2018 CONSOLIDATED FINANCIAL STATEMENTS

Linedata

CONSOLIDATED INCOME STATEMENT

(in € thousands)	Notes	12/31/2017	12/31/2018
Revenue	***4.1***	**179 001**	**173 237**
Purchases and external expenses	*4.5*	(40 224)	(38 128)
Taxes and duties		(2 838)	(3 178)
Employee expenses	*5.2*	(92 453)	(87 836)
Other recurring operating income and expenses	*4.6*	(531)	(1 489)
Depreciation, amortization, impairment and provisions		(12 874)	(15 234)
Recurring operating profit		**30 081**	**27 372**
As % of revenue		**16,8%**	**15,8%**
Other operating income and expenses	*4.7*	112	1 276
Operating profit		**30 193**	**28 648**
As % of revenue		**16,9%**	**16,5%**
Net borrowing costs	*8.2.1*	(2 590)	(2 461)
Other financial income	*8.2.2*	797	2 111
Other financial expenses	*8.2.2*	(6 092)	(1 023)
Income tax	*9.1*	(2 522)	(7 622)
Profit for the year from continuing operations		**19 786**	**19 653**
Profit for the year from discontinued operations		-	-
CONSOLIDATED PROFIT FOR THE YEAR		**19 786**	**19 653**
As % of revenue		**11,1%**	**11,3%**
Attributable to non-controlling interests		-	-
Attributable to owners of the Company		19 786	19 653

EARNINGS PER SHARE (in euros)			
Basic earnings per share	*10.2*	2,75	2,85
Diluted earnings per share	*10.2*	2,75	2,85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € thousands)	12/31/2017	12/31/2018
Consolidated profit for the year	**19 786**	**19 653**
Translation adjustments	(7 322)	2 757
Of which tax effects	*112*	*(7)*
Change in derivative financial instruments	24	(21)
Of which tax effects	*(13)*	*11*
Items that may be subsequently reclassified to profit or loss	**(7 298)**	**2 736**
Actuarial gains and losses on retirement benefit obligations	194	689
Of which tax effects	*(152)*	*(230)*
Items that will not be subsequently reclassified to profit or loss	**194**	**689**
Total other comprehensive income (loss) for the year, net of tax	**(7 104)**	**3 425**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12 682**	**23 078**

Translation reserves include translation differences between the operating currencies of Group entities and the reporting currency and the effects of hedges of net investments in foreign operations. Movements are recognised in “Other comprehensive income”. These translation reserves are also impacted by the sale of foreign operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in € thousands)	Notes	12/31/2017	12/31/2018
Goodwill	*6.1*	152 511	155 887
Intangible assets	*6.2*	29 600	25 500
Property, plant and equipment	*6.3*	21 675	23 902
Non-current financial assets		1 462	1 580
Other non-current assets		431	452
Deferred tax assets	*9.2*	4 148	2 347
Non-current assets		**209 827**	**209 668**
Trade and other receivables	*4.2*	42 119	43 089
Tax receivables		6 509	1 816
Cash and cash equivalents	*8.1.3*	17 881	21 743
Current assets		**66 509**	**66 648**
TOTAL ASSETS		**276 336**	**276 316**

EQUITY AND LIABILITIES (in € thousands)	Notes	12/31/2017	12/31/2018
Capital stock		7 294	7 134
Reserves		88 365	86 244
Profit for the year		19 786	19 653
Equity attributable to owners of the Company		**115 445**	**113 031**
Non-controlling interests		**-**	**-**
TOTAL EQUITY	***10***	**115 445**	**113 031**
Provisions for retirement and other post-employment benefits	*5.3*	8 113	7 265
Non-current provisions	*7.1*	-	167
Non-current loans and other financial liabilities	*8.1.1*	81 002	82 983
Deferred tax liabilities	*9.2*	8 344	9 058
Other non-current liabilities		1 482	1 189
Non-current liabilities		**98 941**	**100 662**
Current provisions	*7.1*	317	123
Current loans and other financial liabilities	*8.1.1*	14 588	16 665
Current operating liabilities	*4.4*	43 960	42 349
Current tax liabilities		3 085	3 486
Current liabilities		**61 950**	**62 623**
TOTAL EQUITY AND LIABILITIES		**276 336**	**276 316**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousands)	Number of shares	Capital stock	Additional paid-in capital	Consolidated reserves	Treasury stock	Other comprehensive income (loss)	Profit for the year	Total equity
As of 12/31/2016	**7 341 382**	**7 341**	**38 388**	**59 549**	**(3 868)**	**(10 035)**	**23 570**	**114 945**
Appropriation of profit for the year	-	-	-	23 531	39	-	(23 570)	**-**
Profit for the year	-	-	-	-	-	-	19 786	**19 786**
Capital stock transactions	673	1	-	-	-	-	-	**1**
Treasury stock transactions	(48 026)	(48)	(1 095)	-	(573)		-	**(1 716)**
Share-based payments	-	-	-	306	-	-	-	**306**
Dividends paid	-	-	-	(10 775)	-	-	-	**(10 775)**
Other comprehensive income (loss)	-	-	-	-	-	218	-	**218**
Foreign currency translation adjustm	-	-	-	-	-	(7 322)	-	**(7 322)**
Other movements	-	-	-	2	-	-	-	**2**
As of 12/31/2017	**7 294 029**	**7 294**	**37 293**	**72 613**	**(4 402)**	**(17 139)**	**19 786**	**115 445**
Appropriation of profit for the year	-	-	-	19 731	55	-	(19 786)	**-**
Profit for the year	-	-	-	-	-	-	19 653	**19 653**
Capital stock transactions	-	(160)	(6 028)	-	6 188	-	-	**-**
Treasury stock transactions	-	-	-	-	(15 929)	-	-	**(15 929)**
Share-based payments	-	-	-	(251)	-	-	-	**(251)**
Dividends paid	-	-		(9 648)	-	-	-	**(9 648)**
Other comprehensive income (loss)	-	-	-	-	-	668	-	**668**
Foreign currency translation adjustm	-	-	-	-	-	2 757	-	**2 757**
Other movements	-	-	-	336	-	-	-	**336**
As of 12/31/2018	**7 294 029**	**7 134**	**31 265**	**82 781**	**(14 088)**	**(13 714)**	**19 653**	**113 031**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Notes	12/31/2017	12/31/2018
Profit for the year from continuing operations - attributable to owners of the Company		**19 786**	**19 653**
Net amortization and provisions	*5.2, 6.2, 6.3 & 7.1*	13 020	15 346
Unrealized (gains) losses from changes in fair value		(54)	15
(Income) expenses from share-based compensation	*5.2*	306	62
Other non-cash income and expenses		-	-
Net (gain) loss on non-current assets sold or scrapped		16	68
Price adjustment on investments	*2.3*		(1 535)
Net borrowing costs	*8.2.1*	2 590	2 461
Deferred taxes	*9.2*	(2 588)	1 652
Corporate income tax paid		(5 145)	5 062
Net change in working capital	*4.9*	(1 389)	(3 604)
Net cash from (used in) operating activities		**26 542**	**39 180**
Acquisitions/disposals of property, plant and equipment and intangible assets	*6.2 & 6.3*	(10 540)	(13 031)
Acquisitions of long-term investments, net of cash acquired	*2.3*	(42 603)	1 195
Disposals of non-current financial assets		-	-
Change in other financial assets		(360)	239
Net cash from (used in) investing activities		**(53 503)**	**(11 597)**
Capital increase	*10.1.1*	39	-
Treasury stock transactions		(1 714)	(15 929)
Dividends paid	*10.1.3*	(10 775)	(9 648)
Increase in non-current loans and other liabilities	*8.1.1*	51 889	18 300
Repayment of non-current loans and other liabilities	*8.1.1*	(26 406)	(14 596)
Interest paid		(2 499)	(2 475)
Change in other receivables and financial liabilities		(97)	-
Net cash from (used in) financing activities		**10 437**	**(24 348)**
Effects of exchange rate fluctuations		2 186	601
NET INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS		**(14 338)**	**3 836**
Net cash and cash equivalents at beginning of year		32 219	17 881
Net cash and cash equivalents at end of year		17 881	21 717
Of which :			
Cash and cash equivalents	*8.1.3*	*17 881*	*21 743*
Bank overdrafts	*8.1.3*	*-*	*(26)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

Linedata Services is a French corporation (société anonyme) subject to the regulations applicable to commercial companies, whose registered office is at 27, Rue d'Orléans, 92200 Neuilly-sur-Seine, France. Linedata Services is listed on Euronext Paris. Linedata Services and its subsidiaries in France and abroad (hereafter "the Group") are major players in the development and distribution of financial software, solutions integration, product development, consultancy and training for its software products.

Its areas of expertise are Asset Management (including Savings and Insurance) and Lending and Leasing.
The consolidated financial statements for the year ended December 31, 2018 have been drawn up under the responsibility of the Board of Directors and examined during its meeting on February 13, 2019.

1.1. Accounting framework applied

The consolidated financial statements for the year ended December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These standards are available on the European Commission's website : http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

1.1.1. New standards and interpretations whose application is mandatory

The new standards, amendments to existing standards and interpretations whose application is mandatory for accounting periods beginning on or after January 1, 2018 do not have a material impact on the Group's financial statements and earnings.
This mainly concerns IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", the application of which is detailed below. In accordance with the latter standard, the Group has reversed a provision of €466 thousand, i.e. €336 thousand net of tax, impacting the Group's opening reserves in order to comply with the criteria of this new standard.

Description of the application of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 provides a single revenue recognition model applicable to all contracts entered into with clients based on a five-step analysis of client contracts:
Step 1: identification of the contract entered into with the client,
Step 2: separation of performance obligations included in the contract,
Step 3: determination of the transaction price,
Step 4: allocation of this transaction price to the various performance obligations identified,
Step 5: revenue recognition for each service obligation when or as and when control over the goods or services is transferred to the client.

The Group applies IFRS 15 as of 1 January 2018 and has not noted any material impact on its financial statements.

Description of the application of IFRS 9 "Financial Instruments"

IFRS 9 is subject to mandatory application as of 1 January 2018. The Group analysed the new rules and identified the following changes:

- ✓ A new model for the impairment of trade receivables requires statistical provisions to be set aside for credit risk at the time the receivables are issued. Given the nature of the Group's clients with a low credit risk, the Group has reversed a provision of €466 thousand, i.e. €336 thousand net of tax, impacting the Group's opening reserves in order to comply with the criteria of this new standard.
- ✓ IFRS 9 changes the procedures for recognizing the value of foreign exchange and interest rate risk hedges established using options. Changes in their time values are recognized in "Other consolidated comprehensive income", and the time value at the date of designation of the hedging relationship is amortized over the period during which the instrument may have an impact on profit or loss. This amortisation is recognized in "Other financial income and expenses". The Group confirms that this change has no impact on its financial statements.

The Group has applied this new standard since 1 January 2018.

1.1.2. Standards and interpretations adopted by the European Union which may be adopted early

The Group has chosen not to adopt early those standards and interpretations.

This mainly concerns IFRS 16 "*Leases*", for which the transition project is detailed below, and IFRIC 23 "Uncertainty over Income Tax Treatments", the impact of which is expected to be immaterial.

Description of the application of IFRS 16 “*Leases*”

For the lessee, IFRS 16 will result in the recognition in the statement of financial position of an asset in respect of the depreciable right of use and a liability for the lease liability.
The Group has implemented a project including an initial phase to identify leases and their main provisions within its subsidiaries and to simulate the impact of the various options offered by the transition. It continues with a second phase involving analysis of the qualitative and quantitative impacts of this standard on the consolidated financial statements as well as its roll-out with a view to implementation on 1 January 2019.

The Group chose to apply IFRS 16 using the modified retrospective approach and to use the two capitalization exemptions offered by the standard on the following contracts:
- ✓ contracts with a term of less than twelve months,
- ✓ leases of assets with an individual value when new of less than €5 thousand.

The lease term used will be the non-cancelable period, supplemented, where applicable, by renewal options, the use of which by the Group is reasonably certain.
The discount rate used to calculate the right-of-use asset and the lease liability will be determined, for each asset, based on the Group’s marginal borrowing rate on the signing date.

The estimated impact, before deferred taxes, of the application of IFRS 16 on the opening statement of financial position as at 1 January 2019 would lead to:
- ✓ an increase in fixed assets of between €12 million and €14 million,
- ✓ the recognition of a lease liability of between €12 million and €14 million.

The impacts on the statement of cash flows relating to the restatement of leases are reclassifications, the standard having no impact on the Group’s cash position:
- ✓ improvement in “net cash flows from operating activities” due to the cancellation of lease payments, partially offset by the portion of cash outflows attributed to financial expenses on lease liabilities,
- ✓ inclusion of repayments of nominal lease liabilities in “net cash flow from financing activities”.

The main aggregates used by the Group will be impacted as follows:
- ✓ increase in EBITDA due to cancellation of the lease payments included in “external charges”,
- ✓ increase in "operating profit from continuing operations" despite the negative impact relating to recognition of the amortisation of rights of use,
- ✓ increase in “net cost of borrowing”,
- ✓ increase in net debt.

1.1.3. Standards and interpretations published by the IASB but not yet adopted by the European Union

The Group has not applied early the standards and interpretations.

1.2. Basis of preparation – Accounting estimates and judgments

When preparing the financial statements, Management is required to make estimates and adopt assumptions concerning the measurement of certain assets and liabilities stated in the consolidated statement of financial position, as well as certain items in the income statement. Management is also required to exercise its judgment when applying the Group’s accounting methods.

These estimates and judgments, which are continually updated, are based partly on historical information and partly on expected future events judged reasonable in view of the prevailing circumstances. Given the uncertainty surrounding assumptions used in respect of future events and circumstances, the resulting accounting estimates may differ from the actual amounts when they are known.

Brexit: United Kingdom’s departure from the European Union

Following the decision taken by the United Kingdom on 23 June 2016 to leave the European Union, the Group did not observe any material impact on its business and nor does it expect any to occur in 2019. The potential impact of Brexit on Linedata's activity will be moderated by the Group's presence in both the United Kingdom and Europe. Linedata could thus serve its clients in all the likely scenarios implied by Brexit.

NOTE 2 CONSOLIDATION SCOPE

2.1. Accounting principles related to the consolidation scope

2.1.1. Consolidation method

Linedata Services is the consolidating company.

The financial statements of companies under Linedata Services' exclusive control are fully consolidated. Control is deemed to exist where the parent company holds, directly or indirectly via subsidiaries, more than half of an entity's voting rights. Control is also deemed to exist where the parent company holds half or less than half of an entity's voting rights but has:

- ✓ power over more than half of the voting rights by virtue of an agreement with other investors,
- ✓ power to govern the entity's financial and operational policies by virtue of a regulation or contract,
- ✓ power to appoint or remove from office the majority of the members of the Board of Directors or equivalent managing body, if control over the entity is exercised by said Board or body, or
- ✓ power to control the majority of the voting rights at meetings of the Board of Directors or equivalent managing body, if control over the entity is exercised by said Board or body.

Intragroup transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation.
The financial statements of all consolidated companies are close to December 31 each year. They are, where relevant, adjusted to ensure the consistency of the accounting and measurement rules applied by the Group.

2.1.2. Foreign currency translation

Functional currency and financial statements' presentation currency
Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency").
The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company Linedata Services.

Translation of financial statements of foreign subsidiaries
The subsidiaries have as their functional currency their local currency, in which most of their transactions are denominated. The financial statements of all Group entities whose functional currency is different from the presentation currency are translated into euros as follows:

- ✓ assets and liabilities are translated at the closing exchange rate,
- ✓ revenues, expenses and cash flows are translated at the average exchange rate for the financial year,
- ✓ all resulting translation differences are recognized as a separate component of equity under the heading "Translation reserves".

Translation differences resulting from the translation of net investments in foreign operations are recognized as a separate component of equity under the heading "Translation reserves", in accordance with IAS 21. Translation differences relating to intragroup loans are regarded as forming an integral part of the Group's net investment in the foreign subsidiaries concerned.
The goodwill and fair value adjustments resulting from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

The Group does not consolidate any entity operating in a hyperinflationary economy.

Details are provided in Note 12 of the rates used to translate foreign currencies.

Translation of foreign currency transactions
Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling on the date of the transaction. Foreign currency translation gains and losses resulting from the settlement of these transactions and those caused by the translation at the closing exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.1.3. Business combinations

The Group applies revised IFRS 3 to the purchase of assets and the assumption of liabilities that constitute a business. The acquisition of assets or groups of assets that do not constitute a business is recognized in accordance with the standards applicable to such assets (IAS 16, IAS 38 and IFRS 9).

The Group recognizes all business combinations in accordance with the acquisition method, which involves:

- ✓ measuring and recognizing at fair value on the acquisition date the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The Group identifies and allocates these items on the basis of contractual provisions, economic conditions and its accounting and management policies,
- ✓ measuring and recognizing on the acquisition date the difference, known as "goodwill", between:
  - ✓ the acquisition price of the acquiree, to which is added the amount of any non-controlling interest in the acquiree, and
  - ✓ the net amount of the identifiable assets acquired and liabilities assumed.

The acquisition date is the date on which the Group obtains control of the acquiree.
The acquisition price of the acquiree corresponds to the fair value, as of the acquisition date, of the elements of the consideration transferred to the vendor in exchange for control of the acquiree, excluding any element which is consideration for a transaction that is separate from the acquisition of control.
In cases in which the business combination can only be recognized on a provisional basis by the end of the reporting period in which it occurs, the acquirer recognizes the business combination using provisional amounts. The acquirer must then recognize adjustments to these provisional amounts necessary to finalize recognition of the combination within the 12 months following the acquisition date.

2.2. List of consolidated companies

Company's name	Country	% control	Consolidation method
Linedata Services	France	-	Parent company
Linedata Services Asset Management	France	100%	Full consolidation
Linedata Services Leasing & Crédit	France	100%	Full consolidation
Linedata Services Luxembourg	Luxembourg	100%	Full consolidation
Linedata Services Lending & Leasing SL	Spain	100%	Full consolidation
Linedata Services Tunisie	Tunisia	100%	Full consolidation
Linedata Technologies Tunisie	Tunisia	100%	Full consolidation
Linedata Maroc	Morocco	100%	Full consolidation
Linedata Ltd	United Kingdom	100%	Full consolidation
Derivation Software Limited	United Kingdom	100%	Full consolidation
Linedata Services (UK) Ltd	United Kingdom	100%	Full consolidation
Linedata Limited	Ireland	100%	Full consolidation
Linedata Services (Latvia) SIA	Latvia	100%	Full consolidation
Linedata Services Inc	United States	100%	Full consolidation
Linedata Asset Management Inc (ex-Linedata Lending & Leasing Inc)	United States	100%	Full consolidation
Linedata L&C Inc	United States	100%	Full consolidation
Gravitas Technology Services LLC	United States	100%	Full consolidation
Linedata Services Lending & Leasing Corp	Canada	100%	Full consolidation
Linedata Services H.K. Limited	Hong Kong	100%	Full consolidation
QRMO	Hong Kong	100%	Full consolidation
Linedata Services India Private Limited	India	100%	Full consolidation
Gravitas Technology Private Limited	India	100%	Full consolidation

Linedata SA de C.V, Linedata Canada and Derivation Software Corp, did not trade and were not consolidated as of December 31, 2018.

As part of the reorganization of the Group's activities in the United States on 1 July 2018, Linedata Leasing & Credit Inc sold its assets to Linedata L&C Inc at net book value. Furthermore, LD Services Inc was absorbed by Linedata Leasing & Credit Inc, renamed Linedata Asset Management Inc.

All Group companies were consolidated on the basis of their financial statements close to December 31, of a 12- month period.

2.3. Impact on cash flows of changes in scope

The impact of changes in scope on net cash flows breaks down as follows:

(in € thousands)	12/31/2017	12/31/2018
Purchase price of acquisition	(42 616)	1 535
Net debt / Net cash of acquired companies	241	
Disbursement of guarantee retention in respect of previous acquisitions	(228)	(340)
ACQUISITIONS OF TITLES OF PARTICIPATION, NET OF THE ACQUIRED TREASURE	**(42 603)**	**1 195**

Linedata Services Inc. acquired in 2017 the companies Gravitas Technology Services LLC, Gravitas Technology Private Limited and QRMO.

In April 2018, more than one year after the acquisition, an agreement with the vendors of Gravitas Technology Services LLC was reached and led to a price adjustment resulting from events occurring after the acquisition date. This adjustment, net of consultancy fees, represents a cash inflow of €1.5 million.
Disbursements of guarantee retentions in respect of previous acquisitions relate to the acquisition of Derivation Software Limited in 2016 for which the second tranche of guarantee retentions was disbursed during the 2018 financial year.

2.4. Off-balance sheet commitments related to the consolidation scope

In connection with asset acquisitions, the Group has given the following guarantees:

Description	Received/ given	Purpose	Start date	End date	Beneficiary	Ceiling
Acquisition of CapitalStream's assets	Received	Customary guarantees and representations: ownership of assets, intellectual property, and social security, tax, legal and financial aspects	03/21/2013	03/21/2020 for intellectual property, 60 days after the statutory date for taxes, 12/21/2014 for the other guarantees	Linedata Services SA and its subsidiaries	$22.5 million for the intellectual property $9 million for the other guarantees
Acquisition of the Derivation Software shares	Given	Standard validity guarantees	04/08/2016	04/08/2019	The vendors of the shares	0,5 M£
Acquisition of the Derivation Software shares	Received	Capacity to contract, capital and ownership of the shares, companies' legal compliance, intellectual property	04/08/2016	04/08/2022	Linedata Ltd	Purchase price paid by Linedata to each vendor
		Taxes	04/08/2016	04/08/2023	Linedata Ltd	2 M£
		Standard guarantees: ownership of the assets; financial, corporate, legal and environmental aspects	04/08/2016	04/08/2019	Linedata Ltd	2 M£
Acquisition of the Quality Risk Management & Operations (QRMO) shares	Received	Standard guarantees: contractual capacity, capital and share ownership, intellectual property...	08/07/2017	For guarantees linked to share ownership and intellectual property: 07/08/2023 (6 years) or the end date applicable to the guarantee type concerned. For other guarantees: 07/08/2019 (2 years)	Linedata Services (HK) Limited	For guarantees relating to share ownership and intellectual property: 100% of the acquisition price (i.e. 5.6 M$). For other guarantees: 50% of the acquisition price (i.e. 2.8 M$).

NOTE 3 SEGMENT REPORTING

Information by sector of activity

Pursuant to IFRS 8, segment information is prepared on the basis of the internal management data communicated to the Executive Committee, the Group's main operational decision-making body.

The reported segments correspond to the following business segments:
- ✓ Asset Management,
- ✓ Lending & Leasing,
- ✓ Others, including Employee Savings and Insurance and Pension Funds.

Aggregate used for performance measurement

Performance measurement for each business segment, as reviewed by the Executive Committee, is based mainly on EBITDA *(Earnings Before Interest, Tax, Depreciation and Amortization)* determined by excluding from the operating profit or loss the main line having no cash counterpart "Net depreciation, amortisation and provisions" as well as "Net provisions for pension commitments" included in personnel expenses. EBITDA is a key indicator for the Group, simply reflecting the level of cash generated by the Group's day-to-day operations. It is thus commonly used to calculate the business's financial and valuation ratios.

Information by Geographic Area

The Group's activities by origin of sales are broken down into four geographical areas:

- ✓ Southern Europe,
- ✓ Northern Europe,
- ✓ North America,
- ✓ Asia.

3.1. Segment results

3.1.1. Year ended December 31, 2017

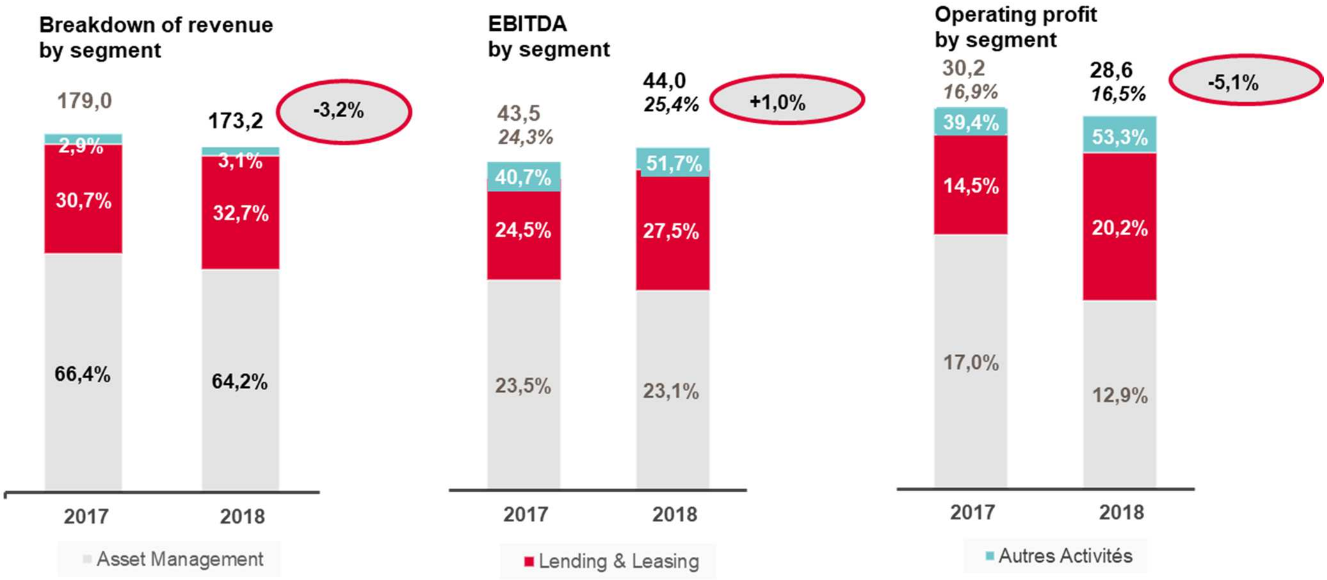
(in € thousands)	Asset Management	Lending & Leasing	Other Activities	Total Group
Revenue	**118 832**	**54 886**	**5 283**	**179 001**
EBITDA	**27 927**	**13 466**	**2 150**	**43 543**
Operating Profit	**20 167**	**7 943**	**2 083**	**30 193**
Intangible assets	98 569	47 005	6 937	152 511
Property, plant and equipment	18 847	10 352	401	29 600
Non-current financial assets	14 219	5 829	1 627	21 675
Other non-current segment assets	1 208	149	536	1 893
Current segment assets	34 250	20 227	5 523	60 000
Segment Assets	**167 093**	**83 562**	**15 024**	**265 679**
Non-current liabilities	3 351	4 660	1 584	9 595
Current liabilities	23 436	14 295	6 546	44 277
Segment Liabilities	**26 787**	**18 955**	**8 130**	**53 872**
Intangible investments	**5 470**	**1 188**	**193**	**6 851**
Property, plant and equipment	**2 713**	**833**	**150**	**3 696**

3.1.2. Year ended December 31, 2018

(in € thousands)	Asset Management	Lending & Leasing	Other Activities	Total Group
Order book	**112 089**	**73 136**	**6 988**	**192 213**
Revenue	**111 265**	**56 661**	**5 311**	**173 237**
EBITDA	**25 648**	**15 578**	**2 745**	**43 971**
Operating Profit	**14 382**	**11 433**	**2 833**	**28 648**
Intangible assets	101 181	47 766	6 940	155 887
Property, plant and equipment	16 916	8 227	357	25 500
Non-current financial assets	16 148	6 597	1 156	23 902
Other non-current segment assets	1 351	161	520	2 032
Current segment assets	31 833	25 976	7 023	64 832
Segment Assets	**167 429**	**88 727**	**15 996**	**272 153**
Non-current sectoral liabilities	2 859	4 621	1 141	8 621
Current sectoral liabilities	23 033	14 939	4 500	42 472
Sector Liabilities	**25 892**	**19 560**	**5 641**	**51 093**
Intangible investments	**4 788**	**986**	**71**	**5 845**
Tangible investments	**5 602**	**1 485**	**147**	**7 234**

The order book corresponds to the revenue remaining to be recognized in respect of performance obligations not yet fulfilled or partially fulfilled on the closing date.
Information relating to the order book is detailed in Note 4.1.

3.1.3. Sector data



3.2. Reconciliation with Group data

EBITDA is reconciled with the Group's operating profit or loss as follows:

(in € thousands)	12/31/2017	12/31/2018
EBITDA	**43 543**	**43 971**
Net allocations to depreciation and provisions	(12 872)	(15 234)
Net allocations to provisions on pension commitment	(478)	(89)
OPERATING PROFIT	**30 193**	**28 648**

Total segment assets and liabilities are reconciled with the Group's total assets and liabilities as follows:

(in € thousands)	12/31/2017	12/31/2018
Segment Assets	**265 679**	**272 153**
Deferred taxes on assets	4 148	2 347
Tax receivables	6 509	1 816
TOTAL GROUP ASSETS	**276 336**	**276 316**
Sector Liabilities	**53 872**	**51 093**
Equity capital	115 445	113 031
Borrowings and financial debts	95 590	99 648
Deferred tax liabilities	8 344	9 058
Current tax liabilities	3 085	3 486
TOTAL GROUP LIABILITIES	**276 336**	**276 316**

3.3. Information by geographic zone

External revenue by source of sales is as follows:

(in € thousands)	12/31/2017		12/31/2018	
Southern Europe	55 960	31,3%	62 017	35,8%
Northern Europe	30 887	17,3%	26 882	15,5%
North America	84 804	47,4%	75 575	43,6%
Asia	7 350	4,1%	8 763	5,1%
REVENUE	**179 001**	**100,0%**	**173 237**	**100,0%**

The largest contributors to revenue by country are as follows: the Group generated revenue of €70.8 million in 2018 (€80.4 million in 2017) from the US entities included in the North America region and €59.4 million in 2018 (€53.6 million in 2017) from the French entities included in the Southern Europe region.

3.4. Revenue by main clients

In 2018, the Group generated 72% of its revenue in the form of recurring services.
Since the amounts charged in this connection are generally proportional to clients' business volumes, measured mainly by the number of users, and these volumes are cumulative in the event of a merger between these clients, the Company has little exposure to revenue losses due to such mergers.

During the 2018 financial year, Linedata's top five financial group clients accounted for 17% of revenue, and the top 10 accounted for 27%. In 2017, Linedata's top five financial group clients accounted for 18% of revenue, and the top 10 accounted for 27%.

NOTE 4 ACTIVITY

4.1. Revenue

The applicable standard is IFRS 15 "Revenue from Contracts with Customers".

Revenue must be recognized so as to reflect the transfer of control of the goods or services promised to the client for the amount of consideration to which the Group expects to be entitled in exchange.

The analysis conducted by the Group was carried out with reference to the various steps of the standard, namely:

- ✓ **Step 1: Contract identification**

The Group systematically signs a contract with its clients regardless of the services sold. The criteria mentioned by the standard are covered during the legal and financial reviews:

- ✓ recovery of the price is probable,
- ✓ rights to the goods and services and payment terms can be identified,
- ✓ the contract is approved and the parties are committed to complying with their obligations.

- ✓ **Step 2: Identification of performance obligations**

With regard to the step involving identification of the performance obligations defined by the standard, it is identified that the Group's business model relies on the simultaneous sale of the following items:

1.a) sale of a perpetual or fixed-term licence: this licence provides a right of use and not a right of access to the intellectual property. The granting of this right may be perpetual or for a limited period. The Group never authorises its clients to have access to the source code. The operative event is the signing by the client of a software acceptance report.

1.b) sale of "user packs" in addition to the license agreement: the Group may sell additional licenses based on the number of additional users requested by the client. These are generally "user packs", optional for the client, the quantity and price of which are negotiated in the initial contract. Otherwise, an amendment to the main contract is negotiated and signed with the client. This will involve a separate and optional sale of a license for the client. Pursuant to IFRS 15, if the original license is unchanged and the number of users can be increased at the client's discretion, the addition of a user will not constitute a license sale, and payment by the client will be treated as a royalty based on usage during the term of the agreement.

2.) sale of an implementation service: this service consists of configuring the software so that it can be adapted to the client's organization and activity. This will involve configuring the standard software and not developing additional software.

3.) sale of consulting services: this involves helping the client to define and implement new functionalities.

4.) sale of a maintenance and support service: insofar as the Group does not include a “legal guarantee of compliance” within the meaning of the DGCCRF, it is proposed that clients can sign an additional maintenance contract characterized by so-called “corrective” maintenance to facilitate correction of any “bugs”. Regarding “upgrade” maintenance, major updates, those requiring transition to a so-called “major” version, are reinvoiced to clients. Linedata systematically provides ongoing upgrade maintenance insofar as this service requires in-depth knowledge of the software. To date, there are no third parties performing maintenance in Linedata’s place.

5.) sale of ASP services (Saas): the sale of an ASP service is mainly characterised by:

- ✓ granting of a temporary right to use a Linedata software,
- ✓ maintenance and support for the software in question,
- ✓ the provision of hardware and software infrastructure for production and acceptance-testing environments,
- ✓ provision of hosting, operation and administration services.

Linedata owns the hardware, software and methods while the client is the sole owner of its data.
In consideration of this service, the client undertakes to pay an annual fee covering all the services described above.

In application of the criteria set out in the standard, and given that:

- ✓ clients cannot use other resources that are readily available and are obliged to call upon Linedata to provide this service,
- ✓ some contracts do not specify the nature of the various services, while others explain them in detail,

The Group identified that in an ASP contract, goods and services form a whole and are totally dependent on each other. The client simultaneously receives and consumes all the benefits generated by the service as and when it is provided. Hosting and maintenance can be separated from the license.

With regard to significant judgements made concerning amounts excluded from the balance of performance obligations remaining to be satisfied, due to application of the variable counterparty capping rule, and in particular for contracts containing variable elements, the Group has calculated the average amount of revenue over the last three financial years and then, where appropriate, a percentage of attrition risk based on knowledge of the attrition risks.

✓ **Step 3: Determination of the transaction price**

The transaction price is the amount of consideration that the Company expects to receive in exchange for transfer of the goods or services. Prices are included in the contracts signed with clients.
IFRS 15 introduces the following applicable criteria to be considered when determining the transaction price:

- ✓ Variable portion of the price: the Group does not offer discounts, rebates or price reductions to clients. Maintenance contracts include penalty clauses in the event that the performance criteria are not met. Historically, the Group has not incurred any penalties on these contracts. Furthermore, these contracts do not present a loss on completion. Lastly, the agreements do not provide for any performance-related bonuses.
- ✓ Financial component: given the duration of the contracts and the low level of interest rates, the Group does not recognize a separate financial component.

✓ **Step 4: Allocation of the transaction price**

The Group allocates the transaction price to each performance obligation in proportion to the individual sale price.

✓ **Step 5: Revenue recognition when each performance obligation is satisfied**

The Group has established that the recognition of revenue according to the various performance obligations is as follows:

- ✓ In the event that the client can use the standard software before the start of the implementation phase: the license sale is recognized at a “point in time”, i.e. upon delivery, and the implementation service is recognized “over time”, i.e. based on progress.
- ✓ In the case of a complex installation (the development and/or implementation services are considered to be decisive or when the transaction involves a significant modification of the software package): the license sale, integration service and maintenance are recognized “over time” since the client simultaneously receives and consumes the benefits of the maintenance.
- ✓ The sale of consulting is recognized “over time”, or on a cost plus basis.
- ✓ The sale of additional users is recognized at a “point in time”, i.e. upon delivery.
- ✓ Maintenance and support are recognized “over time” (fixed amount spread over the duration of the contract).
- ✓ The ASP is recognized “over time”.

Lastly, the Linedata Group has chosen not to use the two simplification measures provided for in IFRS 15 concerning contracts with an initial term of less than one year and the "performance obligations", which are recognized according to the "rights to invoice" method to determine the level of the order book presented.

4.1.1 Year ended December 31, 2017

(in € thousands)	Asset Management	Lending & Leasing	Other Activities	Total Group
ASP / Managed Services	38 685	4 013	1 846	44 544
Maintenance and support	22 296	25 738	2 251	50 285
Recurring licenses	31 782	720	-	32 502
Recurring revenue	**92 763**	**30 471**	**4 097**	**127 331**
Implementation, Consulting and Services	24 424	20 514	1 186	46 124
Perpetual licenses	1 645	3 901	-	5 546
Non-recurring revenue	**26 069**	**24 415**	**1 186**	**51 670**
REVENUE	**118 832**	**54 886**	**5 283**	**179 001**

4.1.2 Year ended December 31, 2018

(in € thousands)	Asset Management	Lending & Leasing	Other Activities	Total Group
ASP / Managed Services	38 106	4 339	1 658	44 103
Maintenance and support	20 947	26 722	2 458	50 127
Recurring licenses	29 948	812	-	30 760
Recurring revenue	**89 001**	**31 873**	**4 116**	**124 990**
Implementation, Consulting and Services	21 917	18 584	1 195	41 696
Perpetual licenses	347	6 204	-	6 551
Non-recurring revenue	**22 264**	**24 788**	**1 195**	**48 247**
REVENUE	**111 265**	**56 661**	**5 311**	**173 237**

The order book corresponding to the revenue still to be recognized in respect of performance obligations not yet executed or partially executed on the closing date is presented below as at 31 December 2018:

(in € thousands)	Asset Management	Lending & Leasing	Other Activities	Total Group
ASP / Managed Services	35 872	8 474	2 796	47 142
Maintenance and support	32 935	58 090	4 063	95 088
Recurring licenses	34 631	989	-	35 620
Recurring activity	**103 438**	**67 553**	**6 859**	**177 850**
Implementation, Consulting and Services	8 633	5 583	129	14 345
Perpetual licenses	18	-	-	18
Non-recurring activity	**8 651**	**5 583**	**129**	**14 363**
ORDER BOOK	**112 089**	**73 136**	**6 988**	**192 213**

At 31 December 2018, the order book stood at €192.2 million and corresponds to the performance obligations that the Group expects to execute and recognize as revenue for the 2019 to 2025 financial years.

4.2. Contract assets and liabilities

For a given contract, the cumulative amount of revenue recognized in respect of all contract performance obligations, less any payments received and trade receivables that are recognized separately, is presented within “Contract assets” if the balance is positive or “Contract liabilities” if the balance is negative.

Changes in net contract assets (liabilities) are shown below:

(in € thousands)	Contract assets (Customer receivables -gross value)	Contract liabilities (Deferred revenue)	Net contract assets (liabilities)
Balance 12/31/2017	**37 208**	**(15 706)**	**21 502**
Increase	180 527	(4 907)	175 620
Decrease	(181 333)	5 652	(175 681)
Foreign currency translation adjustments	1 401	(181)	1 220
BALANCE 12/31/2018	**37 803**	**(15 142)**	**22 661**

Linedata records payments from clients based on a plan for discharging receivables in accordance with the contracts. Contract assets relate to performance obligations to be exercised in the following financial year in accordance with the contracts. Contract liabilities relate to clients payments received in advance of the realisation of performance obligations. Contract liabilities are recorded in revenue as soon as the performance obligations are realised in accordance with the client contracts.

4.3. Trade and other receivables

Trade and other receivables are shown below:

(in € thousands)	12/31/2017	12/31/2018
Trade receivables, gross	37 208	37 803
Impairment of trade receivables	(1 044)	(889)
Trade receivables, net	**36 164**	**36 914**
Staff and social organisations	448	510
Tax receivables	1 506	1 261
Loans, sureties and other financial receivables due in less than one year	404	68
Other receivables & Miscellaneous receivables	120	570
Prepaid expenses	3 477	3 766
Other operating receivables, net	**5 955**	**6 175**
TRADE & OTHER RECEIVABLES	**42 119**	**43 089**

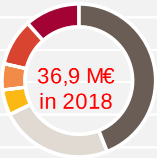
The Group conducted a review of its portfolio of past due receivables to calculate the necessary impairment based on its best estimate of anticipated recovery.

Pursuant to IFRS 9, which has been applicable since 1 January 2018, the Group has revised its provisioning rate based on the loss experience for past due receivables. The impact of this revision on the financial statements is reflected in the reversal of a provision for impairment of trade receivables in the amount of €466 thousand, before tax effect.

Accumulated impairment losses on trade receivables changed as follows:

(in € thousands)	12/31/2017	12/31/2018
Accumulated impairment losses on trade receivables as of January 1	**744**	**1 044**
Impairment losses	948	854
Reversals used	(455)	(323)
Reversals not used	(162)	(221)
Reversals to opening reserves following the application of IFRS 9 on 1 January	-	(466)
Foreign currency translation adjustments	(31)	1
ACCUMULATED IMPAIRMENT LOSSES ON TRADE RECEIVABLES AS OF DECEMBER 31	**1 044**	**889**

Set out below is a breakdown by age of the Company's trade receivables at the reporting date:



(in € thousands)	12/31/2017	12/31/2018
44% - Not yet due	13 624	16 239
24% - Past due - less than 30 days	9 857	8 742
5% - Past due - between 30 and 60 days	2 483	1 944
6% - Past due - between 61 and 90 days	3 130	2 075
10% - Past due - between 91 and 180 days	3 513	3 620
11% - Pas due - more than 181 days	3 557	4 294
TRADE RECEIVABLES, NET AMOUNT	**36 164**	**36 914**

Trade receivables are monitored regularly by the management. The Group conducted a review of its portfolio of past due receivables to calculate the necessary impairment based on its best estimate of anticipated recovery.

4.4. Current operating liabilities and other payables

(in € thousands)	12/31/2017	12/31/2018
Trade payables	10 358	9 256
Amount due on fixed assets in less than one year	1 551	1 078
Tax and social security liabilities	15 095	15 337
Employee profit-sharing and incentive bonuses	358	740
Other liabilities	892	796
Deferred income	15 706	15 142
CURRENT OPERATING LIABILITIES & OTHER PAYABLES	**43 960**	**42 349**

4.5. Other non-current assets and liabilities

(in € thousands)	12/31/2017	12/31/2018
Gross amount	431	452
Provision for impairment losses	-	-
OTHER NON-CURRENT ASSETS	**431**	**452**

The other non-current assets correspond to the research tax credit in North America which can be recovered over more than one year.

(in € thousands)	12/31/2017	12/31/2018
Amount due on fixed assets - non-current	1 273	976
Other non-current liabilities	209	213
OTHER NON-CURRENT LIABILITIES	**1 482**	**1 189**

Other non-current liabilities correspond to the proportion over one year of partial repayments received from lessors for development and installation work in North America, as well as to the guarantee retention in respect of acquisition of QRMO in 2017.

4.6. Purchases and external expenses

(in € thousands)	12/31/2017		12/31/2018	
Sub-contracting purchased: telecom, telematics and publishing	(11 311)	28,1%	(9 676)	25,4%
Other purchases	(1 006)	2,5%	(1 236)	3,2%
Property and other rental expenses	(8 870)	22,1%	(11 397)	29,9%
Temporary employees, service providers and sub-contracting	(6 159)	15,3%	(5 332)	14,0%
Capitalized development costs	-	-	482	(1,3%)
Professional fees and insurance	(3 901)	9,7%	(3 609)	9,5%
Traveling and transportation expenses	(3 960)	9,8%	(3 986)	10,5%
Telecommunication and postage	(1 135)	2,8%	(887)	2,3%
Bank charges	(206)	0,5%	(173)	0,5%
Other external expenses	(3 676)	9,1%	(2 314)	6,1%
PURCHASES & EXTERNAL EXPENSES	**(40 224)**	**100,0%**	**(38 128)**	**100,0%**

At constant exchange rates, purchases and external expenses decreased by 3.10% compared with 12/31/2017.

4.7. Other recurring operating income and expenses

(in € thousands)	12/31/2017	12/31/2018
Operating foreign currency translation profit	827	(13)
Royalties	(1 009)	(801)
Losses on irrecoverable receivables	(209)	(479)
Attendance fees	(53)	(90)
Other recurring operating income and expenses	(87)	(106)
OTHER RECURRING OPERATING INCOME (EXPENSES)	**(531)**	**(1 489)**

4.8. Other operating income and expenses

(in € thousands)	12/31/2017	12/31/2018
Gains and losses on disposals of intangible assets and property, plant and equipment	(17)	(70)
Other non-recurring income	168	1 671
Other non-recurring expenses	(39)	(325)
OTHER OPERATING INCOME (EXPENSES)	**112**	**1 276**

In 2018, other non-recurring income mainly consisted of the acquisition price adjustment in respect of Gravitas Technology Services LLC, net of consulting fees, in the amount of €1.5 million. As the agreement with the sellers was entered into in April 2018, i.e. more than one year after the acquisition, and the price adjustment resulted from events after the acquisition date, this adjustment is presented in other non-recurring operating income.

4.9. Reconciliation of the net change in the WCR with the consolidated statement of cash flows

The effect on cash generation of the working capital requirement (“WCR”) items recorded in the statement of financial position is explained as follows:

(in € thousands)	12/31/2017	12/31/2018	Net Change	Change with no cash effect		Cash impact
				Change	Other	Items WCR
Trade receivables - net	36 164	36 914	750	472	-	278
Staff and social organisations	448	510	62	19	-	43
Tax receivables	1 506	1 261	(245)	(8)	-	(237)
Other receivables & Miscellaneous receivables	120	570	450	-	-	450
Prepaid expenses	3 477	3 766	289	23	-	266
Other non-current assets	431	452	21	21	-	-
Total asset	**42 146**	**43 473**	**1 327**	**527**	**-**	**800**
Trade payables	10 358	9 256	(1 102)	102	-	(1 204)
Tax and social security liabilities	15 095	15 337	242	83	-	159
Employee profit-sharing and incentive bonuses	358	740	382	-	-	382
Other liabilities	892	796	(96)	1 294	-	(1 390)
Deferred income	15 706	15 142	(564)	181	-	(745)
Other non-current liabilities	209	213	4	10	-	(6)
Total liability	**42 618**	**41 484**	**(1 134)**	**1 670**	**-**	**(2 804)**
TOTAL WCR	**(472)**	**1 989**	**2 461**	**(1 143)**	**-**	**3 604**

4.10. Transactions with other related parties

The Group’s related parties are the companies over which the Group has significant influence or which are not consolidated, companies that have one of the Group’s directors as a director, and the Group’s senior management.
To determine the transactions carried out with related parties, a review of contracts is carried out covering those entered into with related parties before the start of the year and all contract entered into during the year.

(in € thousands)	12/31/2017	12/31/2018
Linedata Services' transactions with Invegendo (*)		
Amounts owed to related parties	2	-
Purchases of goods and services	8	-
Linedata Services' transactions with Tecnet Participations (*)		
Amounts owed to related parties	40	-
Purchases of goods and services	33	-
Linedata Services' transactions with Odigo Consulting LLC		
Amounts owed to related parties	-	-
Purchases of goods and services	24	10
Linedata Services' transactions with Amanaat		
Receivables due from related parties	26	6
Revenue	22	23

(*) Liabilities and purchases up to 27 April 2017, i.e. the end date of the term of office of the members of Linedata Services' Supervisory Board

Linedata Services has signed service agreements with Invegendo, managed by Mr Francis Rubaudo, and Tecnet, managed by Mr Jacques Bentz, both of whom were members of Linedata Services' Supervisory Board until 27 April 2017, the date on which the Company’s governance changed.
In late-December 2015, Linedata Services signed a contract for the provision of administrative and financial services with its parent company, Amanaat.
Lastly, on 11 December 2017, Linedata Services signed a services contract with Odigo Consulting LLC, whose Chairwoman is Mrs Shabrina Jiva, a member of Linedata Services’ Board of Directors.

Purchases from and revenue-generating transactions with related parties are at arm's length. No guarantees have been given or received in respect of the liabilities due to or receivables due from related parties.

4.11. Fees payable to the statutory auditors

Fees payable to the statutory auditors and members of their networks recognised in 2017 by Linedata Services, together with its fully-consolidated subsidiaries, are as follows:

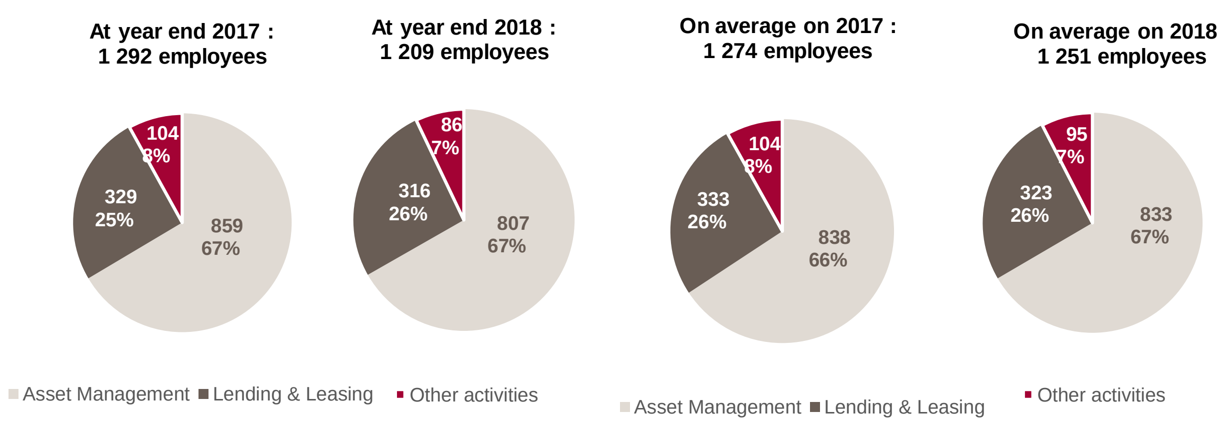
(in € thousands)	ERNST & YOUNG & Others		FINEXSI Audit	
	Amount	%	Amount	%
Certification of the company and consolidated financial statements and review	277,9	99,5%	146,7	99,0%
Services other than certification of the company financial statements	1,5	9,1%	1,5	100,0%
FEES PAYABLE TO THE STATUTORY AUDITORS	**279,4**	**100,0%**	**148,2**	**100,0%**

Services other than certification of the financial statements relate to certifications in respect of bank covenants provided in connection with Linedata Services' bank borrowings and bonds.

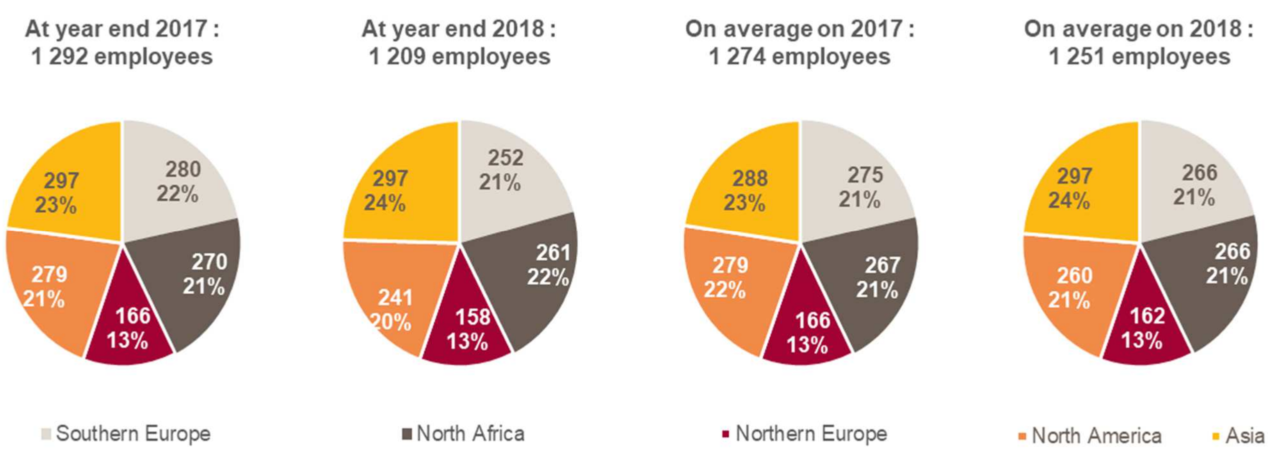
NOTE 5 EMPLOYEE EXPENSES AND BENEFITS

5.1. Workforce

5.1.1. Workforce by segment



5.1.2. Workforce by geographical area



5.2. Employee expenses

(in € thousands)	12/31/2017	12/31/2018
Salaries and wages	(79 579)	(75 420)
Social security contributions	(17 338)	(16 831)
Employee profit-sharing and incentive bonuses	(358)	(748)
Share-based compensation	(306)	(62)
Net additions to (reversals of) provisions for retirement benefit obligations	(478)	(89)
Capitalized development costs	5 072	4 897
Research tax credit	534	417
EMPLOYEE EXPENSES	**(92 453)**	**(87 836)**

Research and development costs, which consisted mainly of employee expenses and totaled €17.6 million (before capitalization), represented 10.2% of revenue in 2018, a decrease over 2017 when it represented 10.8% of revenue (totaling €19.4 million (before capitalization). A portion of this expenditure was capitalized (see Note 6.2).

5.3. Provisions for retirement and other post-employment benefits

In accordance with the laws and practices of each country, the Group offers certain benefits that guarantee to the employees fulfilling the required conditions the payment of retirement benefits or lump-sum payments to which they are entitled as a result of their length of service (long-service award plan). These plans, known as defined benefit plans, relate mainly to France.

The costs associated with defined benefit plans are born directly by the Group, which recognizes provisions in its financial statements for the cost of benefits to be provided in accordance with the procedures detailed below.

The Group uses the projected unit credit method to determine the value of its obligation in respect of defined benefits: this method stipulates that each period of service gives rise to an additional unit in terms of benefit entitlement and that each unit is assessed separately so as to calculate the final obligation.

These calculations include various actuarial assumptions such as the employee's expected length of service, the level of future compensation, life expectancy and employee turnover.

The commitment thus calculated is discounted at the interest rate applicable to investment-grade corporate bonds, denominated in the payment currency and whose term is close to the estimated average term of the retirement obligation concerned.

Changes in these estimates and assumptions are likely to result in a significant change in the amount of the commitment.

The amount of the provision set aside in respect of retirement benefit and similar obligations corresponds to the discounted value of the obligation in respect of defined benefits. The actuarial differences resulting from the change in the value of the discounted obligation in respect of the defined benefits include both the effects of the differences between the former actuarial assumptions and the actual amounts, and the effects of changes in the actuarial assumptions.

In France and Tunisia, defined benefit plans concern the payment of retirement benefits. Gravitas Technology Private Limited is subject to a pension scheme in accordance with India's Payment of Gratuity Act of 1972.

5.3.1. Actuarial assuptions actuarielles en France

	31/12/2017	31/12/2018
Discount rate for retirement benefits	1,25%	1,60%
Discount rate for long-service awards	1,00%	1,10%
Rate of future salary increases	3,00%	3,00%
Actuarial life table	TG H/F 2005	TG H/F 2005
Retirement age:		
Managers born before 01/01/1950	64 ans	64 ans
Managers born after 01/01/1950	66 ans	66 ans
Other employees born before 01/01/1950	62 ans	62 ans
Other employees born after 01/01/1950	64 ans	64 ans

Turnover	31/12/2017	31/12/2018
Before 25 years	Between 17% & 25%	Between 17% & 25%
25 to 29 years	Between 13% & 18%	Between 13% & 18%
30 to 34 years	Between 9% & 13%	Between 9% & 13%
35 to 39 years	Between 6% & 9%	Between 6% & 9%
40 to 44 years	Between 4% & 6%	Between 4% & 6%
45 to 49 years	Between 2% & 4%	Between 2% & 4%
50 years and over	< 2%	< 2%

These obligations are discounted at a rate corresponding to the yield on European AA-rated investment grade corporate bonds of the same duration as the obligations. The Group uses the International Index Company's iBoxx index rates for AA-rated corporate bonds.

The approximate rates applied on December 31, 2018 are:
- ✓ 1,60% by reference to the iBoxx € Corporates AA 10+ for retirement benefits,
- ✓ 1,10% by reference to the iBoxx € Corporates AA 7-10 for long service awards.

The rates of social security charges used to measure commitments in respect of retirement indemnities and long-service awards in France range from 50.60% to 59.65% depending on the rates observed by each subsidiary.

5.3.2. Change in the provisions

(en milliers d'euros)	Retirement benefits - France	Retirement benefits - Tunisia & India	Long-service awards	12/31/2017	Retirement benefits - France	Retirement benefits - Tunisia & India	Long-service awards	12/31/2018
Provision as of January 1	**7 302**	**69**	**485**	**7 856**	**7 405**	**236**	**472**	**8 113**
Changes in Group structure	-	149	-	149	-	-	-	-
Change in actuarial gains and losses	(345)	-	-	(345)	(920)	-	-	(920)
Benefits paid to employees	(104)	(15)	(24)	(143)	(271)	(61)	(32)	(364)
Foreign currency translation adjustments	-	(24)	-	(24)	-	(18)	-	(18)
Expense for the year	552	57	11	620	450	22	(18)	454
Cost of services rendered	*442*	*57*	*34*	*533*	*358*	*22*	*33*	*413*
Interest expense	*110*	-	*4*	*114*	*92*	-	*4*	*96*
Amortization of actuarial gains and losses	-	-	*(27)*	*(27)*	-	-	*(55)*	*(55)*
Others (transfers/reversals)	-	-	-	-	-	-	-	-
PROVISION AS OF DECEMBER 31	**7 405**	**236**	**472**	**8 113**	**6 664**	**179**	**422**	**7 265**

Recognized actuarial gains and losses include the effect of changes in actuarial assumptions and of differences between the actuarial assumptions used and the actual experience.

For retirement liabilities in France, a +/-0.25 point change in the discount rate would impact the commitments by -€213 thousand/+ €223 thousand.

The breakdown by maturity of the commitment in respect of retirement benefits in France is as follows:

(in € thousands)	12/31/2018
Present value of theoretical services to be paid by the employer:	
Due within one year	122
1 to 5 years	650
5 to 10 years	3 073
More than 10 years	2 819
TOTAL COMMITMENT	**6 664**

5.4. Share-based payments

Certain employees, provided they remain in the Group's employment, receive equity-settled share-based remuneration.

The costs of free share allocation plans and share purchase and share subscription option plans are recognized in employee expenses. This expense, which corresponds to the fair value of the instrument issued, is spread over the rights' vesting period. Fair value is determined on the basis of valuation models adapted to the instruments' features (Black & Scholes model in the case of options). The Group periodically reviews the number of options that could potentially be exercised. Where relevant, it recognizes the consequences of any revised estimates in the income statement.

5.4.1. Bonus share plans

Plan reference	2014 plan (No. 3)	2014 plan (No. 4)
Nature of shares	Linedata Services Shares	Preferred Shares (2)
Date of AGM	05/12/2014	05/12/2014
Date of Executive Board meeting that approved the granted bonus shares	06/13/2014	06/13/2014
Total number of bonus shares approved by the Executive Board	120 500	675
Total number of bonus shares available for acquisition at the end of the performance period, of which:	120 500	675
- for corporate officers (status at time of grant)	-	250
- for the first 10 employees (1)	67 500	425
Total number of beneficiaries, of whom:	32	13
- corporate officers	-	2
- Group employees	32	11
End date of vesting period for grantees resident in France		06/13/2017
End date of vesting period for grantees not resident in France	06/13/2018	
End date of lock-up period for grantees resident in France		06/13/2019
End date of lock-up period for grantees not resident in France	06/13/2018	
Number of bonus shares available for acquisition as of January 1, 2018	50 307	673
Number of bonus shares granted and available for acquisition in 2018	-	-
Number of bonus shares previously granted and acquired in 2018	(48 065)	-
Number of bonus shares previously granted and cancelled in 2018	(2 242)	-
Number of bonus shares available for acquisition as of December 31, 2018	**-**	**673**

(1) Includes the employees of all of the Group's companies and not just those of the parent company.
(2) A preferred share shall be converted into up to 88 Linedata Services ordinary shares.

Linedata Services S.A. is the only Group company that awarded bonus shares.

The main assumptions used to calculate the fair value of the shares of plans n°3 and 4 are as follows: a turnover rate of 5%, a dividend of €0.65 for 2014, growing by €0.05 annually to reach €0.85 in 2018.
The plan includes performance criteria for all or some of the shares to be awarded.

Definitive awarding of performance shares to the beneficiaries is 70% subject to the attainment of performance criteria relating to the Group's consolidated revenue and EBITDA margin determined at the end of each annual period from 2014 to 2016, and 30% subject to the change in Linedata Services share price.

On 22 June 2018, Linedata Services' Board of Directors noted that the conditions for vesting of the bonus shares allotted to non-French resident beneficiaries on 13 June 2014 had been met and definitively allocated 48,065 Linedata Services shares to these beneficiaries.

The expense recognized in 2018 for the share purchase option and free share allocation plans was €62 thousand (€306 thousand for 2017).

5.5. Remuneration of senior management (related parties)

(in € thousands)	12/31/2017	12/31/2018
Short-term benefits	2 583	3 612
Termination benefits	-	501
Share-based payments	-	123
REMUNERATION OF SENIOR MANAGEMENT	**2 583**	**4 236**

The Group's main corporate officers comprise members of the Management Board and Supervisory Board, then, with effect from 27 April 2017, of the Chief Executive Officer and members of the Board of Directors as well as members of the Executive Committee.

The Combined Annual General Meeting of April 27, 2017 approved directors' attendance fees of €200 thousand, to be divided between the members of the Board of Directors.

Post-employment benefits correspond to contractual retirement benefits. No commitments exist with regard to the management concerning post-employment or other long-term benefits.

NOTE 6 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

6.1. Goodwill

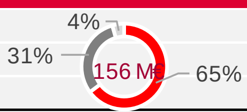
Goodwill is initially recognized at the time of a business combination as described in Note 2.1.3.

Subsequent to its initial recognition, this goodwill is not amortized but is tested for impairment as soon as there are indications of impairment and at least once a year. The procedures used to carry out the impairment tests in 2017 and 2018 are described in Note 6.4.

Goodwill changed as follows :

(in € thousands)	Gross amount	Accumulated impairment losses	Net carrying amount
As of 12/31/2016	**146 642**	**(16 397)**	**130 245**
Acquisition: Gravitas Technology Services	30 356	-	30 356
Acquisition: QRMO	3 154		3 154
Foreign currency translation adjustments	(11 720)	476	(11 244)
As of 12/31/2017	**168 432**	**(15 921)**	**152 511**
Foreign currency translation adjustments	3 533	(157)	3 376
As of 12/31/2018	**171 965**	**(16 078)**	**155 887**

The breakdown of goodwill by segment is as follows:



(in € thousands)	12/31/2017	12/31/2018
Asset Management	98 658	101 181
Lending & Leasing	46 914	47 766
Insurance/Pension Funds	6 939	6 940
GOODWILL, NET	**152 511**	**155 887**

6.2. Intangible assets

Separately acquired intangible assets
These assets correspond to purchased software recognized at acquisition cost. They are amortized on a straight-line basis over a period of one to ten years in accordance with their estimated useful lives.

Intangible assets acquired as part of a business combination
The main components of this category are software and customer base measured at their fair value in connection with the allocation of the acquisition price of entities acquired as part of a business combination. These assets are amortized on a straight-line basis over eight years in accordance with their estimated useful lives.

Internally-generated intangible assets
Pursuant to IAS 38 "*Intangible Assets*":

- ✓ research costs are recognized as an expense in the period in which they are incurred,
- ✓ software development costs are recognized as an intangible asset if the Group can demonstrate the following :
  - ✓ the technical feasibility of completing development of the software so that it will be available for use or sale,
  - ✓ its intention to complete development of the software and use or sell it,
  - ✓ its ability to use or sell the software,
  - ✓ how the software will generate probable future economic benefits,
  - ✓ the availability of adequate technical, financial and other resources to complete development and to use or sell the software,
  - ✓ its ability to measure reliably the expenditure attributable to the software during its development.

Fulfillment of these criteria is determined on a product-by-product basis. Software development costs that cannot be capitalized are immediately expensed.

These assets are amortized on a straight-line basis over five years in accordance with their estimated useful lives, which are reviewed at each reporting date.

Intangible assets changed as follows:

(in € thousands)	Purchased Software	Development costs	Customer relationships	Other intangible assets	INTANGIBLE ASSETS
Gross amount as of 12/31/2017	**52 031**	**33 040**	**19 446**	**1 928**	**106 445**
Acquisitions	630	5 215	-	-	5 845
Other movements	(265)	-	-	-	(265)
Foreign currency translation adjustments	718	525	501	91	1 835
GROSS AMOUNT AS OF 12/31/2018	**53 114**	**38 780**	**19 947**	**2 019**	**113 860**

Acquisitions relate to the capitalization of R&D totaling €5.2 million, notably related to the AMP (Asset Management Platform) project.

(in € thousands)	Purchased Software	Development costs	Customer relationships	Other intangible assets	INTANGIBLE ASSETS
Accumulated amortization as of 12/31/2017	**(37 874)**	**(22 818)**	**(14 232)**	**(1 921)**	**(76 845)**
Amortization expense	(5 782)	(3 047)	(1 518)	(3)	(10 350)
Foreign currency translation adjustments	(441)	(244)	(389)	(91)	(1 165)
ACCUMULATED AMORTIZATION AS OF 12/31/2018	**(44 097)**	**(26 109)**	**(16 139)**	**(2 015)**	**(88 360)**

The depreciation and amortization charges for the financial year include an exceptional charge for the Gravitas software of €2.2 million and for the associated client relationship of €0.1 million, following the valuation carried out at the closing date of the intangible assets recognized at the time of the acquisition of Gravitas.

(in € thousands)	Purchased Software	Development costs	Customer relationships	Other intangible assets	INTANGIBLE ASSETS
Net amount as of 12/31/2017	**14 157**	**10 222**	**5 214**	**7**	**29 600**
NET AMOUNT AS OF 12/31/2018	**9 017**	**12 671**	**3 808**	**7**	**25 500**

6.3. Property, plant and equipment

Property, plant and equipment are recognized at their acquisition cost excluding financial expenses, less accumulated depreciation and any impairment losses. They have not been revalued.

Depreciation is calculated using the straight-line method and the expected useful lives of the various categories of property, plant and equipment:

- ✓ buildings 5 to 20 years
- ✓ improvements 5 to 20 years
- ✓ equipment and tools 2 to 5 years
- ✓ office furniture and equipment 2 to 5 years

Depreciation is calculated based on the acquisition cost, reduced by any residual value. Residual values and expected useful lives are reviewed at each reporting date.

Finance leases
Leases of intangible assets and property, plant and equipment under the terms of which the Group retains substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases. These leases are recognized as assets at the fair value of the leased asset or, if lower, at the discounted value of the minimum payments due in respect of the lease.

Each finance lease payment is apportioned between the interest expense and the reduction of the outstanding liability so as to produce a constant periodic interest rate on the remaining balance of the liability.

Assets acquired under finance leases are amortized or depreciated over the estimated useful lives of the assets concerned.

Operating leases
Operating leases under the terms of which the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments under these leases are recognized as an expense on a straight-line basis over the lease term.

Property, plant and equipment changed as follows:

(in € thousands)	Land, Buildings	Fixtures, furniture & other equipment	Computer hardware	PROPERTY, PLANT AND EQUIPMENT	Of which finance leases
Gross amount as of 12/31/2017	**14 874**	**12 664**	**28 583**	**56 121**	**16 343**
Acquisitions	6	3 174	3 574	6 754	-
Disposals	-	(282)	(495)	(777)	-
Other movements	(40)	(82)	387	265	-
Foreign currency translation adjustments	(170)	101	488	419	101
GROSS AMOUNT AS OF 12/31/2018	**14 670**	**15 575**	**32 537**	**62 782**	**16 444**

Investments relate to servers, computer hardware and office equipment and work at Linedata's new head office at 27, Rue d'Orléans, 92200 Neuilly-sur-Seine, France, and the new offices in India.

(in € thousands)	Land, Buildings	Fixtures, furniture & other equipment	Computer hardware	PROPERTY, PLANT AND EQUIPMENT	Of which finance leases
Accumulated amortization as of 12/31/201	**(1 274)**	**(8 680)**	**(24 492)**	**(34 446)**	**(3 543)**
Amortization expense	(595)	(541)	(2 929)	(4 598)	(583)
Reversal of amortization expense	-	168	494	662	-
Other movements	25	(5)	(20)	-	-
Foreign currency translation adjustments	61	(110)	(449)	(498)	(99)
ACCUM. AMORTIZATION AS OF 12/31/2018	**(1 783)**	**(9 701)**	**(27 396)**	**(38 880)**	**(4 225)**

(in € thousands)	Land, Buildings	Fixtures, furniture & other equipment	Computer hardware	PROPERTY, PLANT AND EQUIPMENT	Of which finance leases
Net amount as of 12/31/2017	**13 600**	**3 984**	**4 091**	**21 675**	**12 800**
NET AMOUNT AS OF 12/31/2018	**12 887**	**5 874**	**5 141**	**23 902**	**12 219**

6.4. Impairment of assets

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment as soon as there are objective indications of impairment. Goodwill and intangible assets not yet ready to be brought into service are tested for impairment as soon as there are indications of impairment and systematically at December 31, the Company's reporting date.

Impairment tests are carried out at the level of the cash generating units (CGUs) to which the assets are allocated. The CGUs are operational entities generating independent cash flows.

The CGUs adopted by the Group correspond to the following business segments:
- ✓ Asset Management,
- ✓ Lending & Leasing,
- ✓ Others, including Employee Savings and Insurance and Pension Funds.

The impairment tests involve comparing the carrying amount of the CGUs with their recoverable amount. A CGU's recoverable amount is the higher of its fair value (generally its market value) less costs to sell and its value in use.

A CGU's value in use is determined using the discounted cash flow method, incorporating the following cash flows:
- ✓ cash flows for a plan period of five years, with cash flows for the first year based on the budget,
- ✓ cash flows beyond the five-year plan period, which are calculated by applying a perpetual growth rate.

Cash flows are discounted using an average discount rate equal to:
- ✓ the ten-year risk-free money rate,
- ✓ plus the market risk premium adjusted by a risk coefficient specific to the asset or CGU.

If the CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized to reduce the assets' carrying amount to their recoverable amount. The impairment loss is allocated first to reduce the carrying amount of the goodwill and recorded in profit or loss under *"Other operating expenses"*. The reversal of impairment losses on goodwill in respect of fully-consolidated subsidiaries is prohibited. The reversal of impairment losses on property, plant and equipment and intangible assets (excluding goodwill) is permitted, up to the limit of the impairment loss initially recognized, if the recoverable amount subsequently becomes higher than carrying amount.

6.4.1. Impairment testing procedures

The tests were carried out in accordance with the following assumptions:

- ✓ the forecasts used were based on past experience, the order books and products under development,
- ✓ the growth rate to infinity was calculated at 1.5%. This rate, which is identical to that used for 2017, is in line with the average long-term growth rate in the Group's business sector;
- ✓ the discount rate calculated is 10% after tax (down 1 point compared with 2017). The main components of the weighted average cost of capital are a market risk premium, a risk-free rate corresponding to an average of the interest rates on government bonds with a high maturity, a beta calculated based on a sample of companies in the sector that comes to 1.09, and the level of the Group's borrowings that is taken into account;
- ✓ the tax rate is differentiated by CGU by applying an effective tax rate that is weighted according to the revenue generated by geographic region.

The key assumptions about the growth rate to infinity and the discount rate are identical for each CGU to which goodwill is allocated insofar as the business and financial risks of the CGUs used present common characteristics due to:

- ✓ the identical profile of their clients, made up of large companies, banking or financial institutions with an immaterial credit risk;
- ✓ the geographic regions in which the Group operates, which have a limited risk profile and similar growth criteria.

The tests carried out in respect of the business segments indicated that there was no need to recognize any impairment losses in goodwill for the year ended December 31, 2018.

6.4.2. Sensitivity of goodwill impairment tests

The margin for testing, which corresponds to the difference between the value in use and the carrying amount, as well as the impacts of changes in the key assumptions on this margin, are shown separately for each business segment in the following table:

(in € millions)	Asset Management	Lending & Leasing	Other Activities
Difference between value in use and carrying amount	**52,7**	**70,0**	**10,2**
Impact on recoverable amount in the event of :			
a 1-point increase in the discount rate	(19,0)	(13,9)	(1,9)
a 0.5-point fall in the perpetual growth rate	(7,0)	(5,1)	(0,7)
Combination of the two factors	(24,4)	(17,9)	(2,4)
5% turnover decrease & 10% EBITDA decrease	(28,2)	(12,6)	(2,5)

6.5. Off-balance sheet commitments related to operating activities

The group leases premises though operating leases.

As of December 31, 2018, the future minimum annual lease payments on non-cancellable operating leases were as follows:

(in € thousands)	Liabilities by period			12/31/2018	12/31/2017
	Less than 1 year	1 to 5 years	More than 5 years		
Operating lease contracts	**4 522**	**11 195**	**2 333**	**18 050**	**17 050**

The amount of future minimum payments under operating leases provided above in accordance with IAS 17 is an overstated indication of expected lease liabilities under IFRS 16 due mainly to the discounting effect that is not taken into account in these off-balance sheet commitments.

NOTE 7 OTHER PROVISIONS AND CONTINGENT LIABILITIES

7.1. Other provisions

A provision is recognized when:

- ✓ the Group has a legal, contractual or constructive obligation resulting from a past event,
- ✓ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,
- ✓ the amount of the obligation can be measured reliably .

Provisions are measured in accordance with IAS 37 based on the most probable assumptions.

Changes in the provisions were as follows:

(in € thousands)	Provisions for legal proceedings	Other provisions	PROVISIONS
Provision as of 12/31/2017	**317**	**-**	**317**
Additions	73	154	227
Reversals - provision used	(191)	-	(191)
Reversals - provision not used	(63)	-	(63)
PROVISION AS OF 12/31/2018	**136**	**154**	**290**
Of which non-current provisions	13	154	167
Of which current provisions	123	-	123

Provisions for disputes related mainly to staff disputes. Provision reversals related to several disputes that were resolved in early-2018.

7.2. Contingent liabilities

In contrast to the above definition of a provision, a contingent liability is:

✓ a possible obligation arising from a past event whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain event not within the Group's control, or

✓ a present obligation arising from a past event for which either the amount of the obligation cannot be measured reliably or it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

At the end of December 2012 and at the end of December 2015, the French companies received notification of a proposed tax reassessment following a tax audit of fiscal years 2009, 2010 and 2012 to 2014. Given the developments related to the tax litigation case concerning tax credit applicable to withholding tax levied on customers based in North Africa with regard to transactions that took place in 2009, 2010 and 2012 to 2014, the Group had decided to recognize a provision in respect of the full amount of the risk. During the first half of 2018, Linedata Services SA, the parent company of the tax group and liable as such for the Group's corporation tax, ended the dispute by settling all amounts assessed.

The other ongoing disputes have been analyzed. Where necessary, provisions have been recognized in respect of these disputes, estimated by the Group's Management on the basis of the relevant facts and circumstances, in accordance with IAS 37. The residual uncertainty inherent in any dispute would not have a material impact on profit or loss.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1. Financial assets and liabilities

The main components of financial assets and liabilities are:

✓ long-term financial liabilities, short-term loans and bank overdrafts that make up the Group's gross debt (see Note 8.1.2)

✓ loans and other long-term financial assets and cash and cash equivalents that are added to the gross debt to calculate the Group's net debt (see Note 8.1.3)

✓ derivative financial instruments (see Note 8.1.4)

✓ other current and non-current financial assets and liabilities (see Note 8.1.5)

8.1.1. Fair value of financial assets and liabilities

(in € thousands)	12/31/2017		Breakdown by type of financial instrument				
	Carrying amount	Fair value	Financial assets and liabilities at fair value through profit or loss	Available-for-sale financial assets	Loans, receivables and other liabilities	Financial liabilities at amortized cost	Derivative financial instruments
Non-current financial assets	1 462	1 462	-	-	1 462		
Other non-current assets	431	431	-		431		
Trade and other receivables	42 119	42 119	-		42 119		
Cash and cash equivalents	17 881	17 881	17 881				
FINANCIAL ASSETS	**61 893**	**61 893**	**17 881**	**-**	**44 012**	**-**	**-**
Non-current loans and financial liabilities	81 002	81 002	-			80 938	64
Other non-current liabilities	1 482	1 482	-		1 482		
Current loans and financial liabilities	14 588	14 588	-			14 588	
Current operating liabilities	43 960	43 960	-		43 960		
FINANCIAL LIABILITIES	**141 032**	**141 032**	**-**	**-**	**45 442**	**95 526**	**64**

(in € thousands)	12/31/2018		Breakdown by type of financial instrument				
	Carrying amount	Fair value	Financial assets and liabilities at fair value through profit or loss	Available-for-sale financial assets	Loans, receivables and other liabilities	Financial liabilities at amortized cost	Derivative financial instruments
Non-current financial assets	1 580	1 580	-	-	1 580	-	-
Other non-current assets	452	452	-	-	452	-	-
Trade and other receivables	43 089	43 089	-	-	43 089	-	-
Cash and cash equivalents	21 743	21 743	21 743	-	-	-	-
FINANCIAL ASSETS	**66 864**	**66 864**	**21 743**	**-**	**45 121**	**-**	**-**
Non-current loans and financial liabilities	82 983	82 983	-	-	-	82 872	111
Other non-current liabilities	1 189	1 189	-	-	1 189	-	-
Current loans and financial liabilities	16 665	16 665	-	-	-	16 665	-
Current operating liabilities	42 349	42 349	-	-	42 349	-	-
FINANCIAL LIABILITIES	**143 186**	**143 186**	**-**	**-**	**43 538**	**99 537**	**111**

8.1.2. Gross debt

Gross debt comprises bonds and bank borrowings as well as other borrowings, short term loans and bank overdrafts.

Loans are initially recognized at their fair value, net of transaction costs incurred. Loans are subsequently recognized at their amortized cost. The amount of interest recognized in financial expenses is determined by applying the borrowing's effective interest rate to its carrying amount. The difference between the expense calculated using the effective interest rate and the coupon affects the value of the liability.

Financial liabilities hedged by interest rate swaps are generally recognized using hedge accounting.

The finance lease liabilities are recognized at the inception of each lease, the amount of which is equal to the discounted value of future lease payments.

Changes in the Group's gross debt during the financial year are broken down as follows:

(in € thousands)	12/31/2017	Additions	Repayments	Change in fair value	Reclassification	Foreign currency translation adjustments	12/31/2018
Bond loans	34 622	-	-	-	62	-	34 684
Syndicated loans	27 012	-	-	-	(7 070)	-	19 942
Other bank loans	8 916	14 517	-	-	(4 240)	-	19 193
Finance lease liabilities	10 388	-	-	-	(1 335)	-	9 053
Other financial liabilities	64	-	-	47	-	-	111
Non-current loans and other financial liabilities	**81 002**	**14 517**	**-**	**47**	**(12 583)**	**-**	**82 983**
Bond loans	(59)	-	59	-	(62)	-	(62)
Syndicated loans	7 011	-	(6 969)	-	7 070	295	7 407
Other bank loans	5 667	3 783	(6 235)	-	4 240	-	7 455
Finance lease liabilities	1 449	-	(1 450)	-	1 335	1	1 335
Accrued interest	520	504	(520)	-	-	-	504
Other financial liabilities	-	-	-	-	-	-	-
Bank overdrafts	-	26	-	-	-	-	26
Current loans and other financial liabilities	**14 588**	**4 313**	**(15 115)**	**-**	**12 583**	**296**	**16 665**
FINANCIAL GROSS DEBT	**95 590**	**18 830**	**(15 115)**	**47**	**-**	**296**	**99 648**

In January and July 2018, Linedata repaid two maturities of $4.3 million each in respect of the US dollar-denominated syndicated loan.
In April 2018, Linedata Services also contracted a bilateral loan used for €4.7 million, repayable over three years.
Linedata Services also repaid €4.2 million of the existing bilateral loans and €2 million of the credit facility used at end-December 2017.
On 3 August 2018, Linedata Services entered into a loan agreement with BNP Paribas for a maximum amount of €20 million to refinance the acquisition of Linedata shares in connection with the buyback programme. As of 31 December 2018, Linedata Services had used €13.6 million of this loan and made a new drawdown of €4.9 million on 11 January 2019.

Lastly, Linedata repaid €1.3 million on the property lease from 2016 during the year.

Other financial liabilities mainly consist of financial instruments comprising interest rate hedges.

At the end of December 2018, therefore, the Group had the following credit lines:

(in € thousands)	Grant date	Maturity date	Notional amount when granted	Authorized amount as of 12/31/2018
Bond loans	June 2015	May 2022	35 000	35 000
Syndicated loan - in EUR	January 2017	January 2022	20 000	20 000
Syndicated loan - in USD	January 2017	July 2019	23 797	7 477
Bilateral credit	August 2018	April 2022	20 000	20 000
Bilateral credit	April 2018	April 2021	7 000	5 834
Bilateral credit	June 2017	June 2022	5 000	3 500
Credit facility	July 2017	July 2022	5 000	3 750
			115 797	**95 561**

The applicable bank terms are as follows:

- ✓ the bond loan and bilateral credits contracted in June and July 2017 have a fixed interest rate
- ✓ the interest rate is equal to Euribor for the syndicated borrowing denominated in euros, and Libor for the syndicated borrowing denominated in US dollars applicable during the drawdown period, plus a margin that is adjusted half-yearly based on the leverage ratio (consolidated net debt to EBITDA ratio),
- ✓ the interest rate is equal to Euribor plus a margin for the bilateral credits contracted in April and August 2018.

Details of the covenants relating to the financial liabilities are provided in Note 8.4.1.

8.1.3. Net debt

Net debt comprises bonds and bank borrowings, other borrowings, short term loans and bank overdrafts less cash and cash equivalents. The "Cash and cash equivalents" heading comprises cash, marketable securities and bills of exchange presented for collection whose maturity date falls before the reporting date. All of the items included under this heading qualify as cash equivalents since they are readily convertible to known amounts of cash whilst being subject to an insignificant risk of changes in value. These current financial assets, recognized at their fair value through profit or loss, are held to help the Group meet its short-term cash requirements.

(in € thousands)	12/31/2017	12/31/2018
Bond loans	34 563	34 622
Syndicated loans	34 023	27 349
Other bank loans	14 583	26 648
Finance lease liabilities	11 837	10 388
Accrued interest	520	504
Other financial liabilities	64	111
Bank overdrafts	-	26
Financial Gross Debt	**95 590**	**99 648**
Marketable securities	175	-
Cash	17 706	21 743
Cash and cash equivalents	**17 881**	**21 743**
FINANCIAL NET DEBT	**77 709**	**77 905**

8.1.4. Derivative financial instruments

The Group uses derivative financial instruments for hedging purposes, to protect itself against fluctuations in interest rates, since its medium-term borrowings are at variable rates.

Most of the derivative financial instruments used by the Group are deemed to be cash flow hedging instruments. As regards changes in the fair value of these hedging instruments, those relating to the effective portion of the hedge are recognized in equity whereas those relating to the ineffective portion (or when the hedged item is itself recognized in profit or loss) are recognized in the income statement under "*Other financial income" or "Other financial expenses".*

In the case of derivatives that do not qualify for hedge accounting, any gain or loss resulting from changes in fair value is recognized in the income statement under "*Other financial income" or "Other financial expenses".*

Derivative financial instruments are recognized within financial assets or liabilities by reference to their value.

8.1.5. Other financial assets and liabilities

The main components of other non-current assets and liabilities are guarantee deposits and available-for-sale financial assets. Guarantee deposits are measured at fair value with changes in fair value being recognized through profit or loss. Available-for-sale financial assets comprise investments in unconsolidated entities and are recognized initially at fair value. Any change in this fair value is subsequently recognized in other comprehensive income or in the profit or loss for the year in the event of a significant or prolonged fall in their fair value. Unrealized gains and losses recognized in other comprehensive income are recognized in profit or loss when the securities concerned are sold.

Other current financial assets and liabilities comprise trade receivables and payables, which are initially recognized at fair value and subsequently at their amortized cost, minus any impairment. The fair value of trade receivables and trade payables is considered to be the same as their face value, given their due dates for payment.

(in € thousands)	12/31/2017	12/31/2018
Deposits and sureties	1 456	1 571
Other non-current financial assets	6	9
Gross amount	**1 462**	**1 580**
Provision for impairment losses	-	-
NON-CURRENT FINANCIAL ASSETS	**1 462**	**1 580**

8.2. Financial income and expenses

Financial income and expenses comprise, on the one hand, interest income and expenses related to the cost of the net debt and, on the other hand, other financial income and expenses.

8.2.1. Net borrowing costs

Interest expenses correspond to the amount of interest recognized in respect of financial liabilities, and interest income corresponds to the amount of interest received on cash investments.

(in € thousands)	12/31/2017	12/31/2018
Income from cash and cash equivalents	(52)	7
Interest expense	(2 416)	(2 443)
Gains (losses) on hedging instruments (interest rate differential)	(122)	(25)
NET BORROWING COSTS	**(2 590)**	**(2 461)**

The average amount of borrowings outstanding was €91.4 million in 2018, compared with €93.3 million in 2017.
The average cost of borrowing after factoring in hedging instruments was 2.7% in 2018, as in 2017.

8.2.2. Other financial income and expenses

(in € thousands)	12/31/2017	12/31/2018
Foreign currency translation gains	732	1 957
Change in the value of derivative financial instruments	54	-
Other financial income	11	155
Total other financial income	**797**	**2 112**
Foreign currency translation losses	(5 822)	(812)
Change in the value of derivative financial instruments	-	(15)
Other financial expenses	(270)	(197)
Total other financial expenses	**(6 092)**	**(1 024)**
OTHER FINANCIAL INCOME (EXPENSES)	**(5 295)**	**1 088**

Foreign currency translation gains and losses related mainly to commercial transactions denominated in foreign currencies, mainly in US dollars. At the end of 2017, the US dollar intra-Group borrowing granted in connection with the acquisition of the assets of CapitalStream was fully repaid.
Other financial income includes in particular the effect of discounting the “Repatriation Tax”, the repayment of which is spread over eight years. Discounting of the tax liability at the Group's marginal borrowing rate generates income of €128 thousand, recognized in 2018, the date of the decision to gradually repay this tax.

8.3. Financial risk management policy

8.3.1. Market risks

Currency risk

The currency risk mainly concerns conversion of the foreign subsidiaries' financial statements. No specific hedges are in place for this risk.

The risk of fluctuations in foreign currency denominated commercial transactions is low as each entity predominantly intervenes in their country and currency.

Moreover, as part of intragroup transactions, Linedata Services is exposed to foreign exchange risk with regard to:
- ✓ short-term current commercial transactions, mainly with Group entities located outside the euro zone. These exchange rate fluctuations have no material impact on profit.
- ✓ loans denominated in foreign currencies, notably loans granted to the US subsidiary during the acquisition of CapitalStream's assets. The impact of these currency variations is recorded under equity. A specific hedge is taken out for these financial flows.

The hedging instruments the Group normally uses are forward purchases and sales of foreign currencies, swaps and options. The derivative products used by the Group to hedge its foreign exchange risk do not generally qualify as hedging instruments as defined by IFRS 9.

As of December 31, 2017, the net carrying amount of the assets and liabilities recorded by the Group's entities in a currency other than their operating currency was as follows:

(in thousands)	USD	CAD	GBP	TND	HKD	MAD	INR	Total converted to EUR
Assets	131 670	6 765	37 141	6 835	87 247	3 927	103 253	169 482
Liabilities	25 568	2 322	8 932	2 922	35 080	365	66 570	38 569
Net position before hedging	**106 102**	**4 443**	**28 210**	**3 912**	**52 167**	**3 562**	**36 683**	**130 914**
Hedging financial instruments	-							-
NET POSITION AFTER HEDGING	**106 102**	**4 443**	**28 210**	**3 912**	**52 167**	**3 562**	**36 683**	**130 914**

The position at December 31, 2018 was as follows:

(in thousands)	USD	CAD	GBP	TND	HKD	MAD	INR	Total converted to EUR
Assets	122 095	6 182	35 670	8 152	84 554	3 214	221 967	165 376
Liabilities	22 004	3 610	7 973	3 547	33 875	894	131 434	36 996
Net position before hedging	**100 091**	**2 572**	**27 696**	**4 605**	**50 679**	**2 320**	**90 533**	**128 380**
Hedging financial instruments	5 550							4 664
NET POSITION AFTER HEDGING	**94 541**	**2 572**	**27 696**	**4 605**	**50 679**	**2 320**	**90 533**	**123 716**

Sensibility analysis

A 10% fall in each exchange rate against the euro would have an impact of (-) €13,444 thousand on the net position as of December 31, 2018 compared with (-) €18,253 thousand as of December 31, 2017. A 10% increase in these exchange rates would have a positive impact of €11,058 thousand on the net position as of December 31, 2018, compared with €14,589 thousand as of December 31, 2017.

Interest rate risk

Interest rate risk is managed by the Group's Finance division in collaboration with its main partner banks. The Group's available cash is invested in money market funds, certificates of deposit or interest-bearing accounts, which have little exposure to market fluctuations and pose no capital risk.

Loan hedging instruments

The Group entered into hedging agreements when it subscribed to the bond and syndicated loans in January 2017.
The interest rate applicable to the bank borrowing is Euribor for the borrowing denominated in euros and Libor for the part denominated in US dollars; the aim therefore is to protect against the risk of an increase in this rate.

As of December 31, 2018, the Group had a swap contract (3-month Euribor swappable for fixed rate of 0.165%) which represents a hedge of 75% of the syndicated loan in euros, or a notional hedged amount of €15 million maturing on January 24, 2022 and another swap contract (3-month Libor swappable for fixed rate of 1.455%) which represents a hedge of 74.75% of the syndicated loan in US dollars, or a notional hedged amount of $6.4 million maturing on July 24, 2019 .

As of December 31, 2018, these different hedging contracts were valued at (-) €96 thousand (carried entirely as a liability) compared with (-) €64 thousand as of December 31, 2017.

The valuation difference, i.e. (-) €32 thousand, has an impact on equity when it concerns contracts that are qualified as perfect hedges pursuant to IFRS 9, which is all of these contracts.

Changes in the fair value of derivatives not qualifying as hedges are recorded in the income statement within foreign exchange gains and losses, representing an expense of €15 thousand for the 2018 financial year.

Summary of interest rate risk exposure
The following table shows the Group's exposure to interest rate risk based on outstanding commitments at December 31, 2018:

(in thousands)	Less than 1 year		1 to 5 years		More than 5 years		Total carrying amount		
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Total
Bond loans	(62)	-	34 684	-	-	-	34 622	-	34 622
Syndicated loans	-	7 406	-	19 943	-	-	-	27 349	27 349
Other bank loans	2 000	5 455	5 250	13 943	-	-	7 250	19 398	26 648
Finance lease liabilities	1 335	-	4 493	-	4 560	-	10 388	-	10 388
Accrued interest	-	504	-	-	-	-	-	504	504
Other financial liabilities	-	-	111	-	-	-	111	-	111
Bank overdrafts	-	26	-	-	-	-	-	26	26
Cash and cash equivalents	21 743	-	-	-	-	-	21 743	-	21 743
NET EXPOSURE BEFORE HEDGING	**25 016**	**13 391**	**44 538**	**33 886**	**4 560**	**-**	**74 114**	**47 277**	**121 391**
Interest rate hedging instruments	5 590	(5 590)	15 000	(15 000)		-	20 590	(20 590)	-
NET EXPOSURE AFTER HEDGING	**30 606**	**7 802**	**59 538**	**18 886**	**4 560**	**-**	**94 704**	**26 687**	**121 391**

Sensitivity analysis on the net borrowing costs to changes in interest rates
For 2018, based on average loan outstandings and current bank overdrafts, a 100 basis point increase in interest rates would have resulted in a €161 thousand increase in the cost of the Group's net debt, i.e. 6.5% of that cost.

Equity risk
The group holds no shares in other companies and no equity UCITS. Its available cash is invested mainly in money market funds or interest-bearing accounts. All transactions that concern treasury shares are recognized directly in equity.

8.3.2. Liquidity risk

The Group conducted a specific review of its liquidity risk and believes it is in a position to meet its future maturities.

As of December 31, 2018, the Group had gross cash and cash equivalents of €21.7 million and gross financial liabilities of €99.6 million.

The table below shows contractual cash flows undiscounted for consolidated net debt:

(in € thousands)	Carrying amount	Contractual cash flows						Total
		2019	2020	2021	2022	2023	2024 and beyond	
Bond loans	34 622	-	-	-	-	35 000	-	35 000
Syndicated loans	27 349	7 477	8 000	8 000	4 000	-	-	27 477
Other bank loans	26 648	7 471	8 518	7 353	3 342	-	-	26 684
Finance lease liabilities	10 388	1 335	1 335	1 252	953	953	4 560	10 388
Accrued interest	504	504	-	-	-	-	-	504
Other financial liabilities	111	111	-	-	-	-	-	111
Bank overdrafts	26	26				-	-	26
Financial Gross Debt	**99 648**	**16 924**	**17 853**	**16 605**	**8 295**	**35 953**	**4 560**	**100 190**
Cash and cash equivalents	21 743	21 743						21 743
FINANCIAL NET DEBT	**77 905**	**(4 819)**	**17 853**	**16 605**	**8 295**	**35 953**	**4 560**	**78 447**

8.3.3. Credit risk

Due to the nature of its business, the Group is exposed to credit risk, especially the risk of its customers defaulting. Details are provided in Note 4.2 of the amounts of the Group's trade receivables and their age.

8.4. Off-balance sheet commitments related to the Group's financing

8.4.1. Covenants

In connection with the bond contract established in June 2015 and the bank loan contract signed in January 2017, Linedata Services undertook, under the terms of covenants, to ensure that as of December 31, 2018, the leverage ratio, i.e. the amount of the net debt divided by the consolidated EBITDA, would not exceed 2.5.

As of December 31, 2018, the leverage ratio stood at 1.769.

8.4.2. Collateral

Linedata Services had not granted any pledges as at 31 December 2018.

8.4.3. Other commitments

As part of its bond loan contracts and syndicated loan, Linedata Services made a number of additional commitments to the banks when it signed its contract, which include a commitment not to subscribe to additional cumulated financial debt of more than €60 million on top of its existing loans, throughout the term of the loan contracts, or to limit the Group's total annual investment.

NOTE 9 INCOME TAX

9.1. Income tax

The income tax charge comprises the consolidated companies' current and deferred tax charges. Tax on items recognized directly in other comprehensive income is recognized in other comprehensive income rather than in the income statement.

9.1.1. Income tax expense

(in € thousands)	12/31/2017	12/31/2018
Current taxes	(5 110)	(5 970)
Deferred taxes	2 588	(1 652)
INCOME TAX EXPENSE	**(2 522)**	**(7 622)**

For the year ended December 31, 2017, the Group had recognized a tax charge of €2.522 million, which corresponds to an effective tax rate of 11.3%. This tax rate essentially reflected the favourable effects of the American tax reform on deferred tax liabilities and those linked to currency losses recognised by Linedata Services SA during the year whose tax effects correspond to a rate of 8.1%.

The amount of losses not recognized at December 31, 2016 totaled €3.861 million, i.e. unrecognized assets of €811 thousand.

9.1.2. Analysis of the tax charge

(in € thousands)	12/31/2017		12/31/2018	
Profit (loss) before tax	22 308		27 275	
Theoretical tax expense	**(7 681)**	**34,4%**	**(9 391)**	**34,4%**
Reconciliation				
Other Permanent differences	1 320	(5,9%)	249	(0,9%)
Impact of unactivated tax losses	(36)	0,2%	-	-
Impact of research tax credit	-	-	19	(0,1%)
Impact of share-based payments	31	(0,1%)	(312)	1,1%
Corporate value-added tax (CVAE)	(410)	1,8%	(464)	1,7%
Tax rate differences - France / other currencies	2 066	(9,3%)	2 384	(8,7%)
Withholding tax on services abroad	(256)	1,1%	(300)	1,1%
American tax reform: Repatriation tax	(1 771)	7,9%	28	(0,1%)
American and frend tax reforms : cut in the tax rate	4 202	(18,8%)	153	(0,6%)
Other	13	(0,1%)	12	(0,0%)
EFFECTIVE TAX EXPENSE / EFFECTIVE TAX RATE	**(2 522)**	**11,3%**	**(7 622)**	**27,9%**

The effective tax rate rose compared with 2017, mainly due to the exceptional impacts of the decreases in tax rates in France and the United States at the end of December 2017. No new impacts are recorded in the 2018 financial statements in respect of these tax reforms.

Other impacts on the effective tax rate relate almost exclusively to the lack of taxation on the results of the Tunisian subsidiaries notably.

The following table provides a breakdown of the tax charge by main geographical area:

(in € thousands)	12/31/2017		12/31/2018	
Southern Europe	(844)	12,3%	(4 737)	31,8%
Northern Europe	(1 004)	16,7%	(524)	16,1%
North America	(518)	6,1%	(2 222)	25,6%
Asia	(156)	17,1%	(139)	32,1%
EFFECTIVE TAX EXPENSE / EFFECTIVE TAX RATE	**(2 522)**	**11,3%**	**(7 622)**	**27,9%**

9.2. Deferred taxes

The Group recognizes deferred tax, in accordance with the liability method, for all temporary differences between the carrying amount and tax basis of its assets and liabilities recognized in the consolidated financial statements.

Deferred tax is measured by entity or tax group using the tax rates that have been enacted or substantially enacted as of the reporting date and that are expected to apply when the tax asset concerned is realized or the tax liability settled.

Deferred tax assets corresponding to temporary differences and tax losses carried forward are only recognized to the extent that it is probable that they will result in future tax savings.

Tax relating to items recognized directly in equity is recognized in equity, rather than in the income statement.

The following table provides a breakdown of deferred taxes by category of temporary difference:

(in € thousands)	12/31/2017	12/31/2018
Retirement benefit obligations	1 901	1 841
Activated tax losses	576	-
Intangible assets	(7 421)	(8 513)
Other temporary differences	748	(39)
NET DEFERRED TAXES	**(4 196)**	**(6 711)**
Of which:		
Deferred tax assets in less than one year	*4 127*	*506*
Deferred tax assets in more than one year	*21*	*1 841*
Deferred tax liabilities in less than one year	*(543)*	*(545)*
Deferred tax liabilities in more than one year	*(7 801)*	*(8 513)*

The deferred tax asset due within one year fell sharply due to utilization in 2018 of the tax consolidation group's tax losses that were generated and capitalized in 2017, as well as reclassification of the deferred tax asset recorded on pension commitments, which was reclassified as being due in more than one year in 2018.

On 27 January 2017, Linedata Services Inc acquired 100% of the shares of Gravitas Technology Services LLC in the United States and its Indian subsidiary Gravitas Technology Private Limited.

Work performed on the identification and valuation of the assets and liabilities acquired had notably enabled the recognition of \$0.4 million of additional software and \$0.5 million of client relations, excluding the effect of deferred taxes.

As indicated in the notes at 30 June 2017, the balance, i.e. \$32 million, was recognized in goodwill, which is amortized for tax purposes over a period of 15 years. As Gravitas is an LLC company, in accordance with IAS 12, a deferred tax liability is recognized annually over the 15-year tax amortization period on the taxable temporary difference arising from the tax amortization of goodwill.

When preparing the notes to the 2017 consolidated financial statements, a table containing details of the allocation of the acquisition price erroneously included a deferred tax asset of €10,311 thousand, while a deferred tax liability of only €330 thousand in respect of the intangible assets recognized when allocating the acquisition price was recognized in the financial statements for the year ended 31 December 2017. This inaccurate information has no impact on the statement of financial position or income statement as at 31 December 2017.

For the period ended 31 December 2018, a deferred tax liability of $527 thousand was recognized, i.e. a cumulative deferred tax liability of $1,054 thousand since taking control of Gravitas.

Changes in net deferred tax during the financial year were as follows:

(in € thousands)	12/31/2017	12/31/2017
As of January 1	**(7 154)**	**(4 196)**
Taxes recognized in profit or loss	2 588	(1 652)
Taxes recognized in equity	1 066	(540)
Foreign currency translation adjustments	(696)	(323)
AS OF DECEMBER 31	**(4 196)**	**(6 711)**

Deferred taxes charged to equity include the cancellation of €465 thousand of deferred taxes following the delivery in June 2018 of bonus shares allocated to non-French resident beneficiaries and the re-invoicing of the cost of the allocation to subsidiaries whose beneficiaries are employees

NOTE 10 EQUITY AND EARNINGS PER SHARE

10.1. Equity

Linedata Services had capital stock of €7,133,529 on December 31, 2018, comprising 7,133,529 shares with a par value of €1 of which 7,132,856 are class A shares and 673 are class B preference shares.

10.1.1. Change in capital stock

As of December 12, 2018, Linedata Services' Board of Directors cancelled 160,500 treasury shares and reduced the nominal share capital accordingly by €160,500.

10.1.2. Treasury stock transactions

All Linedata Services shares held by the parent company are recognized at their acquisition cost as a deduction from equity.Gains or losses, net of tax, resulting from the sale of treasury stock are added to or deducted from consolidated reserves.

As of December 31, 2018, Linedata Services held 389,717 of its own shares, which it acquired as part of the buyback plans authorized by the Annual General Meeting for a total of €12,644 thousand, or an average purchase price of €32.44. These treasury shares were valued at €12,276 thousand (€31.50) at December 31, 2018.
All treasury stock transactions are recognized directly in equity. The impact over the year stands at (-) €15,716 thousand.

10.1.3. Dividends

The Combined Annual General Meeting of Linedata Services' shareholders on May 15, 2018, decided to pay, in respect of the year ended December 31, 2017, an ordinary dividend of €9,846 thousand (€1.35 per share). This dividend, excluding that in respect of treasury shares, totaled €9,646 thousand and was paid on July 9, 2018. The theoretical dividend in respect of the previous financial year was an ordinary dividend of €11,012 thousand (€1.50 per share).

10.2. Earnings per share

Earnings per share as stated in the income statement are calculated on the basis of the profit for the year attributable to owners of the Company:
✓ basic earnings per share are determined on the basis of the weighted average number of common shares outstanding during the period, based on the shares' issue or repurchase date, less treasury stock.
✓ diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding for the dilutive effect of the stock option plans in force as of the reporting date.Only common shares with a potentially dilutive effect are included in the calculation of diluted earnings per share, while shares with an accretive effect are excluded. Potential common shares resulting from stock options exercised at a strike price higher than the average share price are considered accretive.

	12/31/2017	12/31/2018
Profit for the year attributable to owners of the Company *(in € thousands)*	19 786	19 653
Weighted average number of common shares outstanding	7 202 011	6 895 517
BASIC EARNINGS PER SHARE (in €)	**2,75**	**2,85**

	12/31/2017	12/31/2018
Profit for the year attributable to owners of the Company *(in € thousands)*	19 786	19 653
Weighted average number of common shares outstanding	7 202 011	6 895 517
Weighted average number of shares retained in respect of dilutive items	-	-
Weighted average number of shares used to calculate diluted net earnings per share	7 202 011	6 895 517
DILUTED EARNINGS PER SHARE (in €)	**2,75**	**2,85**

10.3. Management of capital risk

The Group's purpose is to preserve business continuity while maximizing returns for its shareholders through capital structure and debt management.

The debt ratio changed as follows:

(in € thousands)	12/31/2017	12/31/2018
Loans and similar borrowings	95 526	99 511
Bank overdrafts	-	26
Cash and cash equivalents	(17 881)	(21 743)
Net debt(*)	**77 645**	**77 794**
Equity attributable to owners of the Company	115 445	113 031
GEARING RATIO	**67,3%**	**68,8%**

(*) not including miscellaneaous other financial liabilities

NOTE 11 EVENTS AFTER THE REPORTING PERIOD

On 7 January 2019, the Linedata Group signed the acquisition of French start-up Loansquare, a new player in corporate financing platforms. By integrating the Loansquare platform, which facilitates the implementation and management of all types of loans via a digital platform that streamlines transactions between borrowers and financial institutions, Linedata is enhancing its loan and financing offering by means of innovative concepts.

NOTE 12 FOREIGN CURRENCY CONVERSION RATES

	Average rate for the year			Rate as of December 31		
	Exercice 2017	Exercice 2018	Change	2017	2018	Change
Tunisian Dinar	2,7205	3,1026	12,3%	2,9416	3,4001	13,5%
Moroccan dirham	10,9414	11,0731	1,2%	11,1980	10,9395	(2,4%)
US Dollar	1,1293	1,1815	4,4%	1,1993	1,1450	(4,7%)
Canadian Dollar	1,4644	1,5302	4,3%	1,5039	1,5605	3,6%
Hong Kong Dollar	8,8012	9,2597	5,0%	9,3720	8,9675	(4,5%)
Pound Sterling	0,8761	0,8847	1,0%	0,8872	0,8945	0,8%
Indian Rupee	73,4980	80,7273	9,0%	76,6055	79,7298	3,9%

Sources: Oanda for Tunisian and Moroccan dinar rates, and Banque de France for other exchange rates.