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# REVIEW OF CURRENT PRACTICES FOR INTERIM FINANCIAL STATEMENTS

June 2019

Corporate Finance and Corporate Accounting and Audit Directorate

# Objective and Method

## *Background and objective*

The publication of the half-yearly financial statements is an **important step in the financial communication of a listed company**. These statements provide an **update** on the information presented in the previous annual report, in addition to demonstrating the entity's ability to generate profits and cash flow, and its financial situation and liquidity.

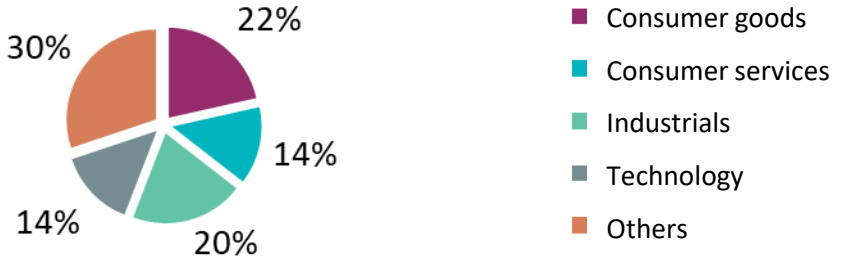
The IAS 34 standard, *Interim Financial Reporting*, determines the content of interim financial statements, as well as the principles for recognition and measurement used in their preparation. The entity may also include other information that is not required by IAS 34 in their interim accounts.

Our study aims to review the **current practices** of a sample of companies for the presentation and content of their interim financial reports. It is based on the 2018 half-year and 2017 annual financial information published by a sample of companies (financial statements, auditors' reports and, where applicable, press releases and management reports).

## *Method*

We analysed the 2018* half-year accounts of 93 listed industrial and commercial companies:

- 67 French companies, including the CAC 40, NEXT 20 and a few SMEs (between €150 million and €119 billion in capitalisation), representative of the CAC 40's breakdown by segment.
- 26 European companies, selected to be representative of the CAC 40's breakdown by segment and average capitalisation.




In this document, we present our **primary findings** and **examples** of information disclosed by some companies. These examples are specific and should not be interpreted as an exhaustive list of good practices that are recognised by the market regulator.

* Accounts as of 30 June 2018 or equivalent for companies with noncalendar financial years

# Primary findings (1/4)

## *1. Condensed half-year financial statements*

**Almost all** (89%) companies in the sample considered that their half-year financial statements were **condensed** and **compliant with the IAS 34 standard** (97%).

## *2. Auditor review of the half-year financial statements*

Since not all European countries require an audit or review by the auditor of the half-year financial statements, some companies specified **whether their accounts had been reviewed or audited.**

There does not seem to be a significant connection between the fact that a subject was a key audit matter (KAM) in the auditors' report on the previous year's consolidated accounts and the fact that information was specifically presented on this subject in the half-year accounts.

## *3. Primary financial statements*

Some companies in the sample chose to **aggregate lines in their primary half-year financial statements** (between 8% and 24%).

Each company must refer to its own judgment to determine the level of aggregation**.** Aggregation seems to be pertinent when there is no significant movement in the aggregated lines and when aggregating does not cloud components of, and changes in, key indicators for the interim period.

# Primary findings (2/4)

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## *4. New standards, newly applicable regulations*

Any **changes in accounting policies** must be disclosed in the half-year accounts.
We observed the following practices concerning information on the first application of IFRS 15:

- **quantitative effects** of the standard (60%), broken down **by subject** and sometimes accompanied by **explanations** of the analyses conducted
- **updated accounting principles**, describing the **specifics** of the company's operations and contracts, with some companies indicating that they are not significantly impacted
- **judgements made** when applying the standard.

For **amendments to regulations or IFRS IC interpretations or decisions** that are applicable for the first time, 46% of companies specified the absence of significant effects, and others, more rarely, explained the analysis that led to this conclusion. This information is very useful, since it clarifies the situation for those companies whose operations or activities would seem to be impacted by these regulations.

## *5. Consistency of the half-year financial statements with other communication*

IAS 34 requires that entities explain **significant transactions or events** so that readers can understand changes in their financial situation and performance since the closing of the previous year.

For the majority of the companies in the sample, all significant events mentioned in press releases during the interim period, or in the post-closing events in the previous year's annual accounts, are explained in the half-year financial statements (and vice-versa).

This kind of connection seems to be important and provides **overall consistency** in companies' financial communication.

# Primary findings (3/4)

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## *6. Disclosure of information required by IAS 34*

**Segment information** or **changes in debt** were disclosed by almost all companies. Other information such as business combinations (IFRS 3) or the fair value of financial instruments (IFRS 13) was provided less often, or only partially provided (for 45% and 52% of companies in the sample, respectively).

Half of the companies communicated on the existence (39%) or lack (11%) of seasonality. Of the companies that indicated seasonality, few specified the effects on operations.

The new IFRS 15 requirement on the **disaggregation of revenue**, applicable for the first time in half-year accounts, prompted 36% of the companies to add to or change information that they had previously presented.

## *7. Additional voluntary information*

Some companies **added to the minimum requirements of IAS 34** by including:

- In their primary statements, another **comparative period** (30-40% depending on the statement), or **additional earnings per share** for discontinued operations (89%),
- In the notes, **complete segment information** that builds on the presentation of annual performance, or specific information on holdings accounted for using the equity method (41%) or minority interests (15%).

Some companies explained these other significant elements for the period in almost as much detail as in the annual report (information on sensitivity analyses and hypotheses for evaluating goodwill or intangibles, for example).

These practices of disclosing information can be explained by companies' commendable desire to highlight elements that they consider to be pertinent, beyond a simple compliance exercise.

We provide examples illustrating information disclosed by companies in the sample on certain subjects in sections 1-10 of this document.

# Primary findings (4/4)

## *8. Materiality*

**Materiality is assessed in relation to the financial data of the interim period.**

Some companies do not seem to systematically include information on significant movements during the interim period. In some cases, they provided information on elements that seem insignificant because of their weight or variation during the interim period (example: pensions, fixed assets). In others, some information was not provided, even when the elements had significant weight or variation for the period (example: changes in fixed assets, inventory, other unusual elements).

These observations lead us to question how materiality is judged when accounts are closed. Materiality is assessed based on qualitative and quantitative factors.
It allows the company to focus on significant events during the period and not cloud the accounts with immaterial information.

## *9. Readability and presentation of the half-year financial statements*

Most French companies in the sample that applied the **AMF's *Guide to the relevance, consistency and readability of financial statements**** to their 2017 annual accounts did the same for their 2018 half-year accounts.

Interim accounts are **easier to read and navigate** when they include:

- references in the lines of the primary statements to the corresponding notes
- a detailed table of contents for the notes
- specific references to other documents if information is incorporated by cross-reference (IAS 34 allows for information to be incorporated by cross-reference on many more topics than what is allowed for the annual accounts).

**The guide is available on the AMF's website*

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# FORM AND READABILITY OF THE HALF-YEAR FINANCIAL STATEMENTS

# 1. Form and readability of the half-year financial statements

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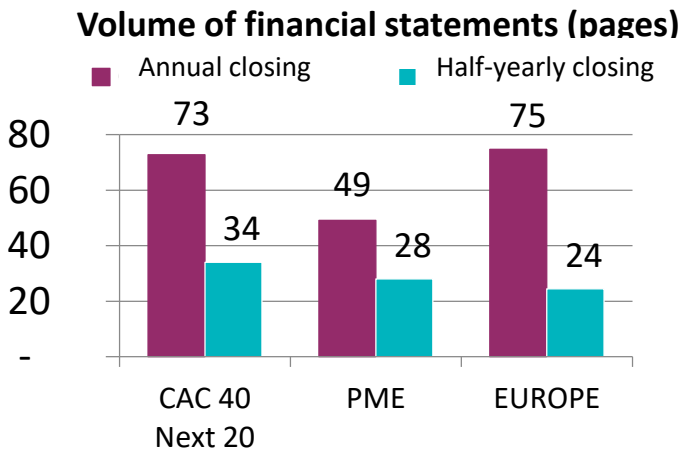
## ➢ *Summarised or condensed financial statements*

✓ Almost all (89%) companies in the sample said that their half-year financial statements were "condensed" or "summarised", presenting a selection of notes to complement the primary financial statements (IAS 34 § 8).

## ➢ *Volume of the half-year financial statements*

✓ These half-year financial statements account for 45% on average of the volume of annual accounts in our sample.




## ➢ *Audit or review of the half-year accounts*

✓ A limited review of the half-year accounts by the auditors is required for French companies listed on a regulated market.

✓ Some European countries do not have this same requirement: the half-year financial reports of 38% of the European companies in our sample do not include a report on the auditors' review.

✓ Some companies specify in the primary statements that the accounts are not audited.

❖ **The half-year financial statements are almost always summarised statements and their volume is about half that of annual financial statements.**

❖ **Some companies specifically state whether they have been reviewed by an auditor or not in the primary financial statements, as requirements vary by country.**

# 1. Readability of the half-year financial statements

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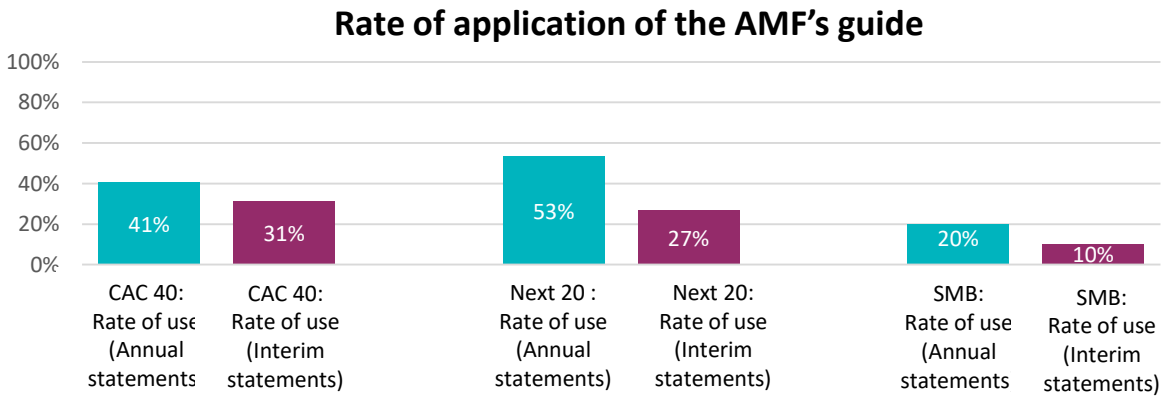
## ➢ *Did French companies in the sample apply the AMF's guide?*

✓ The AMF's guide, published in June 2015, suggests ways to improve the pertinence, consistency, and readability of notes to the financial statements, and recommends, for example:

- A new explanation of accounting principles
- A visual approach (figures, icons, references)
- Reorganising the notes by subject
- Presenting and explaining key financial aggregates (WCR, net debt, etc.)
- Consistency between the accounts and other financial communication

✓ Of the 67 French companies in the sample

- 37% applied the guide to their last annual closing
- 64% of which also applied it to the half-year accounts
- No company used the guide for the first time for the half-year closing




## ➢ *Readability and navigation*

✓ IAS 34 allows some information to be presented elsewhere than in the accounts.

✓ The references most often seen in the half-year accounts are:

- To the previous year's annual accounts for the accounting principles, litigation, and ongoing procedures
- To the previous year's annual report or registration document for risks and uncertainties
- To other documents for the characteristics of financial instruments issued or information on dividends.

❖ With specific references to other documents, the company does not have to repeat information. IAS 34 specifies that references should be specific and that the document to which the reader is referred must be available under the same conditions and at the same time as the interim financial statements.

❖ The half-year financial statements are easier to read and navigate when the company includes references in the lines of the primary statements to the corresponding notes, as well as a detailed table of contents for those notes.

# 1. Readability of the half-year financial statements: examples

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Examples of references, specifying that the elements either have not changed (1) or have changed during the interim period (2)

1

**8.2.5. Main risks and uncertainties**

The main risks and uncertainties that the Group could face in the second semester of 2018 are those described in Section 1 "Risk factors" of Chapter 7 of the 2017 registration document of March 19, 2018, filed with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.18-0146 (the "2017 Registration Document").

There has not been any significant change in these risk factors in the first-half of 2018.

Saint-Gobain, 2018 half-year financial report, p. 26

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The Group is party to a number of legal and anti-trust proceedings with third parties or with legal and/or administrative authorities (including tax authorities) in the normal course of its business.

Provisions recorded in respect of these proceedings totaled €654 million at June 30, 2018 (€703 million at December 31, 2017 [1]).

Legal and anti-trust proceedings are described in Note 26 to the 2017 consolidated financial statements. Those that have seen developments during the first half of 2018 are presented below.

Engie, 2018 first half-year financial report, p. 81

Example of detailed table of content for the notes to the half-year financial statements, where the main changes and elements the company judges to be important are highlighted (3)

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## 2.2 Notes to the condensed interim consolidated financial statements



Danone, 2018 interim financial report, p. 21

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# PRESENTATION OF PRIMARY STATEMENTS

# 2. Presentation of primary statements: headings

## ➢ *Headings in the primary half-year statements*

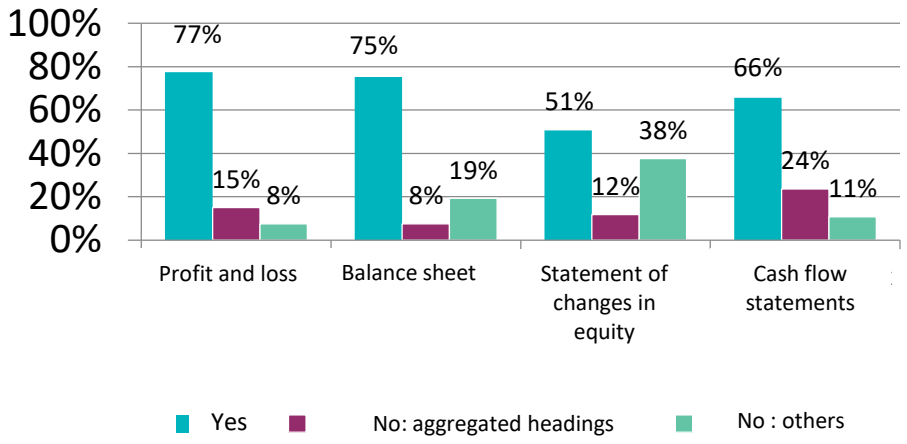
- ✓ IAS 34 § 10 indicates that "condensed primary statements" must at least include each heading and sub-total that were included in the most recent annual statements.

- ✓ Most companies in the sample kept the same lines and sub-totals from their annual accounts in their half-year accounts. Some companies, however, chose to aggregate certain lines in the primary statements (without providing further details in the notes), for example:
  - In the income statement: financial revenue and expenses, expense lines from operational costs.
  - In the balance sheet: all of the intangible and tangible assets, or some current assets, the various elements of equity.
  - In the cash flow statement: the components of some investing or financing flows.

- ✓ Aggregating lines seems to be a more European than French practice.

- ✓ With the entry into force of the new IFRS 15 and IFRS 9 standards, some companies added new lines (ex. contract assets and liabilities) to the primary statements.

**Were the line items and aggregates from the primary annual statements reproduced identically in the primary half-year statements?**




- ❖ It makes sense to aggregate lines in the primary statements for summarised or condensed half-year accounts when there has not been significant movement in the lines in question.

- ❖ This practice is more questionable when it is applied to components and variations of key indicators on the financial statements, even more so when elements of the cash flow statement are aggregated, as they are closely monitored by analysts.

# 2. Presentation of the primary statements: comparative information

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## ➢ *Comparative periods*

- ✓ IAS 34 § 20 requires comparison with:
  - the previous year's half-year closing (i.e. 06/30/N-1) for the income statement, cash flow statement, and the statement of changes in equity
  - the previous year's annual closing (i.e. 12/31/N-1) for the balance sheet.

- ✓ More than 30% of the companies chose to provide additional comparative periods, beyond what IAS 34 requires in the primary statements.

| Primary statements | Current period | Comparative period required by IAS 34 | Additional period provided | % of companies providing the additionnal period |
|---|---|---|---|---|
| Profit and loss | 30/06/N | 30/06/N-1 | 31/12/N-1 | 30% |
| Balance sheet | 30/06/N | 31/12/N-1 | 30/06/N-1 | 30% |
| Cash flow statement | 30/06/N | 30/06/N-1 | 31/12/N-1 | 30% |
| Statement of changes in equity | 30/06/N | 30/06/N-1 | 31/12/N-1 | 40% |

- ✓ Comparative information in the notes, either quantitative or narrative, was only systematically provided by a few companies.

Example of comparative information in the notes: quantitative and narrative

**4.1. Income statement items**

4.1.1. Other business income and expense

Other business income and expense can be analyzed as follows:

| *(in € millions)* | First-half 2018 | First-half 2017 |
|---|---|---|
| Restructuring costs[a] | (143) | (57) |
| Provisions and expenses relating to litigation[b] | (46) | (44) |
| Other[c] | 135 | (65) |
| **Non-operating income and expense** | **(54)** | **(166)** |
| Impairment of assets and other[d] | (285) | 0 |
| Other business expense[e] | (28) | (25) |
| **Impairment of assets and other business expenses** | **(313)** | **(25)** |
| **Gains on disposals of property, plant and equipment and intangible assets** | **17** | **32** |
| **Capital gains and losses on disposals, asset impairment, acquisition fees and contingent consideration** | **(296)** | **7** |
| **Other business income and expense** | **(350)** | **(159)** |

(a) Restructuring costs in the first-half of 2018 included €65 million in severance payments (€29 million in the first-half of 2017);
(b) In both 2018 and 2017, movements in provisions and expenses relating to litigation as detailed and explained in Note 8 "Other current and non-current liabilities and provisions, contingent liabilities and litigation" chiefly concern asbestos-related litigation;
(c) In first-half 2018, the "Other" line mainly relates to the extraordinary net income SWH/Sika and to the cost of environmental litigation. In first-half 2017, line mainly related to the cost of environmental litigation and the June 27, 2017 cyber-attack;
(d) The entitle "Impairment of assets and other" mainly includes impairment of goodwill and intangible and tangible assets for an amount of €267 million in the first-half of 2018, (€30 million in the first-half of 2017), acquisition costs and purchase price adjustments incurred in business combinations for net expense of €18 million in the first-half of 2018 (net income of €30 million in the first-half of 2017);
(e) Other business expense in 2018 as in 2017, mainly include capital losses on assets divested or scrapped.

Saint-Gobain, 2018 half-year financial report, p. 12

- ❖ Financial statements are easier to understand when there is consistency between the comparative information disclosed in the primary accounts and that presented either quantitatively or narratively in the notes.

# 2. Presentation of the financial statements: earnings per share

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## ➢ *Earnings per share*

- ✓ IAS 34 § 11 requires that company disclose basic and diluted earnings per share in the half-year income statement.
- ✓ 90% of the companies in the sample disclosed basic and diluted earnings per share in their income statement.
- ✓ Half of the companies in the sample also provided a note that describes how these indicators were calculated, even though this information is not required by IAS 34.
- ✓ 86% of companies that included a line on "income from discontinued operations" in the income statement separated their earnings per share into earnings on continued operations and earnings on discontinued operations. This information is required in the annual accounts (see IAS 33 § 68).

❖ Most companies provided more information on earnings per share than what IAS 34 requires, as they understand that readers follow this key performance indicator.

Example of information in the notes on earnings per share

***Reconciliation of income used to calculate earnings per share***

The results used to calculate earnings per share are as follows:

- **Results used for the calculation of basic earnings per share:**

| *In € millions*<br>**As of June 30** | **2018** | **2017** |
|---|---|---|
| Net income for the period – Equity holders of Air France-KLM | (159) | 450 |
| Net income from continuing operations – Equity holders of Air France – KLM | (159) | 458 |
| Net income from discontinued operations – Equity holders of Air France – KLM | - | (8) |
| Coupons on perpetual | (12) | (12) |
| Basic net income for the period – Equity holders of Air France-KLM | (171) | 438 |
| Basic net income from continuing operations – Equity holders of Air France – KLM | (171) | 446 |
| Basic net income from discontinued operations – Equity holders of Air France – KLM | - | (8) |

Since the perpetual subordinated loan is considered to be preferred shares, the coupons are included in basic earnings per share.

***Reconciliation of the number of shares used to calculate earnings per share***

| **As of June 30** | **2018** | **2017** |
|---|---|---|
| **Weighted average number of:** | | |
| - Ordinary shares issued | 428,634,035 | 300,219,278 |
| - Treasury stock held regarding stock option plan | (1,116,420) | (1,116,420) |
| - Other treasury stock | (29,956) | (32,783) |
| **Number of shares used to calculate basic earnings per share** | **427,487,659** | **299,070,075** |
| OCEANE conversion | - | 53,386,532 |
| **Number of ordinary and potential ordinary shares used to calculate diluted earnings per share** | **427,487,659** | **352,456,607** |

Air France, 2018 first half-year financial report, p. 56

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# ACCOUNTING PRINCIPLES, JUDGEMENTS AND ESTIMATES

# 3. Accounting principles

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## ➢ *IAS 34 provisions*

- ✓ IAS 34 § 19 states that if an interim financial report is compliant with IAS 34, this must be specified.
- ✓ IAS 34 § 16 A(a) states that half-year accounts should be drawn up using the same accounting principles as the most recent annual accounts.
- ✓ If accounting methods are changed (ex. a new standard is applied), IAS 34 requires that the company "describes" the changes and their effects. The company generally refres to IAS 8 when writing this description.

## ➢ *Declaration of compliance in the half-year accounts of companies in the sample*

- ✓ Almost all (97%) of the companies in the sample explicitly indicated that their half-year accounts were compliant with the IAS 34 standard.

## ➢ *Accounting principles and methods*

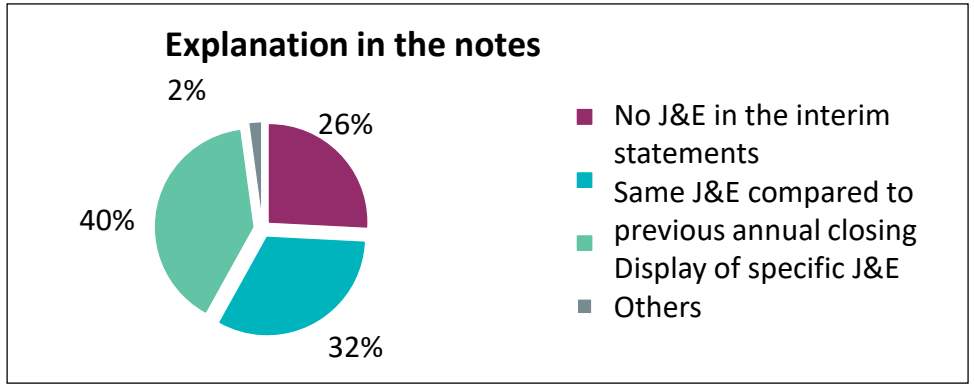
- ✓ The vast majority of companies (89%) indicated that they applied the same accounting principles as in the annual accounts, except for standards that became applicable during the period.
- ✓ In addition to the application of IFRS 9 and IFRS 15 (see after), half of the companies in the sample also commented on the first application of other regulations (for example: amendments to IFRS 2 or IAS 40). These changes had no effect or insignificant effects in almost all cases (93%).

- ❖ It is useful for the reader when the accounts specify compliance with IAS 34, and particularly consistency with the accounting principles used in the most recent annual accounts, as almost all companies in the sample did.
- ❖ Specifying the lack of effect of new standards or amendments to those that already apply or will in the near future can provide additional clarity, particularly if it seems that the company would be affected because of their operations or activities.

# 3. Judgements and estimates

## ➢ *Judgements and estimates (J&E)*

✓ IAS 34 § 41 recognises that preparing the interim financial statements generally requires more estimation than the annual financial statements, and provides examples of the use of estimates in interim periods in appendix C.




✓ The number of subjects indicated as requiring specific judgements and estimates varies from 1 to 6 (2.19 on average).

✓ They include:

- Corporate income tax (30% of companies)
- Provisions for pensions and similar obligations (22%)
- Evaluation and impairment of goodwill and fixed assets (6%)

✓ When companies indicate that they have used specific judgements and estimates to establish the half-year accounts, they describe them less than half of the time. The number of descriptions seems to affect their level of detail: the more judgements and estimates there are to describe, the fewer details are provided.

Examples of half-year specific estimates

Les principes comptables retenus pour la préparation des comptes semestriels du 30 juin 2018 sont identiques à ceux appliqués pour la préparation des comptes consolidés du 31 décembre 2017, à l'exception des points ci-dessous :

- Les rabais, remises et ristournes sont calculés au prorata des achats du semestre, sur la base du montant estimé pour l'exercice en fonction des volumes d'achats prévisionnels de fin d'année et des pratiques établies avec les fournisseurs.
- Les dépréciations de stock sont estimées selon une méthode statistique reposant sur des données historiques.
- Les intéressements, la participation et les primes de fin d'année sont calculés au prorata des performances du semestre, sur la base des montants estimés pour l'exercice.
- La charge d'impôt est calculée sur la base du taux moyen annuel d'impôt appliqué au résultat avant impôt.
- L'application des nouvelles normes présentées ci-dessous au paragraphe "Normes et interprétations applicables en 2018".

SASME, half-year financial report 2018, p.7*

❖ Specific judgements and estimates can be divided into those related to the evaluation of specific risks during the period (ex. monitoring intangible assets) and those related to calculations made differently than in the previous year's annual closing (ex. taxes). Describing these elements makes the financial statements easier to understand. In describing only the most significant judgements and estimates, the company can provide more detail.

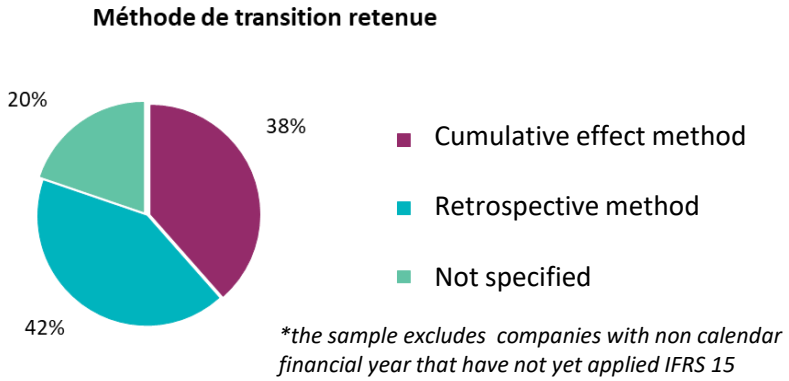


*English translation of the half-yearly financial statements is not available

# 3. New standards: first application of IFRS 15

## ➢ *Transition*

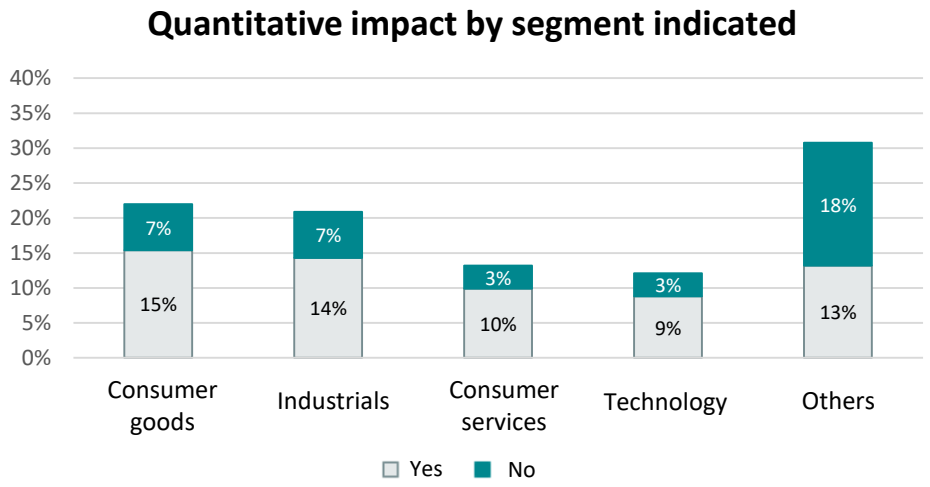
- ✓ All companies in the sample applied IFRS 15 for the first time on 1 January 2018.




- ✓ Almost all (94%) of companies that applied the full retrospective method recalculated their previous figures using IFRS 15 in the primary statements.
- ✓ Almost all companies that applied the modified retrospective method presented their figures from the half-year closing using the previous IAS 18/IAS 11 standards in the notes.
- ✓ Most companies that did not indicate which transition approach they chose specified in the notes that applying the new standard did not affect their accounts.

## ➢ *Quantifying impact*

- ✓ 60% of the companies quantified the impact of the transition to IFRS 15, and more than half of them at least described the impact narratively by category.
- ✓ 37% of the companies in the sample indicated that the impact of the standard was insignificant, without quantifying it.
- ✓ The standard mainly impacts:
  - Principal-agent assessments
  - When revenue is recognised (using progress or completion)



# 3. New standards: first application of IFRS 15

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## ➢ *Issues brought up by companies in the sample*

✓ The main issues that companies in the sample indicated as affecting them the most for their operations are, in order of frequency:

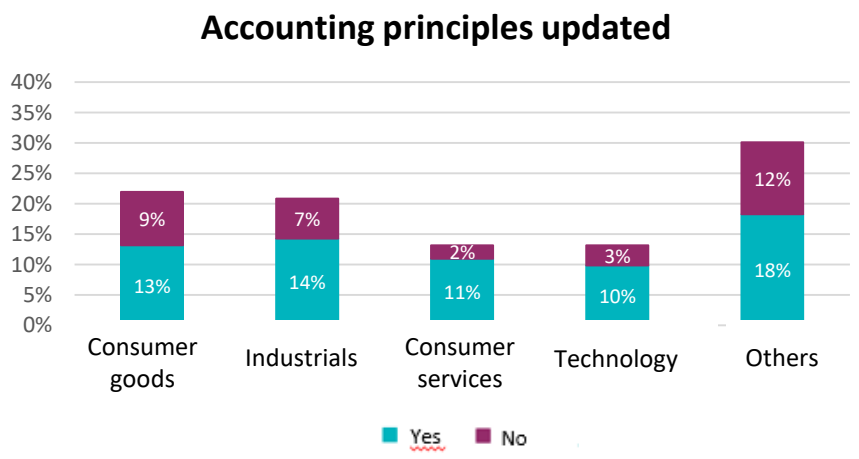
- Identifying performance requirements (59%)
- Determining a recognition schedule (for progress or completion) (52%)
- Measuring progress (30%)
- The principal-agent assessment (31%)
- Calculating variable consideration (23%)
- Assets or liabilities for contracts (20%)
- Allocating transaction price to multiple performance obligations (14%)
- Other: calculating the costs of contracts, providing an order log, recognising income from intellectual property, the existence of a financing component, always presented as insignificant because of the low rates.

✓ Primary segments impacted and that provided the most information: telecommunications, utilities, technology.

## ➢ *Updating the accounting principles*

✓ One third of the companies in the sample did not update their accounting principles for recognition of revenue in the half-year accounts.

❖ Most companies updated their accounting principles to take into account the standard's new provisions, even if they had no significant effect. The changes in analysis required by the standard make this update necessary. Explanations based on the specificities of the company's operations and contracts, and not on a general description of the new provisions of IFRS 15, were much more helpful.



# 3. New standards: first application of IFRS 15

## ➢ Disaggregation of revenue by category

- ✓ Information required in the half-year accounts (IAS 34 **§** 16A l).
- ✓ IFRS 15.114 requires a disaggregation of revenue by category that demonstrates how the type, amount, schedule, and uncertainties related to revenue and cash flows are affected by economic factors.
- ✓ IFRS 15.115 requires connecting the disaggregation with information provided on revenue in the segment information.
- ✓ Examples of categories are provided in **§** B89:
  - type of good or service (for example, major product lines),
  - geographical region (country or region),
  - market or type of customer (for example, government and non-government customers) ,
  - type of contract (for example, fixed-price and time-and-materials contracts),
  - contract duration (short-term and long-term contracts),
  - timing of transfer of goods or services,
  - sales channels.

**Information provided in the half-year financial statements of 30 June 2018? (*)**


**In a sample composed only of companies in the CAC 40*

- ✓ Companies provided a disaggregation of revenue in the segment information (IFRS 8) and/or in a note on revenue.
- ✓ 36% of the sample provided at least one additional category of revenue or a more detailed disaggregation of revenue than what they had provided previously (under IAS 18 and/or IAS 11). They used the following categories: type of product or service, location, market or type of customer.

❖ Since this is the first application, companies will likely continue to develop which disaggregation categories they include and in what manner.

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# NOTES

# 4. Provisions of IAS 34

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IAS 34 § 15-15C requires disclosure of information on significant events and transactions to facilitate understanding of changes in the entity's financial position and performance since the last annual closing, such as:

- Impairment of financial and non-financial assets (§ 15B a, b, h)
- Acquisitions and disposals of tangible assets (§ 15B d, e)
- Risks, provisions, and litigation (§ 15B c, f, m)
- Evaluation and classification of financial assets and liabilities (§ 15B h, k, l)
- Other: default or breach of covenant (§ 15B i), of errors correction (§ 15B g), related parties (§ 15B j)

In addition to information on significant events and transactions, IAS 34 § 16A indicates some required information, regarding:

- Performance: segment information (§ 16A g), seasonality (§ 16A b), dividends paid (§ 16A f)
- Financing: issues, repurchases and repayments of debt and equity securities (§ 16A e)
- Group composition: business combinations or sales of business (§ 16A i)
- Information on the fair value of financial instruments (§ 16A j referring to IFRS 7 and IFRS 9)
- Other: Post-closing events (§ 16A h), changes in previous estimates (§ 16A d), other unusual events that affect the financial statements (§ 16A d)

5

# SIGNIFICANT EVENTS

# 5. Significant events related to financial communication

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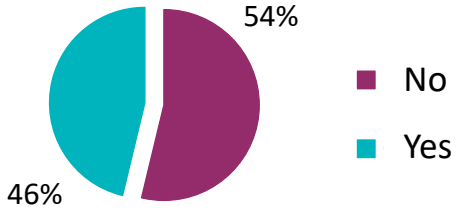
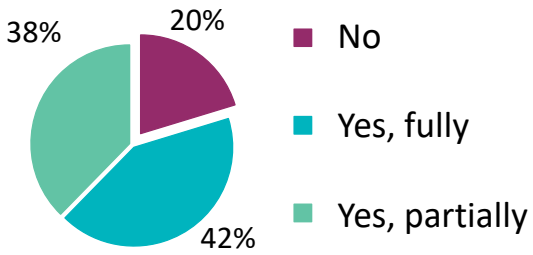
**Important events**

- IAS 34 § 15-15C "When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period."

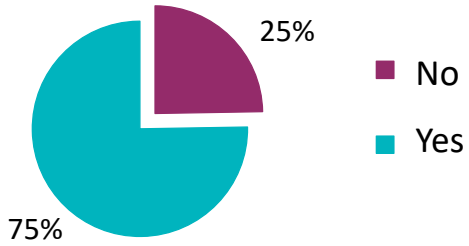
**Explanation of important events during the half-year**



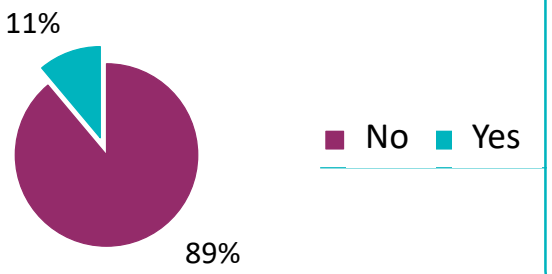

**Important events and changes in scope mentioned in press releases and disclosed in the half-year accounts**




**Explanation of significant acquisitions or transfers during the half-year**




**Important events that may affect the accounts mentioned in press releases, but not disclosed in the half-year accounts**




Examples of events described in press releases that may affect the period's financial statements that are not mentioned in the accounts: business combinations, discontinued operations, new partnerships.

✓ Some companies in the sample seem to have adopted different approaches to choosing and disclosing significant events, acquisitions, and sales of business from the period in the accounts and in financial communication.

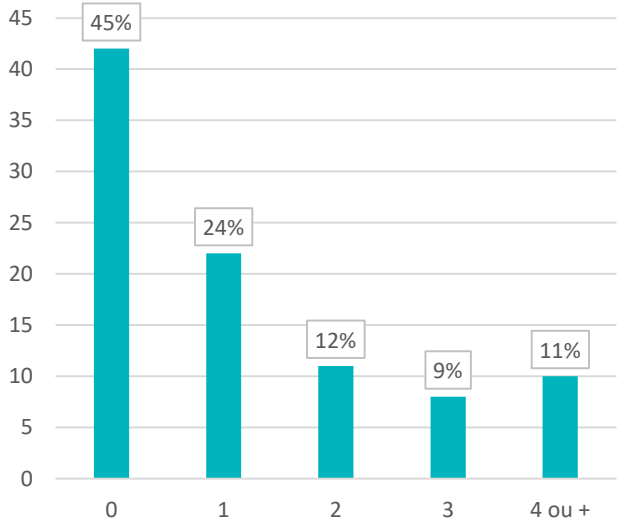
❖ Most companies ensure that the information communicated in press releases is the same as that disclosed in the interim accounts.

# 5. Events after the reporting period

**Events after the reporting period**

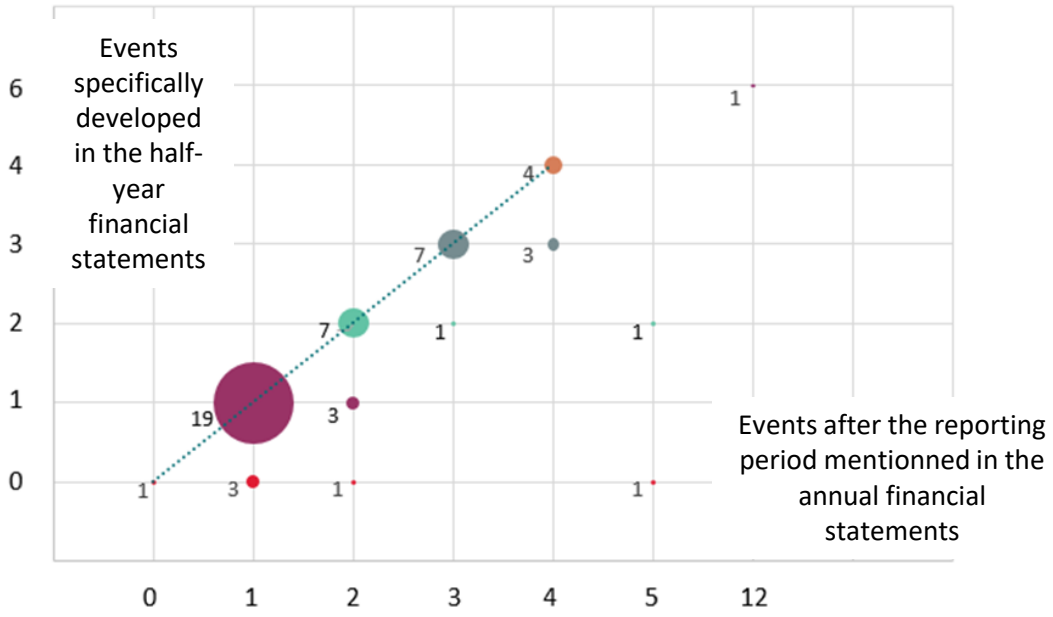
- **In the annual accounts**: significant events after the reporting period are mentioned in the annual accounts because their absence may affect economic decisions made by those using the financial statements (IAS 10 § 21)
- **In the half-year accounts**: IAS 34 § 15-15C requires disclosure of information on significant events and transactions to facilitate understanding of changes in the entity's financial position and performance since the last annual closing.

➢ *Number of events after the reporting period mentioned in the 2017 consolidated annual accounts*




There were an average of 1.3 post-closing events per company. In the half-year accounts, 75% of these events were specifically explained.

➢ ***Events after the annual reporting period and changes during the half-year***

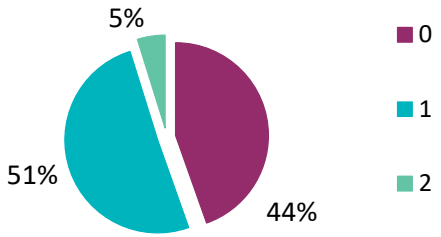



❖ **73% of affected companies disclosed and explained all post-closing events mentioned in their previous annual accounts in the interim financial statements.**

# 5. Key audit matters (KAMs) and emphasis of matter in the auditors' report

## ➢ *Auditor emphasis of matter in the half-year account report*

**Number of emphasis of matter mentioned**



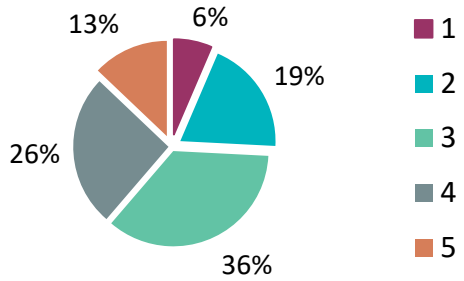

Main emphasis of matter in auditor's report :
- New IFRS 15 and 9 standards
- Litigation and disputes
- Changes in scope
- Financial situation and liquidity

## ➢ *Key audit matters in the report on the previous year's annual accounts*

The KAMs indicated by the auditors in their report (annual closing) are an indicator for significant, sensitive, or complex audit risks on the accounts. Users of the financial statements read this information as it relates to key judgements and main sources of estimates as communicated by the company, for example.

The interim accounts are not audited, but may be reviewed by the auditors.

**Number of KAMs in the report on the previous year's annual accounts**




There were 3.2 KAMs on average per company in the auditors' report on the annual accounts for the companies in the sample

✓ The most frequent KAMs concern:
- Evaluation of goodwill: 67% of reports in the sample
- Evaluation of fixed assets, excluding goodwill: 43%
- Revenue: 41%
- Deferred tax assets: 18%
- Fiscal risks, disputes, and litigation: 17%

❖ The fact that a subject was a KAM in the annual closing did not necessarily mean that companies described it in more detail in the half-year accounts. For example, the percentages of companies that provided information in the notes for which the subject in question was a KAM are:
- Evaluation of goodwill: 50% of the companies
- Evaluation of fixed assets, excluding goodwill: 53% of the companies

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# DISCLOSING PERFORMANCE

# 6. Segment information

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**Segment information**

**(IAS 34 § 16A g)**

- The segment information required by IAS 34 includes a breakdown of revenue and a profit or loss measure per segment, indicators of assets and liabilities per segment (if used by the Chief Operating Decision Maker (CODM)), and reconciliation of profit or loss indicators with the group's profit or loss before tax.

✓ The vast majority of information provided in the segment information is related to income and a profit or loss measure per segment.

❖ A few companies provided more information than what is required by the standard, including for example capital employed or segment investments. Analysts expect companies to disclose information that correlates with what they provided in the annual closing so that they can monitor performance.

Example of segment information provided in the half-year accounts that correlates with information disclosed in the annual closing

**First half 2018**

| | | Contracting | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in € millions)* | Concessions | VINCI Energies | Eurovia | VINCI Construction | Total | VINCI Immobilier and holding companies | Eliminations | Total |
| **Income statement** | | | | | | | | |
| **Revenue (*)** | 3,426 | 5,857 | 3,725 | 6,562 | 16,144 | 393 | (205) | 19,758 |
| Concession subsidiaries' works revenue | 387 | - | - | - | - | - | (101) (**) | 286 |
| Total revenue | 3,813 | 5,857 | 3,725 | 6,562 | 16,144 | 393 | (306) | 20,043 |
| **Operating income from ordinary activities** | 1,642 | 336 | (17) | 118 | 436 | 20 | - | 2,099 |
| *% of revenue (*)* | *47.9%* | *5.7%* | *-0.5%* | *1.8%* | *2.7%* | - | - | *10.6%* |
| **Recurring operating income** | 1,728 | 311 | (24) | 116 | 403 | 23 | - | 2,154 |
| **Cash flow statement** | | | | | | | | |
| **Cash flows from operations before tax and financing costs** | 2,392 | 315 | 53 | 186 | 554 | (10) | - | 2,937 |
| *Depreciation and amortisation* | *745* | *67* | *117* | *145* | *329* | *2* | - | *1,076* |
| Operating investments (net of disposals) | (22) | (67) | (129) | (147) | (342) | (112) | - | (476) |
| Growth investments in concessions and PPPs | (467) | 1 | - | 2 | 3 | - | - | (463) |
| **Free cash flow (after investments)** | 1,055 | (216) | (535) | (587) | (1,337) | 146 | - | (136) |
| **Balance sheet** | | | | | | | | |
| **Capital employed at 30/06/2018** | 30,320 | 4,392 | 1,496 | 847 | 6,735 | 724 | - | 37,779 |
| **Net financial surplus (debt)** | (26,640) | (1,888) | (463) | 343 | (2,008) | 11,973 | - | (16,674) |

(*) Excluding concession subsidiaries' revenue derived from works carried out by non-Group companies.
(**) Intragroup revenue of the Contracting business derived from works carried out for the Group's concession operating companies.

Vinci, half-year financial report at 30 June 2018, p. 34

# 6. Seasonality

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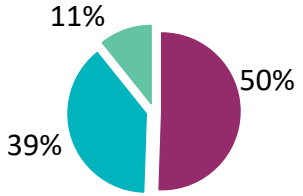
## Seasonality

- IAS 34 § 16 requires that companies explain the seasonality or cyclicality of interim operations.
- If an entity is highly seasonal, IAS 34 § 21 indicates that financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful.

➢ *Mention of seasonality by companies in the sample*




- No mention
- Mention of the seasonal nature
- Mention of the absence of seasonality

The information provided consists mainly of a comment on the cyclical nature of operations, for example, a spike in activity in Q4 for the distribution segment.

No company defined itself as having "extremely seasonal" operations, and therefore none provided financial information for the 12 months ending at the closing of the interim period with comparative information.

### Example of information disclosed regarding seasonal operations: narrative comments explaining variations

La comparabilité des comptes intermédiaires et annuels est affectée par la saisonnalité des activités touristiques du Groupe conduisant à un résultat opérationnel déficitaire au 1er semestre. En effet, le chiffre d'affaires consolidé du 1er semestre (saison hiver) est structurellement plus faible que celui réalisé sur la saison été, alors que les charges fixes d'exploitation (incluant les loyers) sont linéaires sur l'année.

Sur le 1er semestre 2017/2018, la valeur nette des créances clients et comptes rattachés augmente de 4 368 milliers d'euros, enregistrant des évolutions contrastées sur les pôles du Groupe :

- Hausse de 25 930 milliers d'euros des créances clients sur le pôle touristique en lien avec la saisonnalité de cette activité ;
- Baisse de 22 287 milliers d'euros des créances immobilières, suite essentiellement à l'encaissement des créances portées par le programme Hochsauerland.

Le montant de la trésorerie figurant dans le tableau de flux se décompose de la façon suivante :

| (En milliers d'euros) | 31/03/2018 | 30/09/2017 |
|---|---|---|
| Trésorerie | 45 086 | 86 712 |
| Equivalents de trésorerie (SICAV et dépôts) | 28 | 130 |
| **Trésorerie et équivalents de trésorerie** | **45 114** | **86 842** |
| Soldes bancaires créditeurs | -16 001 | -9 571 |
| **Trésorerie nette** | **29 113** | **77 271** |

La comparabilité des comptes annuels et semestriels est affectée par la saisonnalité des activités touristiques du Groupe, conduisant non seulement à un résultat opérationnel déficitaire au 1er semestre, mais aussi à un niveau plus faible de trésorerie nette.

Pierre et Vacances, half-year financial report, p.16, 28, 30*

*English translation of the half-yearly financial statements is not available

# 6. Other revenues and expenses

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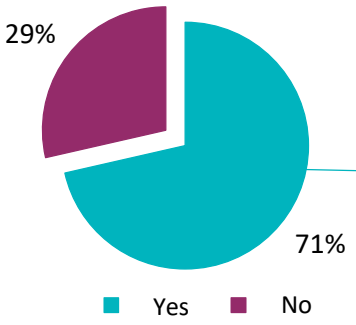
## Other revenue and expenses

- IAS 34 §16A c requires that companies disclose the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

Some companies disclosed "other revenues" and "other expenses" separately in the income statement.

**Explanation of revenues and other expenses**




Mainly quantitative breakdowns of line items in tables, sometimes including comments explaining the elements.

**17% of the companies in the sample did not provide an "other revenues and expenses" line item in their income statement*

- Line items were significant and varied significantly for 27% of companies that did not include a note.
- European companies communicate less on the composition of these line items than French companies.

Example of information explaining other revenues and expenses disclosed in the income statement

**7.3 Non-recurring income and expenses**

To make it easier to analyse recurring operating performance, certain material items that are unusual in terms of their nature and frequency are reported under "Non-recurring income" or "Non-recurring expenses", as follows:

| *(in € millions)* | First-half 2018 | First-half 2017 restated |
|---|---|---|
| Net gains on sales of assets | 16 | 14 |
| Restructuring costs | (693) | (102) |
| Other non-recurring income and expenses | (64) | (30) |
| **Non-recurring income and expenses, net before asset impairments and write-offs** | **(741)** | **(119)** |
| Asset impairments and write-offs | (44) | (30) |
| *of which Impairments and write-offs of goodwill* | - | - |
| *of which Impairments and write-offs of property and equipment and intangible assets* | *(44)* | *(30)* |
| **Non-recurring income and expenses, net** | **(785)** | **(148)** |
| of which: | | |
| *Non-recurring income* | *26* | *23* |
| *Non-recurring expense* | *(811)* | *(171)* |

Restructuring costs recognised in first-half 2018 result from plans to streamline operating structures launched as part of the first pillar of the transformation plan described in Note 3.1. The expense included in non-recurring items relates chiefly to severance paid or payable within the scope of:

- the voluntary redundancy plan implemented in France and affecting 2,400 jobs;
- restructuring measures launched in Belgium and potentially affecting up to 950 employees;
- the voluntary redundancy plan in progress in Argentina and involving around 750 jobs, along with the plan to close 11 stores.

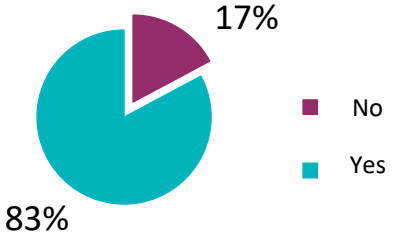
At June 30, 2018, a provision was accrued for the amount which the Group estimates it will have to pay in severance in respect of these restructuring plans (Note 10.3).

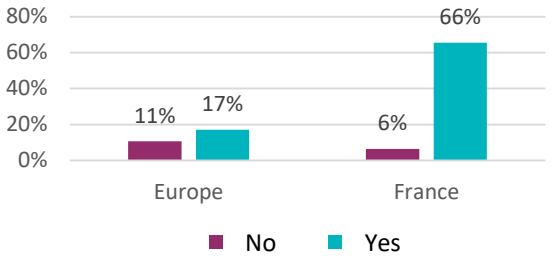
The expense recognised for first-half 2017 primarily included the costs relating to the overhaul of supply chains in France as well as the plan to integrate the hypermarkets acquired in Spain.

Carrefour, half-year financial report June 30, 2018, p. 39

# 6. Taxes

**Explanation of taxes**




- ✓ Key audit matters: taxes were a KAM in the previous annual closing for 27% of the companies in the sample. Nearly 90% provided more information on taxes in the half-year accounts, but this information was not always directly related to the specific item mentioned in the KAM.
- ✓ Judgements and estimates: 31% of companies mentioned that taxes required specific judgements and estimates for the half-year accounts.
- ✓ For 38% of the companies in the sample that did not provide more information on taxes, taxes were subject to judgements and estimates and/or were a KAM at the previous year's annual closing.
- ✓ Types of information often disclosed: quantitative breakdown of payable taxes and deferred taxes as expenses for the period.

**6.6 IMPOTS SUR LE RESULTAT**

**6.6.1 CHARGE D'IMPOTS SUR LE RESULTAT DE LA PERIODE**

| | NOTES | 1er semestre 2018 | 1er semestre 2017® |
|---|---|---|---|
| Impôts exigibles | 6.6.2 | (6 539) | (2 894) |
| Impôts différés | 6.6.3.1 | 260 | (139) |
| **Impôts sur le résultat** | | **(6 279)** | **(3 033)** |

® *Retraité après application rétroactive au 1er janvier 2017 de la norme IFRS 15*

**6.6.2 ACTIFS ET PASSIFS D'IMPOTS EXIGIBLES**

1er semestre 2018 :

| | 1/1/2018 | | Variation | | | | 30/06/2018 | |
|---|---|---|---|---|---|---|---|---|
| | Créances | Dettes | Charge de la période | CICE | Versements nets (remboursements) | Autres (1) | Créances | Dettes |
| Impôts sur le résultat | 6 454 | (586) | (4 887) | 863 | (3 188) | 88 | 646 | (1 902) |
| C.V.A.E. | 367 | (40) | (1 652) | | 1 494 | | 246 | (77) |
| **Total** | **6 821** | **(626)** | **(6 539)** | **863** | **(1 694)** | **88** | **892** | **(1 979)** |

(1) *Le poste « autres mouvements » s'explique à hauteur de 66 milliers d'euros par l'effet d'impôt relatif aux résultats sur actions propres et pour le solde par des écarts de conversion*

1er semestre 2017 :

| | 1/1/2017 | | Variation | | | | 30/06/2017 | |
|---|---|---|---|---|---|---|---|---|
| | Créances | Dettes | Charge de la période | CICE | Versements nets (remboursements) | Autres (1) | Créances | Dettes |
| Impôts sur le résultat | 1 945 | (163) | (1 320) | 988 | 4 858 | (23) | 6 787 | (502) |
| C.V.A.E. | 241 | (128) | (1 574) | | 1 568 | | 111 | (4) |
| **Total** | **2 186** | **(291)** | **(2 894)** | **988** | **6 426** | **(23)** | **6 898** | **(506)** |

(1) *Le poste « autres mouvements » s'explique par l'effet d'impôt relatif aux résultats sur actions propres et pour le solde par des écarts de conversion*

**6.6.3 ACTIFS ET PASSIFS D'IMPOTS DIFFERES**

**6.6.3.1 Variation des impôts différés**

| | NOTE | 30/06/2018 | 31/12/2017® | 30/06/2017® |
|---|---|---|---|---|
| **Impôts différés passifs net à l'ouverture** | | **3 783** | **2 415** | **2 415** |
| Impôts différés constatés en résultat | 6.6.1 | (260) | 223 | 139 |
| Impôts différés constatés directement en capitaux propres | | 51 | 1 109 | 140 |
| Effet des écarts de conversion et variations de périmètre | | 90 | 36 | 6 |
| **Impôts différés passifs nets à la clôture** | | **3 664** | **3 783** | **2 700** |

® *Retraité après application rétroactive au 1er janvier 2017 de la norme IFRS 15*

**6.6.3.2 Source des impôts différés à l'actif et au passif**

| | 30/06/2018 | 31/12/2017® | 30/06/2017® |
|---|---|---|---|
| Comptabilisation de la marque Nostalgie suite à un regroupement d'entreprises | 11 811 | 11 811 | 13 226 |
| Autres différences temporaires | 1 692 | 1 692 | 1 321 |
| Compensation des actifs et des passifs d'impôts différés par sphère fiscale | (4 951) | (4 732) | (6 183) |
| **Impôts différés passifs au bilan** | **8 552** | **8 771** | **8 364** |
| Reports fiscaux déficitaires (1) | (4 618) | (4 798) | (5 469) |
| Indemnités de départ en retraite | (3 531) | (3 425) | (4 227) |
| Autres différences temporaires | (1 690) | (1 497) | (2 151) |
| Compensation des actifs et des passifs d'impôts différés par sphère fiscale | 4 951 | 4 732 | 6 183 |
| **Impôts différés actifs au bilan** | **(4 888)** | **(4 988)** | **(5 664)** |
| **Impôts différés passifs nets** | **3 664** | **3 783** | **2 700** |

® *Retraité après application rétroactive au 1er janvier 2017 de la norme IFRS 15*

Il est rappelé que dans le cadre du régime antérieur du Bénéfice Fiscal Consolidé, le résultat consolidé du Groupe au titre de l'exercice 2010 a fait l'objet d'un contrôle initié par les autorités fiscales françaises en 2013 puis donné lieu à un redressement, notifié par voie d'avis de mise en recouvrement, de 27,6 millions d'euros en 2016. Au cours de ce même exercice, le Groupe a introduit une réclamation contentieuse qui est toujours pendante à ce jour.

NRJ Group, half-year financial report 30 June 2018, p. 40-41*

Reconciliation with the income statement

Reconciliation with the balance sheet

Changes in deferred taxes

Breakdown of sources of deferred taxes



*English translation of the half-yearly financial statements is not available

7

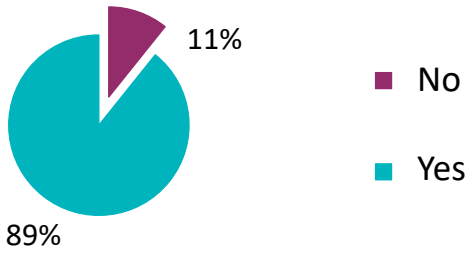
# FINANCING

# 7. Financing: debt and capital

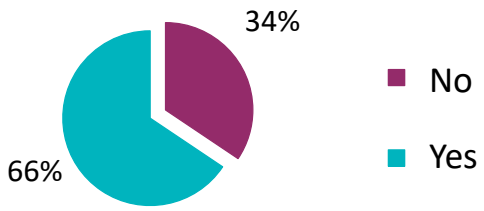
**Debt and capital (IAS 34 § 16A e)**

- IAS 34 requires information on issues, repurchases, and repayments of debt and equity securities.
- IAS 34 § 15B i requires information on any default in payment on a loan or any breach that has not been remedied on or before the end of the reporting period, if the event is significant.

**Explanation of financial debt**




**Explanation of capital**




✓ Information often provided by the companies in the sample:
- Composition of debt
- Changes in debt, described narratively (for the main changes) or in a table with a breakdown of which changes do and do not generate cash flow.

✓ Information sometimes provided by the companies in the sample:
- Maturity analysis
- Disaggregation by rate, currency, etc.
- Covenants

✓ For capital, companies often disclose information, either quantitative or narrative, regarding
- operations during the period: capital increases, employee plans, stock based compensation plans
- own shares

❖ The French companies in the sample provided more information on financing, both qualitative and quantitative, and on debt in particular, than the European companies studied.

❖ The information most often provided was on the composition of debt and changes during the period.

# 7. Financing the entity: debt and capital

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L'évolution de l'endettement financier brut du Groupe au cours de l'exercice s'analyse ainsi :

| (en milliers d'euros) | 31/12/2017 | Var. Perimètre | Augmen tation | Rembour sement | Variation Juste valeur | Reclasse ment | Ecart de conversion | 30/06/2018 |
|---|---|---|---|---|---|---|---|---|
| Emprunts obligataires | 34 622 | - | - | - | - | 31 | - | 34 653 |
| Emprunts syndiqués | 27 012 | - | - | - | - | (2 581) | 67 | 24 498 |
| Autres emprunts bancaires | 8 916 | - | - | - | - | (2 666) | - | 6 250 |
| Dettes liées aux contrats de location-financement | 10 388 | - | - | - | - | (684) | - | 9 704 |
| Autres dettes financières diverses | 64 | - | - | - | 276 | - | - | 340 |
| **Emprunts et dettes financières non courantes** | **81 002** | - | - | - | **276** | **(5 900)** | **67** | **75 445** |
| Emprunts obligataires | (59) | - | - | 29 | - | (31) | - | (61) |
| Emprunts syndiqués | 7 011 | - | - | (3 396) | - | 2 581 | 137 | 6 333 |
| Autres emprunts bancaires | 5 667 | - | - | (4 666) | - | 2 666 | - | 3 667 |
| Dettes liées aux contrats de location-financement | 1 449 | - | - | (763) | - | 684 | - | 1 370 |
| Intérêts courus | 520 | - | - | (17) | - | - | - | 503 |
| Autres dettes financières diverses | - | - | - | - | - | - | - | - |
| Concours bancaires courants | - | - | - | - | - | - | - | - |
| **Emprunts et dettes financières courantes** | **14 588** | - | - | **(8 813)** | - | **5 900** | **137** | **11 812** |
| **ENDETTEMENT FINANCIER BRUT** | **95 590** | - | - | **(8 813)** | **276** | - | **204** | **87 257** |

En janvier 2018, Linedata a procédé au remboursement d'une échéance de 4,3 M$ du crédit syndiqué en dollars US.

Par ailleurs, Linedata Services a contracté en avril 2018, un emprunt bilatéral de 7 M€ amortissable sur 3 ans, dont la société a utilisé 1,7 M€ à fin juin 2018.
Linedata Services a également procédé au remboursement de 2,7 M€ des crédits bilatéraux en cours et de 2 M€ de la facilité de Crédit utilisée à fin décembre 2017.

Enfin, Linedata a procédé au remboursement du crédit bail immobilier de 2016 à hauteur de 0,8 M€ au cours de l'exercice.

Linedata, half-year financial report, p. 21*

(1) Example of table of changes that distinguishes those that do and do not generate cash flows

4

*Credit facilities*

At June 30, 2018, Group companies had access to the following credit facilities (all maturities combined):

| (in euro millions) | June 30, 2018 | Dec. 31, 2017 |
|---|---|---|
| Drawn financing facilities | 209.6 | 205.9 |
| Undrawn financing facilities | 76.6 | 78.2 |
| **Nominal amount** | **286.2** | **284.1** |

During the first half of 2018, the Group negotiated the extension of a five-year confirmed credit facility from €5.0 million to €10.0 million. None of this facility had been drawn down at June 30, 2018.

Chargeurs, interim financial report, p. 24-25

5

*Financial covenants*

The Group's Euro PPs (€122.0 million) and certain credit facilities (representing an aggregate €30.0 million) are subject to covenants based on the following ratios:

- Net debt/equity ≤ 0.85
- Net debt/EBITDA ≤ 3.50

The Group is required to comply with these covenants at December 31 each year.

(2) Example of breakdown of debt by rate type and maturity (2), by currency (3), available lines of credit (4), covenants (5)

Example of information provided on capital (6)

6

**11. SHARE CAPITAL OF THE PARENT COMPANY**

Number of outstanding shares

| | June 30, 2018 | Dec. 31, 2017 Restated |
|---|---|---|
| **Issued on January 1** | 62 363 114 | 61 493 241 |
| Shares issued in connection with dividend distributions(1) | 781 413 | 731 856 |
| Shares issued in connection with options exercised and shares acquired | - | 112 000 |
| Shares issued in connection with a capital increase reserved for employees | - | 26 017 |
| **Shares issued at the end of the period** | 63 144 527 | 62 363 114 |
| Treasury shares at the end of the period | 1 391 734 | 114 734 |
| **Shares outstanding at the end of the period** | 61 752 793 | 62 248 380 |

(1) See V. Consolidated statements of changes in equity

As of June 30, 2018, Ingenico Group SA's authorized share capital consisted of 63,144,527 shares with a par value of €1 each.

Treasury shares

| (in euros) | January 1, 2018 | Acquisitions | Divestitures | June 30, 2018 |
|---|---|---|---|---|
| Number of securities | 114 734 | 1 576 641 | (299 641) | 1 391 734 |
| Average purchase price | 23,52 | 69,81 | 77,71 | 64,39 |
| **Total** | **2 698 027** | **110 071 499** | **(23 154 759)** | **89 614 767** |

The Group's treasury share portfolio totaled 114,734 shares as of December 31, 2017.

Ingenico Group held no shares under its liquidity contract as of June 30, 2018. During the first half of 2018, the Group repurchased 1,576,641 shares and also sold 299,641 shares.

The treasury share portfolio therefore totaled 1,391,734 as of June 30, 2018.

Ingenico, half-year financial report as of June 30, 2018, p. 34

2

**16.3 Analysis of debt by maturity and interest rate**

| (in euro millions) | June 30, 2018 Total | June 30, 2018 Of which fixed rate | June 30, 2018 Of which variable rate | Dec. 31, 2017 Total | Dec. 31, 2017 Of which fixed rate | Dec. 31, 2017 Of which variable rate |
|---|---|---|---|---|---|---|
| Due in less than one year | 10.5 | 9.2 | 1.3 | 10.1 | 8.6 | 1.5 |
| Due in one to two years | 7.8 | 7.0 | 0.8 | 9.0 | 7.5 | 1.5 |
| Due in two to three years | 22.6 | 21.8 | 0.8 | 22.3 | 21.0 | 1.3 |
| Due in three to four years | 20.2 | 19.1 | 1.1 | 21.4 | 20.5 | 0.9 |
| Due in four to five years | 60.7 | 60.0 | 0.7 | 3.0 | 2.4 | 0.6 |
| Due in more than five years | 64.4 | 64.4 | - | 123.6 | 123.6 | - |
| **Total** | **186.2** | **181.5** | **4.7** | **189.4** | **183.6** | **5.8** |

In the first half of 2018, the average maturity of the Group's debt was 5.0 years (compared with 5.2 years at December 31, 2017).

3

**16.4 Analysis of debt by currency**

| (in euro millions) | June 30, 2018 | Dec. 31, 2017 |
|---|---|---|
| Euro | 187.7 | 188.6 |
| US dollar | 11.2 | 8.2 |
| Chinese yuan | 3.0 | 3.0 |
| Other | 7.7 | 6.1 |
| **Total** | **209.6** | **205.9** |

Chargeurs, interim financial report, p. 24-25



*English translation of the half-yearly financial statements is not available

# 7. Financing: cash and financial elements in the income statement

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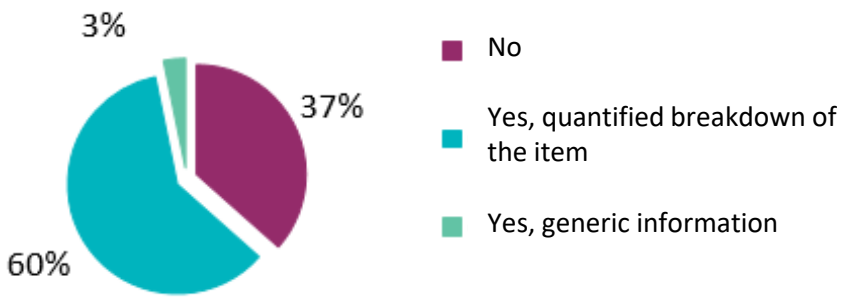
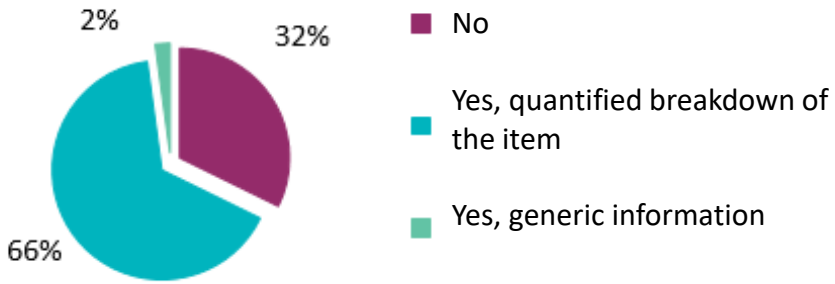
## Cash and financial elements in the income statement

- No information is explicitly required by IAS 34, which provides an opportunity for companies to disclose summaries of other information beyond the minimum line items or notes required by the standard in their interim financial statements.
- The information provided includes an explanation of important events and transactions so that readers can more easily understand changes in the entity's financial position and situation.

**Explanation of cash and cash equivalents**




**Explanation of financial income items**




- ✓ Most information provided on cash and cash equivalents describes their composition, but some companies detail changes related to elements in the cash flow table.
- ✓ Companies that provided information on debt and cash flow usually also provided details on the effects of these elements on revenue, regardless of whether they were significant or changed at all.
- ❖ French companies in the sample provided more additional information than the European companies studied, at the same rate for big groups and SMEs.
- ❖ This additional information makes companies' financial structure and performance easier to understand (connections between assets, liabilities, income statement, and any changes since the last closing).

# 7. Financing: cash and financial elements in the income statement

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Example of information on debt, cash, and effects on the income statement

| *(in thousands of euros)* | June 30, 2018 | Dec 31. 2017 Restated | June 30, 2017 Restated |
|---|---|---|---|
| Bond issues | 1 051 229 | 1 050 904 | 456 468 |
| "OCEANE" convertible bond issue | 453 431 | 447 966 | 442 627 |
| Other financial liabilities | 107 181 | 52 310 | 2 537 |
| Bank borrowings | 247 727 | (2 142) | (2 208) |
| Finance lease obligations | 77 | 77 | - |
| **Long-term financial debt** | **1 859 645** | **1 549 115** | **899 424** |
| Commercial papers | 431 000 | 500 000 | 439 000 |
| Bank overdrafts | 6 017 | 7 367 | 8 913 |
| Other financial liabilities | 1 542 | 1 470 | 1 905 |
| Bank and similar borrowings | 1 | 372 | 391 |
| Interest accrued | 9 325 | 8 323 | 893 |
| Finance lease obligations | 147 | 147 | 488 |
| **Short-term financial debt** | **448 032** | **517 679** | **451 590** |
| **Gross financial debt** | **2 307 677** | **2 066 794** | **1 351 014** |
| Cash | 510 852 | 505 973 | 1 027 432 |
| Marketable securities and short-term deposits | 95 265 | 89 966 | 145 750 |
| **Cash and cash equivalents** | **606 117** | **595 939** | **1 173 182** |
| **Net financial debt** | **1 701 560** | **1 470 855** | **177 832** |

Short-term financial debt excludes the financing of merchant prefinancing used at June 30, 2018 in an amount of €56.4 million.

As of June 30, 2018, gross financial debt amounted to €2,307.7 million (versus €2,066.8 million as of December 31, 2017). They primary included:

- €595.2 million in respect of a bond issued in September 2017;
- €456.0 million in respect of a bond issued in May 2014;
- €453.4 million in respect of an OCEANE convertible bond issued on June 26, 2015;
- €104.8 million in respect of private investments contracted in May 2018 and December 2017;
- €431.0 million in respect of commercial paper. In May 2018, Ingenico Group raised the ceiling on its commercial paper issuance program from €500 million to €750 million;
- €249.4 million in respect of a bank loan drawn in March 2018.

Ingenico, half-year financial report as of June 30, 2018, p. 27-28

**a. Net finance costs**

| *(in thousands of euros)* | June 30, 2018 | June 30, 2017 Restated |
|---|---|---|
| Interest expense on financial liabilities at amortized cost and bond loan | (17 525) | (10 657) |
| Interest expense on finance lease contracts | (3) | (31) |
| **Total interest expense** | **(17 528)** | **(10 688)** |
| Interest income long term debt | 77 | 331 |
| Income from cash and cash equivalents | 1 475 | 1 414 |
| Interest income on finance lease contracts | 2 048 | 2 387 |
| **Net interest expense** | **(13 928)** | **(6 556)** |
| Foreign exchange gains | 44 874 | 16 676 |
| Foreign exchange losses | (47 830) | (17 417) |
| **Foreign exchange gains and losses, net** | **(2 956)** | **(741)** |
| Financial component of retirement expenses and the cost of other post-employment benefits | (230) | (233) |
| Other financial income | 321 | 164 |
| Other financial expenses | (2 647) | (2 932) |
| **Other financial income and expenses, net** | **(2 556)** | **(3 001)** |
| **Net finance costs** | **(19 440)** | **(10 298)** |
| **Total financial income** | **48 795** | **20 972** |
| **Total financial expenses** | **(68 235)** | **(31 270)** |

Net finance costs for the first half of 2018 are broken down as follows.

The Group's interest expense on borrowings was related to the borrowings described in Section 9b below.

- Interest expense on the OCEANE convertible bond was €5.5 million;
- Interest expense on the bond issued in 2014 and the embedded swap was €4.4 million;
- Interest expense on the bond issued in 2017 was €5.2 million;
- Interest expense on bank borrowings was €2.7 million (including amortization of the syndicated loan costs and the commitment fee).

Due to negative interest rates, commercial paper now generates interest income rather than interest expense.

The €2.9 million net foreign exchange loss for the half-year ended on June 30, 2018 (versus €0.7 million for the first half of 2017) was the result of gains and losses on remeasurement of loans and borrowings as well as on remeasurement of the related hedging instruments. It also includes the ineffective portion of operational hedges.

Other financial income and expenses comprised financial invoice discounting expenses and post-employment benefit obligations.

**7.1.3 Cash and cash equivalents, bank overdrafts and other cash position items**

Movements in cash and cash equivalents and bank overdrafts and other cash position items during the first six months of 2018 are as follows:

| *(€ million)* | As of December 31, 2017 represented | As of June 30, 2018 |
|---|---|---|
| Cash | 872.8 | 836.3 |
| Cash equivalents | 5,391.1 | 2,093.1 |
| CASH AND CASH EQUIVALENTS | 6,263.9 | 2,929.4 |
| **Bank overdrafts and other cash position items** | **208.9** | **261.4** |
| **Net cash** | **6,055.0** | **2,668.0** |

Cash and cash equivalents total €2,929.4 million, including €326.0 million "subject to restrictions" as of June 30, 2018.

The decrease in net cash during the half-year mainly reflects the repayment on May 28, 2018, on maturity, of the euro bond line in the nominal amount of €472 million, the redemption of the deeply subordinated perpetual securities (hybrid) denominated in euros and pound sterling issued on January 23, 2013 in the amount of €1,452.1 million, the change in operating WCR for -€789.8 million, investments in liquid assets of -€185.8 million not classified as cash for accounting purposes and the dividend payment of -€550.9 million.

As of June 30, 2018, the France segment held cash of €20.4 million, the Europe excluding France segment held cash of €265.8 million, the Global businesses segment held cash of €180.3 million and the Other segment held cash of €154.2 million (including €62.5 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group.

As of June 30, 2018, cash equivalents were primarily held by Veolia Environnement in the amount of €1,958.4 million, including monetary UCITS of €1,007.2 million and term deposit accounts of €950.1 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

Veolia Environnement, half yearly financial report, p. 61-62

8

# BUSINESS COMBINATIONS

# 8. Business combinations

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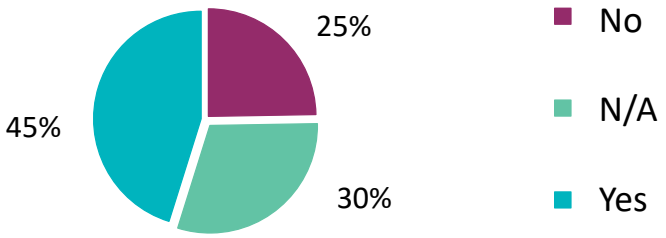
**Business combinations or transfers**

- IAS 34 § 16A requires that any changes that affected the composition of the entity during the interim period be disclosed, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations.
- For business combinations, the entity must disclose the information required by IFRS 3.

**Explanation of business combinations**




- ✓ 70% of the companies in the sample conducted business combinations during the period.
- ✓ Information often provided by the companies in the sample on new acquisitions:
  - acquisition date, percentage of capital acquired
  - acquisition price (and any earn-out clauses)
  - re-evaluated assets and liabilities, calculation of goodwill generated
  - final amount of goodwill if PPAs were finalised from previous acquisitions
- ✓ Information less often provided by the companies in the sample:
  - income and revenue of the acquired companies if the acquisition took place at the beginning of the period

# 8. Business combinations: examples

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## 2.1 Purchase price allocation related to the acquisition of GE Water & Process Technologies

On September 29, 2017, SUEZ finalized the acquisition of GE Water & Process Technologies ("GE Water") by SUEZ Water Technologies and Solutions ("SWTS"), a company held 70% by SUEZ and 30% by CDPQ (Caisse des Dépôts et placement du Québec).

The purchase price was EUR 2,903 million. GE Water available cash on the acquisition date amounted to EUR 204 million, generating a cash outflow of EUR 2,699 million, which is reflected in the 2017 cash flow statement.

As of December 31, 2017, estimated goodwill generated at the time of the acquisition totaled EUR 2,171 million (at the exchange rate USD/EUR as of December 31, 2017).

1

### 2.1.1 Allocation of the purchase price

During the first half of 2018, the Group allocated the purchase price in accordance with IFRS 3 revised on business combination. This allocation remains provisional and may be subject to non-significant revisions up to September 30, 2018.

| *(in millions of euros)* | Fair value of identifiable assets and liabilities on the transaction date |
|---|---|
| **Non-current assets** | |
| Intangible assets, net | 880 |
| Property, plant and equipment, net | 578 |
| Investments in joint ventures | 21 |
| Deferred tax assets | 62 |
| **Current assets** | |
| Other assets | 735 |
| Cash and cash equivalents | 203 |
| **Non-current liabilities** | |
| Other liabilities | 79 |
| Deferred tax liabilities | 309 |
| **Current liabilities** | |
| Other liabilities | 812 |
| **Total net assets (at 100%)** | **1,279** |
| Counterparty transferred to acquire GE Water | 2,903 |
| Non-controlling interests | 39 |
| **Goodwill** | **1,663** |

2

### Property, plant and equipment

The fair value of property, plant and equipment totaled EUR 578 million. Property, plant and equipment are valued using a combination of three approaches:

- market approach: price comparisons with similar assets in comparable circumstances;
- income approach: discounted value of future cash flows;
- cost approach: replacement cost.

### Provisions

In accordance with IFRS 3 revised, estimated provisions were revised to take into account provisions for contingent liabilities resulting in particular from ongoing litigation as of the transaction date.

### Non-controlling interests

The Group decided to measure non-controlling interests using the full goodwill method.

As a consequence, residual goodwill totaled EUR 1,663 million and represents the ability to develop new assets in the future (technologies, customer relationships) and to the level of synergies expected by the Group.

### 2.1.2 Information on the restated financial position as of December 31, 2017 after purchase price allocation

The impact from allocating assets and liabilities is as follows on the statement of financial position as of December 31, 2017:

| *(in millions of euros)* | December 31, 2017 published | Impact from purchase price allocation | December 31, 2017 restated after purchase price allocation |
|---|---|---|---|
| Intangible assets, net | 4,162 | 767 | 4,929 |
| Goodwill | 5,587 | (533) | 5,054 |
| Property, plant and equipment, net | 8,468 | 49 | 8,517 |
| Deferred tax assets | 697 | 45 | 742 |
| Other | 3,304 | 5 | 3,309 |
| **Total non-current assets** | **22,218** | **333** | **22,551** |
| Inventories | 471 | (13) | 458 |
| Other assets | 1,651 | (5) | 1,646 |
| Other | 8,031 | | 8,031 |
| **Total current assets** | **10,153** | **(18)** | **10,135** |
| **Total assets** | **32,370** | **315** | **32,686** |

3

Examples of information provided on the finalisation of a combination:
(1) Connection between elements recognised on 31 December 2017 and those recorded on 30 June 2018
(2) Evaluation of assets and liabilities identified as acquired, generation of goodwill
(3) Effects of the 30 June 2018 purchase price allocation on the 2017 accounts

Suez, Interim financial report 2018, p. 28-30

# 8. Business combinations: examples

The provisional fair value adjustment to borrowings is an adjustment of £14.0m to adjust to fair value the book value of Private Placement and Bond borrowings. This adjustment is to reflect the market rate of interest on these borrowings at the acquisition date.

There is a fair value provision of £8.0m in respect of the corporation tax provision relating to potential payments of tax for prior years that may be required to be made to HMRC by acquired UBM companies if the European Commission determines certain UK "controlled foreign company" provisions constitute State Aid that was unlawful under UK law. This amount reflects the Group's assessment of the probability of this contingent liability arising.

Informa Plc, half-year report, p. 45-46

Narrative information on fair value measurement of assets and liabilities identified as acquired

Goodwill represents (i) the pipeline of future products in early-stage research and development not identified individually at the acquisition date; (ii) the capacity to draw on a specialized structure to refresh the existing product portfolio; (iii) the competencies of Bioverativ staff; (iv) the benefits derived from the creation of new growth platforms; and (v) the expected future synergies and other benefits from the combination of Bioverativ and Sanofi.

Sanofi, half-year financial report, p. 25

Qualitative description of what constitutes goodwill

Les différents impacts sur les comptes consolidés semestriels au 30 juin 2018 peuvent se résumer de la manière suivante (en milliers d'euros) :

| | Montant de l'acquisition | Secteur d'activité | Zone géographique | Méthode de consolidation retenue | 1er semestre 2018 Chiffre d'affaires Données consolidées (1) | 1er semestre 2018 Résultat net Données consolidées (1) | Pourcentage détenu Contrôle | Pourcentage détenu Intérêts |
|---|---|---|---|---|---|---|---|---|
| BILLMAT | 2 902 | Négoce | France | IG | 5 104 | 41 | 65,00 | 58,37 |
| ETS MARTIN | 680 | Négoce | France | IG | 723 | 12 | 100,00 | 100,00 |

(1) : Hors produit de réévaluation BILLMAT de 218 milliers d'euros (cf. note 04.3).

Si ces acquisitions étaient intervenues au 1er janvier 2018, les effets sur le chiffre d'affaires et le résultat du Groupe au 30 juin 2018 auraient été les suivants :

| (Données en milliers d'euros) | Chiffre d'affaires | Résultat net (1) |
|---|---|---|
| BILLMAT | 7 573 | 41 |
| ETS MARTIN | 1 407 | 19 |

(1) : Hors produit de réévaluation BILLMAT de 218 milliers d'euros (cf. note 04.3).

Sasme, 30 June 2018 financial report, p. 9

Contributions of the acquisition to the group's income and revenue since acquisition, and as if the acquisition took place at the opening of the period

**Update on deferred and contingent consideration paid in H1 2018 relating to business combinations completed in prior years.**

In the 6 months ended 30 June 2018 there were contingent and deferred net cash payments of £11.9m relating to acquisitions completed in prior years.

Informa Plc, half-year report, p. 45-46

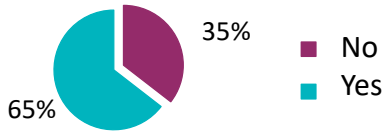
Information on payments during the period for previous acquisitions

9

# INVESTMENTS, EVALUATION OF ASSETS

# 9. Fixed tangible and intangible assets: changes (IAS 34 § 15B d)

**Information on changes in fixed tangible and intangible assets (excluding goodwill) during the half-year:**




- ✓ Fixed tangible and intangible assets changed significantly for 48% of the companies that did not include a note on changes in fixed tangible and intangible assets.
- ✓ Information is generally presented in a table and/or as narrative comments on primary investments or divestments. Some companies specified other changes such as the effect of the exchange rate.
- ❖ Companies do not seem to systematically present information on significant movements in fixed assets during the interim period. When information is provided, the narrative comments on the figures make the changes easier to understand in the context of the company's operations or strategy.

Table of changes in fixed tangible assets with breakdown specific to the company's operations

Movements in property, plant and equipment during the period break down as follows:

| Gross value *(EUR millions)* | Vineyard land and producing vineyards | Land and buildings | Investment property | Leaseholds improvements, machinery and equipment | | | Assets in progress | Other tangible fixed assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Stores | Production, logistics | Other | | | |
| **As of December 31, 2017** | **2,538** | **6,169** | **819** | **7,889** | **2,572** | **1,286** | **786** | **1,932** | **23,991** |
| Acquisitions | 1 | 130 | - | 192 | 60 | 25 | 486 | 52 | 946 |
| Change in the market value of vineyard land | - | - | - | - | - | - | - | - | - |
| Disposals and retirements | - | (28) | - | (155) | (21) | (13) | (1) | (13) | (231) |
| Changes in the scope of consolidation | - | - | - | 1 | - | - | - | 5 | 6 |
| Translation adjustment | (3) | 61 | 6 | 101 | 1 | 11 | 2 | 4 | 183 |
| Other movements, including transfers | (7) | 281 | (252) | 202 | 29 | (13) | (237) | (11) | (8) |
| **As of June 30, 2018** | **2,529** | **6,613** | **573** | **8,230** | **2,641** | **1,296** | **1,036** | **1,969** | **24,887** |

LVMH, 2018 first half financial report, p. 34

Comments on changes related to group activities

Other tangible fixed assets include in particular the works of art owned by the Group.

Purchases of property, plant and equipment mainly include investments by the Group's brands, notably Sephora, Louis Vuitton, Parfums Christian Dior, Christian Dior Couture and Bvlgari in their retail networks. They also included investments by the champagne houses and Hennessy in their production equipment, in addition to investments related to the La Samaritaine and Jardin d'Acclimatation projects, as well as real estate investments.

Translation adjustments arose mainly on tangible assets recognized in US dollars, due to fluctuations against the euro by the close of the fiscal year.

LVMH, 2018 first half financial report, p. 34

# 9. Measurement of non-financial assets : goodwill and fixed assets (IAS 34 § 15B b)

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- ✓ Key audit matters: Evaluating goodwill and/or fixed tangible and intangible assets (excluding goodwill) constituted a Key Audit Matter (KAM) in the previous year's closing for 67% and 44% of companies in the sample, respectively.

- ✓ Judgements and estimates: 5% of the companies in the sample indicated that evaluating these elements required specific judgements and estimates for the half-year accounts.

- ❖ There does not seem to be a direct connection between the amount of information provided at the half-year point on evaluation of goodwill and the fact that this issue was a KAM in the previous year's annual closing.

- ✓ Evaluation and information in the half-year accounts:

| | |
|---|---|
| No information provided on evaluation of goodwill | 56% |
| Lack of indicator of impairment specified | 29% |
| Impairment tests conducted, leading to recording of loss of value | 11% |
| Impairment tests conducted, without generating loss of value | 4% |

- ✓ Of the companies in the sample that did not disclose information on how goodwill is evaluated, a significant change in the line item was observed for 26%.

- ✓ Information often provided by companies that have conducted impairment tests: which indicators of impairment were observed.

- ✓ Information sometimes provided: quantitative assumptions and sensitivity analyses.

# 9. Measurement of non-financial assets: inventory (IAS 34 § 15B a)

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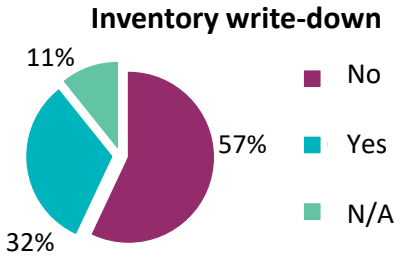
➢ *Information on inventory in the notes to the half-year accounts*




Companies in the automotive, aviation, and luxury goods industries most often provided information on changes in inventory, based on the materiality of these elements in their balance sheet.

✓ Companies in the sample did not necessarily provide information based on the materiality of the balance or changes in inventory during the interim period. For one third of the companies that did not provide information on inventory, the weight of the line item or changes therein were significant at interim closing.

✓ Key audit matters: inventory measurement was a KAM in the previous annual closing for 10% of the companies in the sample. A minority of these companies provided information on inventory in the half-year accounts.

✓ Judgements and estimates: 2% of companies mentioned that evaluating inventory required specific judgements and estimates for the half-year accounts. Half of them provided information on inventory.

✓ Information is generally disclosed as a breakdown of inventory value by type. These breakdowns do not always distinguish gross value from depreciation.

❖ Some companies included quantitative or narrative information explaining where the changes in inventory value come from during the interim period. This information has reinforced the connection with the company's operations or significant events.

Narrative comments on quantitative changes in inventory during the period

This increase is chiefly the result of the following factors:

- Higher inventories of finished products held by the Canadian subsidiary, due to seasonal factors that characterize its business, involving an increase in cheese production in the first six months of the year, in anticipation of higher sales later in the year. This increase is also due to a program (so-called Plan B) operated by the government entity that regulates the management of milk quotas, the Canadian Dairy Commission ("CDC"), pursuant to which, in order to mitigate seasonality problems, processor companies are required to purchase surplus milk produced by farmers in Ontario. The butter produced under this program can be sold to the CDC and bought back by the processors during the year, as needed.
- Higher investments in aged cheese carried out during the first half of the year in South Africa.

This increase was offset in part by a reduction in inventories of powdered milk held by the Australian subsidiary, resulting from an increase in sales of powdered milk, and by negative translation differences caused by the appreciation of the euros versus the currencies of the main countries where the Group operates.

Parmalat Group, interim financial report 2018, p. 83

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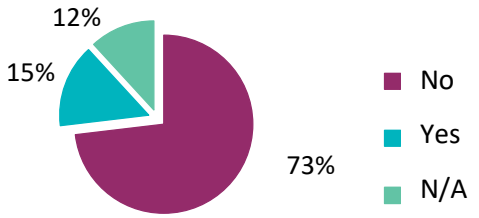
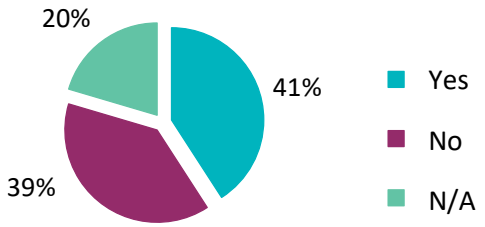
# OTHER INFORMATION

# 10. Holdings accounted for using the equity method, non-controlling interests

**Explanation of holdings accounted for with the equity method**




**Explanation of non-controlling interests**




- ✓ For one third of companies that did not supply specific information on holdings accounted for using the equity method, their weight is significant on the balance sheet.

- ✓ Information often provided by the companies in the sample:
  - Narrative information on the composition of holdings accounted for using the equity method
  - A table showing changes in holdings in Associates.

  The amount of information provided varies by company.

- ✓ Information sometimes provided by the companies in the sample:
  - Information on the evaluation of these holdings at interim closing
  - Summarised financial information on holdings (individually for the most significant lines and aggregated for the rest)
  - Information broken down by type: associates vs. joint ventures

- ✓ For companies that did not provide specific information on non-controlling interests, weight and variation were significant in 18% of cases.

- ✓ Information often provided by the companies in the sample:
  - Information, most often narrative, on changes in non-controlling interests
  - The names of subsidiaries that have significant minority interests, sometimes with their share in equity or the net profit or loss attributable to non-controlling interests.

- ✓ Information sometimes provided by the companies in the sample:
  - Dividends paid to minority shareholders
  - Summarised financial information on subsidiaries with significant minority interests.

# 10. Information on holdings accounted for using the equity method: examples

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## Movements during the period

1

| (in € millions) | 30/06/2018 Associates | 30/06/2018 Joint ventures | 30/06/2018 Total | 31/12/2017 Associates | 31/12/2017 Joint ventures | 31/12/2017 Total |
|---|---|---|---|---|---|---|
| **Value of shares at beginning of period** | **1,127** | **446** | **1,573** | **1,083** | **423** | **1,505** |
| *of which Concessions* | *722* | *333* | *1,054* | *686* | *320* | *1,006* |
| *of which Contracting* | *403* | *87* | *490* | *393* | *83* | *476* |
| *of which VINCI Immobilier* | *2* | *27* | *29* | *4* | *20* | *24* |
| Increase in share capital of companies accounted for under the equity method | - | - | - | 11 | 32 | 43 |
| Group share of profit or loss for the period | 36 | 45 | 81 | 118 | 29 | 146 |
| Group share of other comprehensive income for the period | 3 | 29 | 31 | (7) | 62 | 55 |
| Dividends paid | (39) | (99) | (138) | (77) | (106) | (184) |
| Changes in consolidation scope and other(*) | (29) | (24) | (53) | (4) | (43) | (47) |
| Reclassifications (**) | 30 | 27 | 57 | 4 | 51 | 54 |
| **Value of shares at end of period** | **1,128** | **423** | **1,552** | **1,127** | **446** | **1,573** |
| *of which Concessions* | *727* | *316* | *1,043* | *722* | *333* | *1,054* |
| *of which Contracting* | *398* | *86* | *484* | *403* | *87* | *490* |
| *of which VINCI Immobilier* | *2* | *22* | *24* | *2* | *27* | *29* |

(*) Including impact of first-time adoption on 1 January 2018 of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for €24 million.
(**) Reclassifications of shares in the negative net equity of equity-accounted companies under provisions for financial risks.
N.B. Definitions of Associates and Joint ventures are provided in Note A.2. Consolidation methods.

Vinci, half-year financial report at 30 June 2018, p. 46

Information on sources of change in carrying values during the interim period, divided between associates and joint ventures, and broken down by company branch (1)

Information on changes in a significant associate holding during the interim period (2), (4) and operations with the Associate (3)

***E. Valuation of Renault's investment in Nissan based on stock market prices***

Based on the market price of Nissan stock at June 30, 2018 (¥1,078 per share), Renault's investment in Nissan is valued at €15,303 million (€15,244 million at December 31, 2017 based on the market price of ¥1,123.5 per share at that date).

2

***F. Impairment test of the investment in Nissan***

At June 30, 2018, the stock market value of the investment was 23.6% lower than the value of Nissan in Renault's statement of financial position (20.3% lower at December 31, 2017).

In application of the approach presented in the note on accounting policies (note 2-M to the consolidated financial statements for 2017), an impairment test was carried out at December 31, 2017. An after-tax discount rate of 8.1% and a growth rate to infinity of 4.2% were used to calculate value in use. The terminal value was calculated under profitability assumptions consistent with Nissan's past data and balanced medium-term prospects. In view of the December 2017 impairment test results and the net income for the first half-year of 2018, the Group has not considered it necessary to conduct another impairment test at 30 June 2018. The test conducted at December 31, 2017 did not lead to recognition of any impairment on the investment in Nissan.

***G. Operations between the Renault Group and the Nissan group***

**G1. Operations between the Renault Group (excluding AVTOVAZ) and the Nissan group**

3

The Automotive (excluding AVTOVAZ) segment is involved in operations with Nissan on two levels:

- Industrial production: cross-over production of vehicles and components in the Alliance's manufacturing plants:
  - Total sales by the Automotive (excluding AVTOVAZ) segment to Nissan and purchases by the Automotive (excluding AVTOVAZ) segment from Nissan in the first half-year of 2018 amounted to an estimated €2.2 billion and €1.2 billion respectively (€5.0 billion and €2.4 billion respectively in 2017, including €2.4 billion and €1.2 billion for the first half-year).
  - At June 30, 2018, the balance of Automotive (excluding AVTOVAZ) segment receivables on the Nissan group is €873 million and the balance of Automotive (excluding AVTOVAZ) segment liabilities to the Nissan group is €786 million (853 million and €795 million respectively at December 31, 2017).
- Finance: In addition to its activity for Renault, Renault Finance acts as the Nissan group's counterparty in financial instruments trading to hedge foreign exchange and interest rate risks. In the balance sheet at June 30, 2018, the derivative assets on the Nissan group

Renault, 2018 earnings report, first-half 2018, p. 48

4

At 31 December 2017, impairment of €(491) million was recorded by the Group on its investment in CENG (€(341) million was already booked at 30 June 2017).

This impairment was evaluated by the Group's usual methodology. It resulted from:

- further downward revision of long-term price trajectories published by external analysts (ABB, IHS, Cera, EIA): the figures published in autumn 2017 were lower than the forecasts issued in spring 2017;
- a decline in short-term market prices caused by the steady decrease in gas prices throughout the year (average 4% decrease in electricity prices on the market horizon between the first and second half-year).

At 30 June 2018, the impairment test conducted did not lead to recognition of any additional impairment.

Calculation of the value is sensitive to several assumptions, particularly concerning the long-term existence of New York State's Zero Emission Credit (ZEC) programme of subsidies for nuclear power plants, which provides additional income for the Ginna and Nine Mile Point plants. This programme is currently the subject of legal proceedings and its continuation could be called into question.

In addition, there are uncertainties relating to several key assumptions for the valuation of the investment in CENG (e.g. the market environment, legal framework, changes in energy policies, and the Group's lack of control over strategy-setting). The calculation of recoverable value for the CENG asset thus includes a specific risk premium.

EDF, consolidated financial statements at 30 June 2018, p. 38

# 10. Information on holdings accounted for with the equity method: examples

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Summarised financial information on main holdings, with comparison

**Earnings items at 100%**

| | In million euros | | |
|---|---|---|---|
| | First-half 2018 | First-half 2017 | 2017 |
| Sales and revenue | 2,286 | 2,140 | 5,404 |
| Recurring operating income (loss) | 4 | (118) | 59 |
| Operating income (loss) [1] | 21 | (91) | (138) |
| *Of which depreciation and impairment* | *(145)* | *(160)* | *(548)* |
| Net financial income (loss) | 9 | 17 | 51 |
| Income taxes | (5) | 24 | 26 |
| Profit (loss) for the period | 25 | (50) | (61) |
| Groupe PSA's share in the profit (loss) of the period (Share in net earnings of companies at equity) | 12 | (25) | (30) |
| Income and expenses recognised in equity, net | - | - | - |
| Other information | | | |
| Net dividend received from the joint venture(s) by the Groupe PSA | - | 200 | 200 |

[1] *Including the share of net earnings of companies at equity.*

Peugeot, half-year financial report 2018, p. 35

Les principaux indicateurs financiers de CENG (données à 100 %) sont les suivants :

| *(en millions d'euros)* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Actifs non courants | 7 623 | 7 370 |
| Actifs courants | 928 | 965 |
| Total actif | 8 551 | 8 335 |
| Capitaux propres | 3 186 | 2 989 |
| Passifs non courants | 5 045 | 5 030 |
| Passifs courants | 320 | 316 |
| Total des capitaux propres et du passif | 8 551 | 8 335 |

EDF, consolidated half-year accounts as of 30 June 2018, p. 37

Other information: commitments to or made by associates and joint ventures

## 10.3 Commitments made in respect of associates and joint ventures

At 30 June 2018, Group funding commitments to equity-accounted companies (via capital or shareholder loans) amounted to €110 million (€126 million at 31 December 2017). These commitments relate mainly to project companies in the Concessions business including Via 40 Express, which holds the concession for the motorway between Bogotá and Girardot in Colombia, and Regina Bypass, which holds the public-private partnership contract for the motorway bypassing the city of Regina in Canada for which funding commitments amounted to €52 million and €22 million respectively at 30 June 2018 (€50 million and €22 million at 31 December 2017).

Collateral security has also been granted in the form of pledges of shares in companies accounted for under the equity method.
The net carrying amount of the shares pledged at 30 June 2018 was €27 million and included shares in WVB East End Partners (the company holding the concession for the Ohio River Bridges – East End Crossing project in the United States) for €16 million and SMTPC (the holder of the concession for the Prado Carénage road tunnel in Marseille) for €10 million.

Vinci, half-year financial report at 30 June 2018, p. 47

# 10. Non-controlling interests: examples

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Changes in non-controlling interests, with comparison

| (EUR millions) | June 30, 2018 | Dec. 31, 2017 | June 30, 2017 |
|---|---|---|---|
| **As of January 1** | **1,408** | **1,510** | **1,510** |
| Minority interests' share of net profit | 288 | 475 | 214 |
| Dividends paid to minority interests | (287) | (261) | (199) |
| Impact of changes in control of consolidated entities | (2) | 114 | 36 |
| *Of which: Rimowa* | - | *89* | *33* |
| *Other* | *(2)* | *25* | *3* |
| Impact of acquisition and disposal of minority interests' shares | (14) | (56) | (55) |
| *Of which: Loro Piana* | - | *(58)* | *(55)* |
| *Other* | *(14)* | *2* | - |
| **Total impact of changes in the ownership interests in consolidated entities** | **(16)** | **58** | **(19)** |
| Capital increases subscribed by minority interests | 25 | 44 | 33 |
| Minority interests' share in gains and losses recognized in equity | 15 | (134) | (88) |
| Minority interests' share in stock option plan expenses | 2 | 7 | 1 |
| Impact of changes in minority interests with purchase commitments | 57 | (291) | (9) |
| **As of period-end** | **1,492** | **1,408** | **1,443** |

The change in minority interests' share in gains and losses recognized in equity breaks down as follows:

| (EUR millions) | Cumulative translation adjustment | Hedges of future foreign currency cash flows and ineffective portion of hedging derivatives | Vineyard land | Revaluation adjustments of employee benefits | Total share of minority interests |
|---|---|---|---|---|---|
| **As of December 31, 2017** | **46** | **16** | **257** | **(36)** | **283** |
| Changes for the period | 43 | (28) | - | - | 15 |
| **As of June 30, 2018** | **89** | **(12)** | **257** | **(36)** | **298** |

LVMH, interim financial report six-month period ended June 30, 2018, p. 43

Identification of minority interests and the associated subsidiaries, contribution to group aggregates, any restrictions on cash flow in subsidiaries

This item principally includes Leonardo's interest in the sub-group Thales Alenia Space (33%), as well as Siemens' and Philips Medical Systems International's interests in Trixell SAS (49%).

The individual contributions of these minority shareholders to the Group's key financial indicators are not material.

The cash of these 2 companies is unrestricted and exclusively pooled with Thales's Corporate Treasury Department department.

Thalès, half-yearly financial report 2018, p. 41

Dividends paid to minority shareholders, with comparison

| (in millions of euros) | June 30, 2018 | June 30, 2017 |
|---|---|---|
| **Dividends paid to minority shareholders** | **244** | **231** |
| *o/ w Sonatel Group* | *190* | *186* |
| *o/ w Medi Telecom* | *20* | *16* |
| *o/ w Orange Belgium Group* | *14* | *14* |
| *o/ w Jordan Telecom Group* | *14* | *11* |

Orange, first half financial report 2018, p. 84

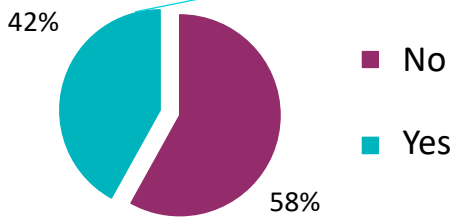
Summarised financial information on subsidiaries with significant minority interests: cash flow

| In thousands of euros | 30 June 2018 | 31 December 2017 |
|---|---|---|
| Cash flow from operating activities | 6,610 | 27,299 |
| Cash flow from investing activities | 542 | (23,636) |
| Cash flow from financing activities | (10,931) | (11,412) |
| Effect of non-current assets held for sale | 266 | (1,745) |
| Effect of exchange rate fluctuation on cash held | 87 | (1,104) |
| **Net increase (decrease) in cash and cash equivalents** | **(3,425)** | **(10,598)** |

Devoteam, interim financial report 2018, p. 27

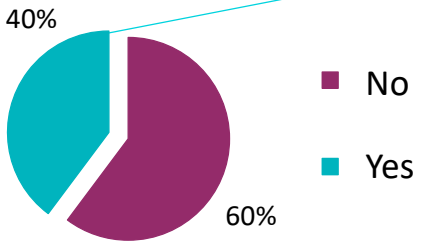
# 10. Financial risks

**Explanation of credit risk**



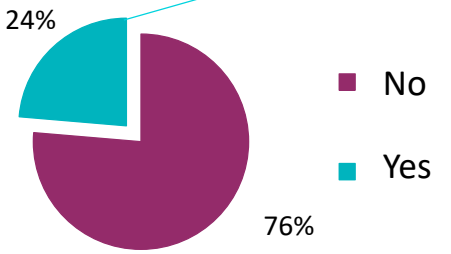

Type of information provided:
- Credit losses accounted for
- Credits seniority
- With the first application of IFRS 9, accounting principle for the measurement of credit risk

**Explanation of currency risk**



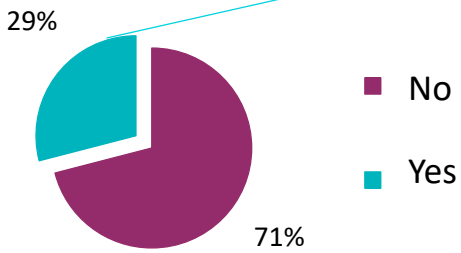

Type of information provided:
- Hedging transactions
- Sensitivity analysis
- Breakdown of debt by currency
- Breakdown of information by type of currency risk (related to net investments abroad or operations)

**Explanation of other financial risks**




Nature of risks mentioned:
- Commodity risk
- Equity risk
- Real estate market risk
- Going-concern issue

**Explanation of interest rate risk**

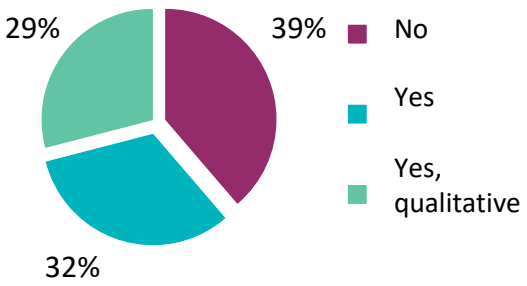



Type of information provided:
- Hedging
- Sensitivity analyses
- Breakdown of debt by rate

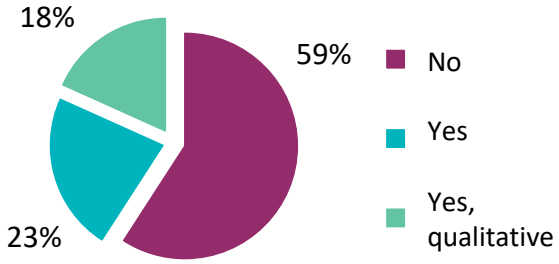
✓ Information on financial risks was most often provided by industry and real estate companies in the sample.

# 10. Provisions for risks and expenses, personnel benefits and pensions

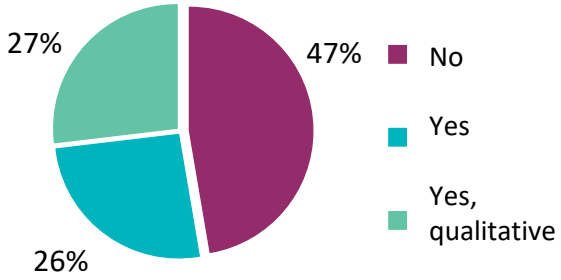
**Information on litigation**



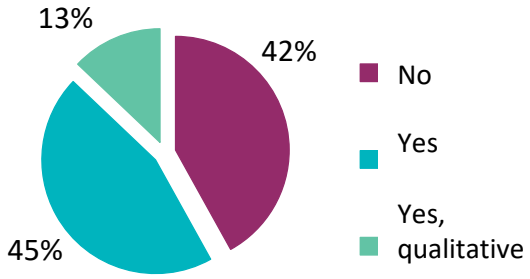

**Information on fiscal risks**




**Information on arbitrages, contingencies**




**Other provisions**




Restructurings, Warranties, Environmental risks, etc.

- ✓ Key audit matters: measurement of provisions for pensions and similar obligations, and measurement of other provisions for risks, constituted Key Audit Matters (KAMs) in the previous year's closing for 10% and 45% of companies in the sample, respectively.
- ✓ Information provided:
  - 65% of the companies in the sample provided information on provisions for pensions and personnel benefits. These provisions seem to be significant due to their weight in the balance sheet or variation for 40% of them. Companies primarily provided information in tables showing changes in provisions, sometimes accompanied by information on assumptions used for measurement.
  - 70% of the companies provided ad hoc information on provisions (excluding pensions), presented quantitatively by type of provision, and/or narratively describing the progression of litigation or ongoing procedures, as well as any liabilities for the interim period.
- ✓ Judgements and estimates: 22% of the sample said they used specific judgements and estimates for the half-year accounts to evaluate provisions for pensions.

# 10. Fair value of financial assets and liabilities

**Fair value of financial assets and liabilities**

- IAS 34 § 16 A j requires information on the fair value of financial instruments (IFRS 13 and IFRS 7).
- IAS 34 § 15 B h, k and l require that, if there are significant events, companies disclose:
  - changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost
  - transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments
  - changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

1

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JUNE 30, 2018

| € million | MEASURED AT FAIR VALUE | MEASURED AT AMORTIZED COST | | DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING | NOT WITHIN SCOPE OF IFRS 7 | BALANCE SHEET ITEM AT JUNE 30, 2018 |
|---|---|---|---|---|---|---|
| | Carrying amount | Carrying amount | Fair value | Carrying amount | Carrying amount | |
| **Noncurrent assets** | | | | | | |
| Equity-accounted investments | – | – | – | – | 6,930 | 6,930 |
| Other equity investments | 356 | – | – | – | 1,165 | 1,521 |
| Financial services receivables | 582 | 75,737 | 77,654 | – | – | 76,319 |
| Other financial assets | 420 | 4,027 | 4,039 | 2,121 | – | 6,569 |
| **Current assets** | | | | | | |
| Trade receivables | 2 | 17,629 | 17,629 | – | 359 | 17,989 |
| Financial services receivables | 23 | 52,734 | 52,734 | – | – | 52,757 |
| Other financial assets | 1,102 | 11,007 | 11,007 | 1,857 | 17 | 13,984 |
| Marketable securities | 16,475 | 135 | 135 | – | – | 16,610 |
| Cash, cash equivalents and time deposits | – | 21,720 | 21,720 | – | – | 21,720 |
| **Noncurrent liabilities** | | | | | | |
| Noncurrent financial liabilities | – | 83,819 | 84,310 | – | – | 83,819 |
| Other noncurrent financial liabilities | 754 | 1,928 | 1,931 | 378 | – | 3,060 |
| **Current liabilities** | | | | | | |
| Put options and compensation rights granted to noncontrolling interest shareholders | – | 4,158 | 4,158 | – | – | 4,158 |
| Current financial liabilities | – | 85,448 | 85,448 | – | – | 85,448 |
| Trade payables | – | 25,326 | 25,326 | – | – | 25,326 |
| Other current financial liabilities | 719 | 7,471 | 7,471 | 634 | – | 8,825 |

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CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL

| € million | Financial assets measured at fair value | Financial liabilities measured at fair value |
|---|---|---|
| **Balance at Jan. 1, 2018** | **823**[1] | **765** |
| Foreign exchange differences | −24 | 1 |
| Total comprehensive income | 62 | 88 |
| recognized in profit or loss | −18 | 88 |
| recognized in other comprehensive income | 80 | – |
| Additions (purchases) | 163 | 6 |
| Sales and settlements | −88 | −46 |
| Transfers into Level 2 | −30 | 0 |
| **Balance at June 30, 2018** | **907** | **811** |
| **Total gains or losses recognized in profit or loss** | **−18** | **−88** |
| Net other operating expense/income | −18 | −88 |
| of which attributable to assets/liabilities held at the reporting date | −21 | −94 |
| Financial result | 0 | 0 |
| of which attributable to assets/liabilities held at the reporting date | 1 | – |

1 Value in the opening balance adjusted (see disclosures on IFRS 9).

Volkswagen, half year report, p 52

3

The following tables contain an overview of the financial assets and liabilities measured at fair value:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

| € million | June 30, 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Noncurrent assets** | | | | |
| Other equity investments | 356 | 84 | 29 | 243 |
| Financial services receivables | 582 | – | – | 582 |
| Other financial assets | 420 | – | 366 | 55 |
| **Current assets** | | | | |
| Trade receivables | 2 | – | – | 2 |
| Financial services receivables | 23 | – | – | 23 |
| Other financial assets | 1,102 | – | 1,101 | 2 |
| Marketable securities | 16,475 | 16,475 | – | – |
| **Noncurrent liabilities** | | | | |
| Other noncurrent financial liabilities | 754 | – | 228 | 526 |
| **Current liabilities** | | | | |
| Other current financial liabilities | 719 | 0 | 434 | 285 |

4

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required. There were no transfers between other levels of the fair value hierarchy.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 as of June 30, 2018 had been 10% higher (lower), earnings after tax would have been €11 million (previous year: €5 million) higher (lower). The equity is not affected.

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on earnings after tax.

If the assumed enterprise values at June 30, 2018 had been 10% higher, earnings after tax would have been €3 million (previous year: €1 million) higher. If the assumed enterprise values at June 30, 2018 had been 10% lower, earnings after tax would have been €3 million (previous year: €1 million) lower.

Residual value risks result from hedging agreements with dealers under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices for the used cars covered by the residual value protection model had been 10% higher as of June 30, 2018, earnings after tax would have been €317 million (previous year: €265 million) higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of June 30, 2018, earnings after tax would have been €385 million (previous year: €265 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points highe as of June 30, 2018, earnings after tax would have been €7 million lower. If the risk-adjusted interest rates as of June 30, 2018 had been 100 basis points lower, earnings after tax would have been €7 million higher.

Example of information on fair value: accounting value / fair value (1), table of changes in level 3 instruments (2), level of fair value (3), narrative information with sensitivity analyses (4)

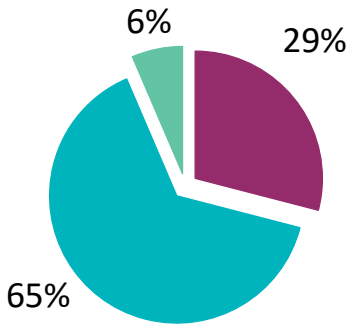
- ✓ 52% of the companies in the sample provided information on the fair value of financial assets and liabilities.
- ✓ Companies often disclosed:
  - the fair value of certain line items in assets and liabilities at the closing date
- ✓ Companies less often disclosed:
  - the hierarchy level attributed to each element
  - how the assets and liabilities were evaluated at fair value

# 10. Dividends

**Dividends (IAS 34 § 16A f)**

- IAS 34 requires information on dividends paid (aggregate or per share) separately for ordinary shares and other shares

**Explanation of dividends**




- Information located in the statement of changes in shareholder's equity
- Specific appendix note on dividends
- No dividend distribution over the period

✓ Some companies provided ad hoc information in the notes explaining the amount of dividends per share, for example (or by type of share: ordinary, preference shares, etc.), how the dividends were paid (in cash, in shares, payment schedule), or decisions made regarding dividends that impact the financial statements.

Example of information on dividends, making the connection between decisions, debts accounted for, and cash flow during the period, with comparative information

**9. Dividends**

| | Half year ended 31 Dec 2018 Per share US cents | Half year ended 31 Dec 2018 Total US$M | Half year ended 31 Dec 2017 Per share US cents | Half year ended 31 Dec 2017 Total US$M | Year ended 30 June 2018 Per share US cents | Year ended 30 June 2018 Total US$M |
|---|---|---|---|---|---|---|
| **Dividends paid during the period**[1] | | | | | | |
| Prior year final dividend | 63.0 | 3,356 | 43.0 | 2,291 | 43.0 | 2,291 |
| Interim dividend | N/A | – | N/A | – | 55.0 | 2,930 |
| | 63.0 | 3,356 | 43.0 | 2,291 | 98.0 | 5,221 |

(1) 5.5 per cent dividend on 50,000 preference shares of £1 each determined and paid annually (31 December 2017: 5.5 per cent; 30 June 2018: 5.5 per cent).

Dividends paid during the period differs from the amount of dividends paid in the Cash Flow Statement as a result of foreign exchange gains and losses relating to the timing of equity distributions between the record date and the payment date.

On 17 December 2018, BHP Group Limited and BHP Group Plc determined a special dividend of US$1.02 per share (US$5.2 billion), which was paid on 30 January 2019 related to the disbursement of proceeds from the disposal of Onshore US. Special dividends determined are not recorded as a liability at the end of the period while they remain at the discretion of the Directors.

Interim and final dividends are determined after period-end and contained within the announcement of the results for the period. Interim dividends are determined in February and paid in March. Final dividends are determined in August and paid in September. Dividends determined are not recorded as a liability at the end of the period to which they relate. Subsequent to the half year, on 19 February 2019, BHP Group Limited and BHP Group Plc determined an interim ordinary dividend of 55.0 US cents per share (US$ 2,781 million), which will be paid on 26 March 2019 (31 December 2017: interim dividend of 55.0 US cents per share – US$2,928 million; 30 June 2018: final dividend of 63.0 US cents per share – US$3,354 million).

At 31 December 2018, BHP Group Limited had 2,945 million ordinary shares on issue and held by the public and BHP Group Plc had 2,112 million ordinary shares on issue and held by the public. No shares in BHP Group Limited were held by BHP Group Plc at 31 December 2018 (31 December 2017: nil; 30 June 2018: nil).

BHP, half year report as at 31 dec 2018, p 39

**c) Parent company dividend distribution**

Dividends per share amounted respectively to €1.60 and €1.75 in 2016 and 2017. Dividends paid in 2017 and 2018 are described below:

| Year | Approved by | Description | Dividend per share (en euros) | Payment date | Payment method | Total (€ million) |
|---|---|---|---|---|---|---|
| 2018 | General Meeting on 23 May 2018 | Balance for 2017 | 1.30 € | June 2018 | cash | €275.8m |
| | **Total dividends paid in first half 2018** | | | | | **€275.8m** |
| 2017 | Board of Directors meeting on 28 September 2017 | 2017 interim dividend | 0.45 € | Dec. 2017 | cash | €95.2m |
| | General Meeting on 17 May 2017 | Balance for 2016 | 1.20 € | June 2017 | cash | €253.7m |
| | **Total dividends paid in 2017** | | | | | **€348.9m** |

Thalès, half-yearly financial report 2018, p. 27

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

# Contact information:

**Corporate Finance and Corporate Accounting and Audit Directorate**
Phone: +33 (0)1 53 45 62 95

**Communications Directorate**
Phone: +33 (0)1 53 45 60 25