comprehensive income items						(626)	(626)	30	-596
Sub-total — total comprehensive income	0	0	0	0	2,721	(626)	2,095	27	2,122
Balance as of 30 June 2011	26,172,897	17,077	72,530	(15,641)	50,975	(2,063)	122,878	93	122,971

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. Statement of compliance and basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 (Interim Financial Reporting). They include the minimum content and disclosures defined in IAS 34, and consequently should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2011 as published in the 2011 annual report.

The consolidated financial statements of Econocom Group include the financial statements of Econocom Group SA/NV and its subsidiaries. They are presented in thousands of euros (€ thousands).

They were adopted by the Board of Directors on 30 August 2012 and have not been subject to a limited review by the statutory auditors.

1.2. New and amended accounting standards and interpretations

1.2.1. New standards, amendments and interpretations effective within the European Union which are mandatorily applicable to, or may be early adopted in, periods beginning on or after 1 July 2011.

In preparing its condensed financial statements for the six months ended 30 June 2012, Econocom Group applied the same standards, interpretations and accounting policies as those used in the preparation of its consolidated financial statements for the year ended 31 December 2011, plus the new standards, amendments and interpretations applicable from 1 July 2011 as described in the table below.

For its financial Statements for the six months ended 30 June 2012, Econocom Group decided to early adopt the amendments to IAS 1, "Presentation of Items of Other Comprehensive Income" and IAS 19, "Employee Benefits," and not to apply the other pronouncements issued by the IASB and endorsed by European Union that companies may elect to early adopt with effect from 1 January 2012.

Standards/ Interpretations		Application date EU ⁽¹⁾	Group	Impact on the group
IFRS 7 amendments	Disclosures — Transfers of Financial Assets	1 January 2012	1 January 2012	No impact on the financial statements
IAS 1 amendments	Presentation of Items of Other Comprehensive Income	1 July 2012	1 January 2012	No impact on the financial statements
IAS 19 amendments	Employee Benefits	1 January 2013	1 January 2012	No impact on the financial statements

(1) Unless otherwise specified, applicable to accounting periods beginning on or after the date indicated in this column

Consolidated financial statements

1.2.2. Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

Standards/ Interpretations		IASB application date ⁽¹⁾	Expected impact on the group
IAS 12 Amendments	Recovery of Underlying Assets	1 January 2012	No impact on the financial statements
IFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011	No impact on the financial statements
IFRS 1 Amendments	Government Loans	1 January 2013	No impact on the financial statements
IFRS 7 Amendments	Offsetting Financial Assets and Financial Liabilities	1 January 2013	No impact on the financial statements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	No impact on the financial statements
Annual improvements		1 January 2013	Under assessment

(1) Unless otherwise specified, applicable to accounting periods beginning on or after the date indicated in this column

1.3. Changes in accounting policy

Econocom Group has not made any changes in accounting policy during 2012 to date other than those required to comply with new or amended IFRS requirements applicable on or after 1 January 2012.

1.4. Changes in presentation

Changes in presentation and reclassifications are made when they provide information that is reliable and more relevant to readers of financial statements and the revised structure is likely to continue, so that comparability is not impaired. If the effect of a change in presentation is regarded as material, comparative information must also be reclassified.

Since 1 January 2012, as a result of the convergence of certain offerings, the Solutions business of the Distribution business became part of Services. In order for the comparison with 2011 to be conclusive, this reclassification was made with comparisons with the first half of 2011.

This reclassification represents revenue of €17 million for the first six months of 2011 and recurring operating profit of €0.8 million.

1.5. Use of estimates

The preparation of Econocom Group's condensed consolidated 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 net profit.

The principal accounting policies requiring the use of estimates are:

- impairment of goodwill,
- measurement of provisions.

More specifically, Econocom is entitled, as part of its Services business in France, to a tax credit for research (*Crédit d'Impôt Recherche*). The amount of this credit for the first six months of 2012, based on the estimations of a specialist firm, is €1.5 million, recognised in operating profit.

A request to estimate the amount of this credit for previous years, as far back as 2008, has been filed and submitted to the authorities and is currently being examined.

As of the date on which the condensed consolidated financial statements were examined by the Board of Directors, management believes that as far as possible, these estimates incorporate all information available to it.

1.6. Seasonal trends

Interim net sales and income from operations are highly seasonal due to a high level of activity during the last quarter of the year. Pursuant to the IFRS accounting principles, interim net sales are accounted for under the same principles as year-end net sales.

2. SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION

On 11 January 2012, Econocom Group acquired a 40% stake in Centix, a company specialising in virtualisation and cloud technologies. Econocom Group also has a 3-year option to purchase the remaining shares.

An amount of €0.65 million was invested, of which goodwill of €0.4 million was recognised. The purchase option was valued separately from the allocation of the purchase price. A financial instrument asset of €0.1 million was therefore recognised against profit or loss.

On 30 May 2012, Econocom Group acquired Tactem, a software vendor specialising in telecom expense and asset management solutions.

The amount invested for this transaction was €0.5 million. Regrouping costs amounted to €0.7 million, €0.2 million of which was allocated as development costs and €0.5 million as goodwill.

Furthermore, on 17 July, Econocom Group announced that it had signed an agreement to acquire Cap Synergy, an IT and network security specialist. This acquisition is due to be finalised during the third quarter of 2012.

3. EXCHANGE RATES

	30 June 2012		31 December 2011		30 June 2011	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
GBP	1.239	1.214	1.197	1.149	1.108	1.143
CHF	0.831	0.830	0.823	0.811	0.828	0.791
CNY	0.125	0.122	0.123	0.111	0.107	0.108
CZK	0.039	0.040	0.039	0.041	0.041	0.041
PLN	0.235	0.235	0.224	0.242	0.251	0.252
MAD	0.090	0.090	0.090	0.089	0.091	0.09
RON	0.225	0.225	0.231	0.236	0.236	0.239
USD	0.794	0.768	0.773	0.717	0.692	0.709

4. OPERATING SEGMENTS

Since 1 January 2009, the group applies IFRS 8 concerning segment reporting which replaces IAS 14. The segment report presented has been prepared on the basis of internal management data disclosed to the Group Management Committee (CDG), the group's primary operating decision maker.

The group's operating activities are divided into four aggregate strategic operating business segments: Leasing, Distribution, Services and Telecom. These can be analysed as follows:

Aggregate strategic operating business segments (4)	Countries (17)
Leasing	Belgium, China, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Morocco, Netherlands, Poland, Romania, Slovakia, Spain, Switzerland, United Kingdom, United States
Distribution	Belgium, France, Luxembourg
Services	Belgium, France, Germany, Italy, Luxembourg, Morocco, Netherlands, Spain, Switzerland
Telecom	France

The four business segments listed above present long-term financial profitability and share similar features that allow their aggregation.

They are managed according to the nature of the products and services sold in the given economic and geographic environments. This segmentation into business areas serves as a basis for the presentation of the company's internal management data and is used by the group's operating decision-makers to monitor business.

The Group Management Committee measures the performance of these aggregate strategic operating business segments based on operating profit. The results correspond to the items that are directly or indirectly attributable to a business segment.

Sales and transfers between segments are carried out at arms-length conditions and are eliminated according to the usual consolidation principles.

The group's aggregate strategic operating business segments are defined as follows:

- **Leasing**

Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business' ICT telecom and digital assets.

- **Distribution**

Services ranging from designing architecture solutions to rollout, and from the sale of hardware and software (PCs, tablets, servers, printers, licenses, digital devices, etc) to systems integration.

- **IT Services**

Management of distributed and centralised IT resources: ITIL-compliant advice for IT service management, IT infrastructure change management, infrastructure monitoring, outsourcing, deskside support and business continuity for all assets.

- **Telecoms Services**

Integration of mobile solutions to address companies' changing needs, from devising solutions (engineering, imaging) to implementation (mobile device management, liaising with telecom providers, user support and maintenance of mobile devices).

- **Other businesses**

This segment comprises all business activities that do not correspond to the segments as defined above.

4.1. Reporting by operating business segment

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

<i>(in € thousands)</i>	Leasing	Distribution	Services	Telecom	Total operating segments	Other businesses	Total
Six-month period ended							
30 June 2012							
Income							
Income from external clients	482,775	99,563	123,340	31,139	736,817	52	736,869
Operating internal income	42,782	19,206	11,768	1,357	75,113		
Total — Income from operating segments	525,557	118,769	135,108	32,496	811,930		
Operating profit/(loss) from activities	20,682	274	1,682	1,572	24,210	(1,120)	23,090
Six-month period ended							
30 June 2011							
Income							
Income from external clients	519,473	99,104	126,928	18,084	763,589	130	763,719
Operating internal income	24,187	17,776	15,633	639	58,235		
Total — Income from operating segments	543,660	116,880	142,561	18,723	821,824		
Operating profit/(loss) from activities	15,459	2,309	-574	961	18,155	(1,822)	16,333

Consolidated financial statements

4.2. Reconciliation with the consolidated financial statements

<i>(in € thousands)</i>	H1 2012	H1 2011
Income from operating segments	811,930	821,824
Income from “Other businesses” segment	52	130
Elimination of internal revenue	(75,113)	(58,235)
Total — Income from continuing operations	736,869	763,719
Operating profit from businesses	24,210	18,155
(Losses) from “Other businesses” segment	(1,120)	(1,822)
Operating segments activity profit	23,090	16,333
Amortisation of intangible assets	(269)	87
Subsidies	1,500	
Other recurring profit	636	1,156
Operating profit before restructurings, impairment losses on assets, disposal gains or losses and disputes	24,957	17,576
Restructuring costs	(3,698)	(4,793)
Operating profit	21,259	12,783
Other financial income and expense	(2,187)	(7,415)
Profit before tax	19,072	5,368

4.3. Geographical segments

Geographical segments data presented in the table below are prepared on the basis of geographical coverage of clients for revenue.

Revenue by geographical area

<i>(in € thousands)</i>	H1 2012	H1 2011
France	360,670	362,939
Benelux	136,020	164,675
Southern Europe	146,006	148,871
Northern and Eastern Europe	94,173	87,234
Total	736,869	763,719

5. INVENTORIES

The table below gives a breakdown of inventories:

(in € thousands)

Inventories	June 2012			December 2011			June 2011		
	Net realisable value			Net realisable value			Net realisable value		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Equipment in the process of being refinanced	5,864	(1,768)	4,096	6,458	(1,696)	4,761	7,223	(1,690)	5,533
Other inventories	21,237	(5,665)	15,572	15,314	(5,217)	10,097	19,774	(5,837)	13,937
<i>IT and telecom equipment</i>	10,482	(355)	9,177	4,879	(243)	4,636	8,400	(130)	8,270
<i>Spare parts</i>	10,755	(5,310)	6,395	10,435	(4,974)	5,461	11,374	(5,707)	5,667
Total	27,101	(7,433)	19,668	21,771	(6,913)	14,858	26,997	(7,527)	19,470

Equipment in the process of being refinanced corresponds to hardware and software purchased and allocated to leases.

Movements in inventories	As of 31 December 2011	Movements in inventories	As of 30 June 2012	As of 31 December 2010	Movements in inventories	As of 30 June 2011
Equipment in the process of being refinanced	6,458	(594)	5,864	5,951	1,272	7,223
Other inventories	15,314	5,923	21,237	17,903	1,871	19,774
<i>IT and telecom equipment</i>	4,879	5,603	10,482	6,437	1,963	8,400
<i>Spare parts</i>	10,435	320	10,755	11,466	(92)	11,374
Total	21,771	5,330	27,101	23,854	3,143	26,997

Provisions for impairment of inventories	As of 31 December 2011	Additions	Reversals	As of 30 June 2012	As of 31 December 2010	Additions	Reversals	As of 30 June 2011
Equipment in the process of being refinanced	(1,696)	(72)		(1,768)	(1,678)	(12)		(1,690)
Other inventories	(5,217)	(464)	16	(5,665)	(5,923)	(281)	366	(5,837)
<i>IT and telecom equipment</i>	(243)	(128)	16	(355)	(157)	(273)	332	(130)
<i>Spare parts</i>	(4,974)	(336)		(5,310)	(5,766)	(8)	34	(5,707)
Total	(6,913)	(536)	16	(7,433)	(7,601)	(293)	366	(7,527)

6. CASH AND CASH EQUIVALENTS

Net cash as reported by Econocom Group includes the following items:

<i>(in € thousands)</i>	30 June 2012	30 June 2011
Cash equivalents	2,460	4,832
Cash	73,072	66,336
Total cash and cash equivalents (a)	75,532	71,168
Non-current debt (except repurchase value)	78,233	80,222
Current debt (except repurchase value)	56,306	103,239
Total debt (b)	134,539	183,461
Net debt (b-a)	59,007	112,293

Cash equivalents consist of investments with maturities of less than three months that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

None of the group's cash or cash equivalents are subject to any restrictions.

Net debt can be analysed by destination:

<i>(in € thousands)</i>	
Working capital requirement and other debts	(47,295)
Convertible bonds	78,816
Refinancing with recourse	27,486

7. CURRENT AND NON-CURRENT LIABILITIES BEARING INTEREST

<i>(in € thousands)</i>	30 June 2012	31 December 2011
Finance lease liabilities	12,762	11,520
<i>Finance lease liabilities – real estate</i>	2,442	2,577
<i>Repurchase value</i>	10,320	8,943
<i>Other finance lease liabilities</i>		
Bank borrowings		
Convertible bonds, part due in over a year	75,456	76,520
Other borrowings	335	
Non-current liabilities bearing interest	88,553	88,040
Bank borrowings	8,887	13,922
Convertible bonds, part due within one year	3,360	3,360
Finance lease liabilities	29,948	35,976
<i>Finance lease liabilities – real estate</i>	268	260
<i>Refinancing with recourse</i>	27,487	33,644
<i>Repurchase value</i>	2,170	2,025
<i>Other finance lease liabilities</i>	23	46
Bank overdrafts	13,357	1,743
Other borrowings	2,925	12,263
Factoring payables	2,925	12,189
Other		74
Current liabilities bearing interest	58,477	67,264
Total debt	147,030	155,304

On 18 May 2011, Econocom issued convertible bonds for a total amount of €84 million.

These convertible bonds are listed on the Luxembourg stock exchange and have the following main characteristics:

- Maturity: 5 years
- Annual coupon rate: 4%
- Conversion price: €21, representing a premium of 25.15% compared with the price of 18 May 2011.

Should there be a request to convert any number of these bonds – which could happen at any time – the same number of newly-issued shares or treasury shares will be brought to the bond holder.

In the consolidated financial statements, the convertible bonds are for the most part recognised in financial liabilities (€78.8 million), except for the derivative included in the bond, the value of which (€3 million) is recognised in equity. In accordance with IFRS, the issuance fees were recognised in equal parts in loan capital and equity, after which the interest rate of the “loan capital” component of the bond stood at 5.34%.

Consolidated financial statements

8. DEFINITION OF CASH FLOWS

The cash flows analysed in the following table include changes in continuing activities as well as activities sold or held for sale.

The changes in cash and cash equivalents during the first half of 2012 include the impacts of the acquisition of Centix and Tactem.

Consolidated cash flows include cash and cash equivalents.

The changes in cash and cash equivalents analysed in the statement of cash flows can be broken out as follows (excluded impairment losses on investments):

<i>(in € thousands)</i>	30 June 2012
Cash and cash equivalents at beginning of period	144,772
Change in cash and cash equivalents	(69,259)
Cash and cash equivalents as of 30 June 2012	75,513
See note 6. Net cash	

9. DIVIDENDS

The table below shows the dividend per share distributed by Econocom Group in June 2012 in respect of the 2011 financial year, and the dividend distributed during 2011 in respect of the 2010 financial year.

	Distributed in H1 2012	Distributed in H1 2011
Total dividend distribution (in € thousands)	9,210	8,813
Dividend per share (€)	0.40	0.35

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.

<i>(in € thousands)</i>	Income		Expenses		Receivables		Payables	
	H1 2012	2011	H1 2012	2011	30 June 2012	31 Dec. 2011	30 June 2012	31 Dec. 2011
Econocom International NV	11	174	(1,128)	(2,312)	4	38	160	25
Econocom Expert International Holding BV				(387)				
SCI Pergolèse	6	12	(360)	(1,317)	7		177	172
Audevard	12	22			17			
APL				(26)				6
Total	29	208	(1,488)	(4,042)	28	38	337	203

Econocom International NV is an unlisted holding company which holds a 49.10% stake in Econocom Group SA/NV.

11. POST-BALANCE SHEET EVENTS

On 17 July 2012, the group announced it had signed an agreement to acquire Cap Synergy, a French systems integrator specialising in IT system and network security. The group is not planning any specific financing for this transaction.

On 6 August 2012, Econocom Group's Board of Directors decided to hold an Extraordinary Shareholders' Meeting on 14 September 2012 in order to vote on the cancellation of 2,000,000 treasury shares (7.6% of the share capital) and on the four-for-one share split on the Econocom Group share.

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