AKKA

PASSION FOR TECHNOLOGIES

INTEGRATED REPORT 2018

A WORD FROM THE CHAIRMAN

OUR **STRONG GROWTH DYNAMIC** REQUIRES **STRATEGIC AND OPERATIONAL AGILITY**, A HALLMARK OF THE GROUP SINCE ITS CREATION.

Mauro Ricci

Chairman and CEO

In 2018, the AKKA Group accelerated its development, delivering strong performance that exceeded all targets.
One year after launching the CLEAR 2022 strategic plan, the Group has now passed the €1.7 billion pro-forma revenue mark, and employs over 21,000 engineers, working on innovative projects in exciting careers.
In a market where automotive and aerospace sectors are going digital, the Group has recorded a 37% surge in our future mobility, digital and industry 4.0 activities, confirming the relevance of our strategic positioning.

Closer to our global customers
2018 also marks the continuation of our international development, moving closer to our customers and industrial innovation centres.
The success of our deployment in Germany, together with the takeover of Daimler's 35% minority interest in MBtech, bodes well for our continued customer diversification in that market. The acquisition of PDS Tech in the United States builds on the Group's potential in the aerospace industry, and provides immediate synergies between our two customer portfolios. These operations demonstrate our ability to combine organic growth with controlled acquisitions to generate a significant return on investment.

Talent is key to our success
Our success is based on the innovative power of the AKKA Group's men and women. Attracting and developing these talented people remains a priority for the Group in all the markets in which we operate. With a portfolio of top-ranking customers and the ability to invent the technologies of tomorrow with AKKA Research, the Group is the destination of choice for ambitious and talented employees. And with the AKKADEMY, our digital talent recruitment platform, the Group has a unique innovative tool that already trained 500 engineers in 2018.

An agile group for achieving CLEAR 2022 targets
Our strong growth momentum requires strategic and operational agility, a hallmark of the Group since its creation. We ensure that this entrepreneurial culture prevails in the DNA of our leaders over generations.
With this DNAat our core, our balanced sector positioning, our leadership in future mobility and a strengthened digital portfolio, we begin 2019 with confidence, determined to achieve our short- and medium-term objectives.

CONTENTS

* These chapters constitute the annual report, see Article 119 of the Companies Code

CONTENTS

This document is an English translation of the RAPPORT INTÉGRÉ 2018 that was issued in French and drafted in accordance with Belgian law. This document is provided solely for the convenience of English readers and in case of any discrepancies with the French version, the French version prevails.

01

ABOUT THE GROUP

1. AKKA IN BRIEF

AKKA ranks as the European leader in engineering consulting and R&D services in the mobility sector. AKKA supports leading industry players in the automotive, aerospace, rail and Life Sciences sectors throughout the entire life cycle of their products. Accelerating the innovation process for its customers, AKKA provides **its expertise in state-of-the-art digital technologies (AI, ADAS, IoT, Big Data, robotics, embedded computing, machine learning, etc.).**

Founded in 1984, the Group is characterised by its strong entrepreneurial culture, its proximity to customers, and its ability to carry out transnational turn-key projects.

Propelled by its **21,000 staff** who are dedicated to driving the industries of tomorrow, the Group recorded revenues of €1.5 billion in 2018.

Its CLEAR 2022 strategic plan, launched in 2018, is set to consolidate AKKA as the leading technology consultant in the mobility sector while sustainably improving the company's financial performance and accelerating its international development.

2. 2018 KEY FIGURES

AKKA IN FIGURES

€1.5 billion
Revenue in 2018

21,000
Employees

Present in
22 COUNTRIES

OUR TALENT

WORKFORCE: **+35.5%** in 2018

76%
of engineers with a Masters degree

33%
of the total number of employees are "Generation Y"

OUR TALENT (CONTINUED)

top EMPLOYERS INSTITUTE

Recognised as a
TOP Employer in France
and Germany

universum

Member of the TOP 100 most attractive
companies for engineers

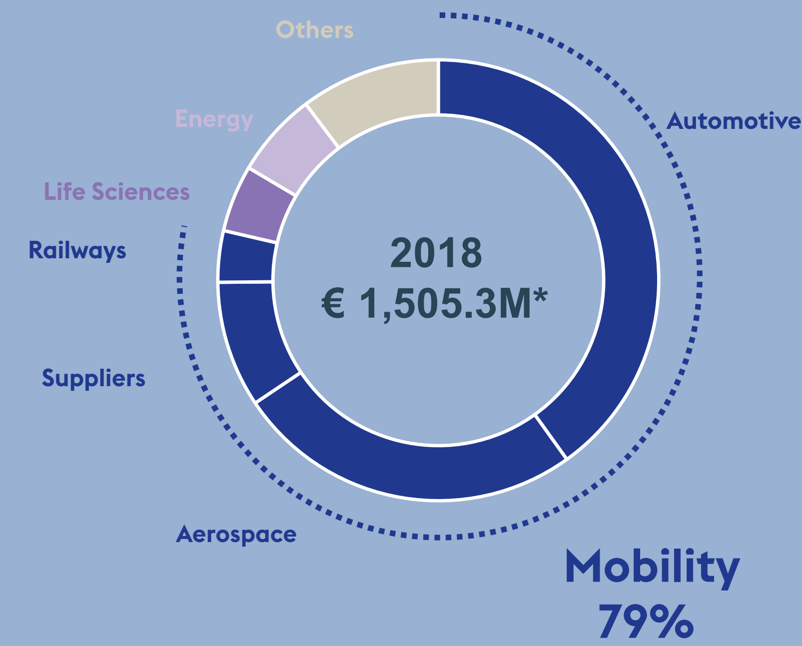
AKKADEMY

500
Engineers trained in 2018

1,000
Planned for 2019

80%
Digital Native

2018 FINANCIAL PERFORMANCE



+ 9.5 % ORGANIC GROWTH

8.0 % OPERATING MARGIN**

4.6 % FCF AS A PERCENTAGE OF REVENUE***

* Consolidation of PDS Tech on 1 November 2018 / ** Operating profit from ordinary activities without PDS Tech / *** FCF adjusted to exclude non-recurring items

CLEAR 2022 TARGETS

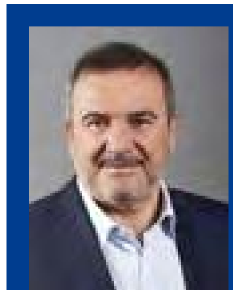
€2.5 billion REVENUE

€250 million CURRENT OPERATING PROFIT

€150 million FREE CASH FLOW

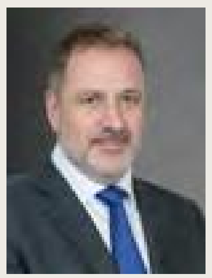
3. GOVERNANCE

EXECUTIVE BOARD



After an impressive career at Renault Automation, Mauro Ricci founded HYSYS in 1984. This company provided manufacturers with technological support in industrialisation and production, as well as consulting services aimed at improving productivity. Mauro Ricci founded three further companies between 1984 and 1999 to complete the services offered by HYSYS. Anticipating market changes, Mauro Ricci merged these four companies into one: AKKA. In 1999, he drew up the Group's strategy with the aim of offering its customers comprehensive R&D services.

Mauro Ricci
Chairman of the Board and Group CEO

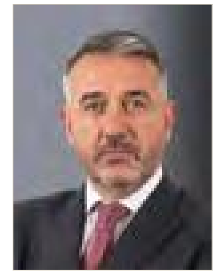


Jean-Franck Ricci joined HYSYS in 1988 as Technical Director. He subsequently became Managing Director of AKKA Product Engineering. At AKKA Development, he was in charge of the Group's international development. Jean-Franck Ricci now holds the position of Group Managing Director in charge of Business Development and Sales.

Jean-Franck Ricci
Group Managing Director
Business Development and Sales

Nicolas Valtille began his career as European management controller for a major company. He went on to work for an emerging multi-site group, for which he made numerous acquisitions in Europe. Nicolas Valtille joined AKKA in 2001.

Nicolas Valtille
Group Managing
Director & Group CFO



Walter Cappilati came to AKKA with 21 years of experience in various management positions at Capgemini, his most recent position was Executive Director of Aerospace & Defence. He was also Capgemini's deputy CEO for Apps in France, CEO of Capgemini Latin America and lastly CEO of SOGETI High Tech, a subsidiary of Capgemini.

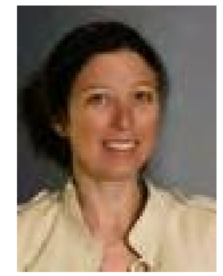
Walter Cappilati
Executive Vice President,
Digital & Strategic Customers

Paolo del Noce joined the AKKA Group in 2014. He was Director of Program Management at COMAU, an Italian engineering company, Purchasing Director and Citybus Platform Director at Irisbus (France), and General Manager Defence, Bus and Fire-fighting at Iveco (Latin America).

Paolo del Noce
CEO France &
Northern Europe

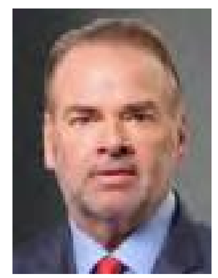
Following his graduation from the École des Mines, Régis began his career as a technical engineer in the automobile industry. He first joined AKKA in 2002 as a Business Manager and subsequently was responsible for key accounts for the Group's automotive sales. After eight years working as Global Sales Director for Lighting Applications at Valeo, he returned to the AKKA Group in 2011 as Vice President of the Automotive Division. Régis Sandrin has been working at AKKA Germany since 2013, first as Vice President of MBtech, then as Chief Operations Officer of the Germany subsidiary of AKKA.

Régis SANDRIN
CEO Germany



Nathalie Buhnemann joined AKKA in late 2013, having worked with the Group as an external consultant during the MBTech takeover in 2012. Prior to this, Nathalie Buhnemann worked at PricewaterhouseCoopers for nearly 13 years where she carried out audit, consulting and transaction (F&A) assignments with companies of all sizes, across all industries and geographic regions.

Nathalie Buhnemann
Group Finance Director



Mr Steven "Cash" Nickerson is Chairman and Financial Director at PDS Tech, Inc., a position which he has held for fifteen years. Throughout his 30-year career he has held various legal and executive roles. He was an Attorney and Marketing Director at Union Pacific Railroad, an Associate and then Partner at Jenner & Block, one of Chicago's top five law firms, and Chairman and CEO of a company operating in the digital economy that he listed on the stock market through a reverse merger. He joined the AKKA Group as Chairman of AKKA North America.

Cash NICKERSON
Chairman AKKA
North America

Primo Meregalli joined AKKA in 2016. He has over 30 years of experience in the consulting industry. In 1990, Primo Meregalli founded a software company that merged with Cedati S.p.A in 1995. In 2000, Cedati joined the Altran group. Primo Meregalli then became CEO of Cedati S.p.A in 2006. In 2008, when Cedati merged with Altran Italia, Primo joined the Board of Directors and was appointed Director of the Automotive, Infrastructure and Transport Division. At the end of 2012, he was appointed Chief Operational Officer of Altran Italy. In 2015, he was also put in charge of the development of activities in Turkey as Operations Manager.

Primo Meregalli
CEO Southern
Europe

Patrick Houry joined AKKA in 2014 as Group Human Resources Director. Over the past 20 plus years, he has held managerial positions at Accenture, SAP and Faurecia.

Patrick Houry
Group Human Resources
Director

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ABOUT THE GROUP

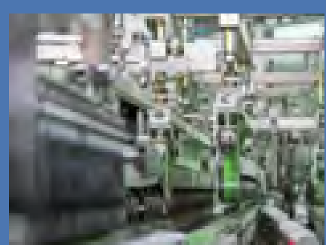
4. HISTORY AND GROWTH

Founded in 1984, in just over 30 years AKKA Technologies has grown from a French automotive engineering company to Europe's leading global Technology Consultancy, operating in a range of business sectors: automotive, aerospace, rail, Life Sciences, energy and defence. **It now employs over 21,000 engineers, spread across Europe, America, Asia and the Middle East.**

- In recent years, the Group has stepped up its targeted acquisition strategy while expanding its global reach and strengthening its position in the European and North American markets. In 2018, it exceeded its revenue, margin and cash generation targets and consolidated its ability to grow more quickly than the Technology Consulting sector.
- Thanks to the AKKADEMY, the Group's strong recruitment momentum continued in 2018, especially in digital skills.

DEVELOPMENT OF THE PORTFOLIO OF SKILLS

1984



DESIGN OFFICE, PROCESS

1995

DESIGN, POWERTRAIN, VEHICLE ARCHITECTURE

2001

EMBEDDED IT

2007

DOWNSTREAM AEROSPACE

2009

ADAS

2012 - 2015

MECHATRONIC, ELECTRIC & HYBRIDS

2018...

DIGITIZATION

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ABOUT THE GROUP

5. THE GROUP'S SIMPLIFIED STRUCTURE AS AT 1 JANUARY 2019

AKKA TECHNOLOGIES

- 100 % AKKA SERVICES
  - 100 % AKKA Informatique et Systèmes
  - 100 % AKKA Ingénierie Produit
    - 100 % AKKA Life Sciences
    - 100 % AKKA Research
    - 100 % Real Fusio France
  - 100 % AKKA I&S
  - 100 % EKIS
  - 100 % AEROCONSEIL
  - 100 % AKKA ENERGY SAS
- 100 % MATIS HOLDING
  - 20 % MATIS
- 80 % MATIS
  - 100 % MATIS High Tech

- 100 % AKKA Switzerland
- 100 % AKKA DEV US
  - 100 % PDS Tech
- 100 % AKKA International
  - 99,99 % AKKA BELGIUM
  - 85 % AKKA NETHERLANDS
  - 100 % BERTONE DIGITAL MOBILITY SRL
  - 100 % The AKKAdemy Switzerland
  - 100 % AKKA Romserv
  - 100 % AKKA DEVELOPEMENT UK
  - 100 % Edelway
  - 100 % CTP System
  - 100 % AKKA Technologies Spain
  - 100 % AKKA Deutschland
    - 100 % AKKA Germany GmbH
    - 100 % AKKA EMV GmbH
    - 100 % AKKA Management Services GmbH
      - 100 % AKKA DSW GmbH
      - 100 % AKKA DSO GmbH
        - 51 % Elektronische Fahrwerksysteme GmbH
      - 100 % AKKA DNO GmbH
      - 100 % ERLKÖNIG Managment Consulting Beijing
  - 100 % AKKA Italia
  - 100 % AKKA Energy Srl
- 100 % AKKA Development
  - 100 % AKKA Groupe Amérique du Nord
  - 100 % AKKA Middle East
  - 100 % AKKA Group North America
  - 100 % AKKA Technologies Mühendislik Ve Danismanlik Limited Sirketi
  - 100 % AKKA Technologies SINGAPORE
    - 100 % AKKA Technologies Beijing
    - 100 % AKKA JAPAN
  - 100 % Corialis Angola SL

- 100 % AKKA Verwaltungs GmbH
- 100 % AKKA GmbH & Co KG aA
  - 100 % AKKA Consulting GmbH
  - 100 % System Design
  - 100 % AKKA EMC GmbH
  - 100 % MBTech Mühendislik ve Danismanlik
  - 100 % MBTech Bohemia
  - 100 % ATP Automotive testing Papenburg
  - 100 % MB SIM Technology
  - 100 % MBTech North America Inc
    - 100 % MB Technology NA LLC
  - 100 % PROCEDA Modelbau
  - 100 % MBTech Hungary Engineering & Consulting

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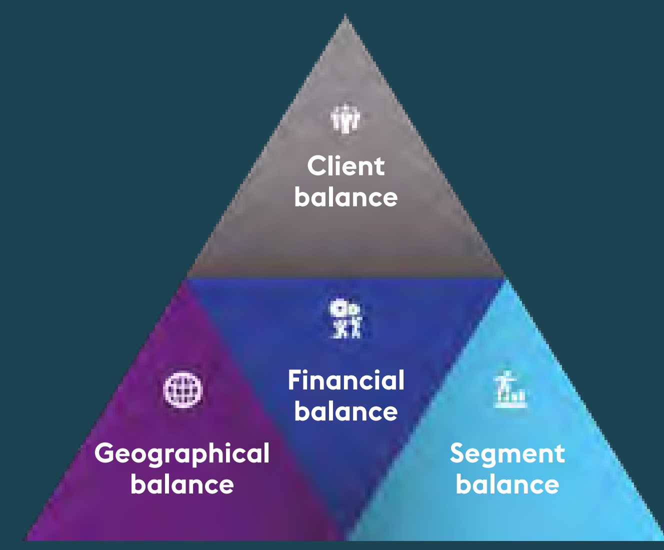
ABOUT THE GROUP

6. THE GROUP'S STRATEGY

AKKA is at the forefront of the digital and connected world, accelerating innovation for the world's largest industrial groups. Digital transformation is radically altering the design and the very nature of all their products and giving rise to constant changes in user behaviour and technologies. Faced with this challenge, AKKA supports its customers throughout the lifecycle of their products. It provides them with expertise across the entire technological product environment together with system integration skills both in the digital world and that of the technologies of tomorrow.

Its unique cross-sectoral approach and its multidisciplinary and technological skills allow the Group to stimulate innovation in all its industrial sectors, taking full advantage of the best solutions and the latest technologies. It deploys a vast ecosystem of open innovation at an international level, bridging the gap between the largest OEMs and the most disruptive start-ups.

A BALANCED STRATEGY



AKKA Technologies strives to pursue balanced development through an aggressive strategy combining both organic and external growth, and is continuing to pursue international development opportunities. AKKA's Strategy of Balances, implemented more than 15 years ago, guides its actions in support of sustainable and profitable growth.

The Group has now achieved a global reach through its operations based in some twenty countries across three business units (France, Germany, International). AKKA is continuing its future international expansion to enable it to be consistently close to its customers, supporting them in achieving their global projects.

A CLEAR STRATEGIC PLAN FOR 2022: CLEAR 2022

Following on from the PACT17 plan, which helped it achieve revenue of €1.3 billion in 2017, the Group's new strategic plan, CLEAR 2022, should enable it to accelerate its growth in a booming market, energised by the impact of new and digital technologies across all industrial ecosystems.

C
CUSTOMER FOCUSED
AKKA will intensify its relationships with its top 20 customers - including Daimler, Airbus, Renault and Volkswagen – and win new accounts thanks to an integrated cross-sectoral offering and its dual engineering and digital expertise. AKKA is determined to step up its organic growth by offering all of the Group's structured offerings to all its customers, generating revenue of between €50 million and €200 million with its top 20 customers.

L
LEADERSHIP IN INNOVATION
To meet its customers' innovation needs, AKKA will implement an active policy of co-innovation through technological and commercial partnerships, with both top-ranking industry players and promising start-ups all over the world. AKKA Research continues to play a pivotal role in driving forward our co-innovation initiative, and developing innovative concepts and demonstrators.

E
EXCELLENCE IN DELIVERY
Through a more integrated organisation, AKKA will increase its productivity while optimising levers around cost, quality and lead times. In particular, the Group's 22 centres of excellence will play a key role in developing structured and cross-sectoral offerings to all our customers worldwide.

A
ATTRACTIVE FOR TALENTS
AKKA has launched an active recruitment policy to grow to 25,000 employees in four years' time. The Group has set up the AKKADEMY, an innovative recruitment and training centre in Geneva, Switzerland with the aim of recruiting young digital talents faster. In 2018, 500 engineers were recruited and trained, and AKKA aims to double this figure in 2019.

R
RESULTS-ORIENTED
With CLEAR 2022, AKKA continues to embrace the profound changes currently underway with confidence and conviction. The various priorities set out in CLEAR 2022 are among the main levers for the acceleration of the Group's growth and international deployment, the improvement of its margins as well as its cash generation to deliver:
o Revenues of €2.5 billion
o Current Operating Profit of €250 million
o Free Cash Flow of €150 million

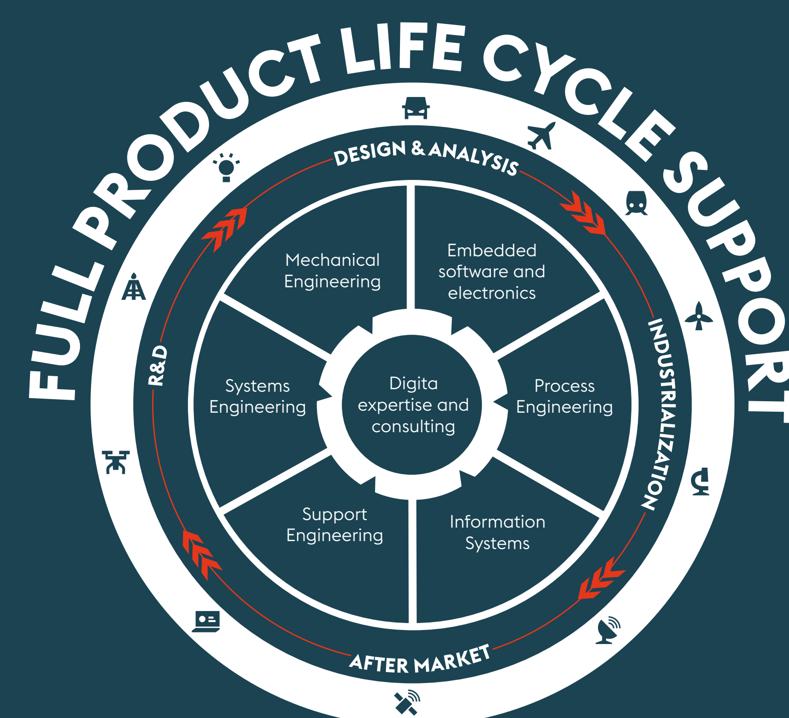
01
ABOUT THE GROUP

CROSS-SECTORAL EXPERTISE

By continuously strengthening its digital expertise, AKKA derives 79% of its revenue from the mobility sector (aeronautics, aerospace, automotive, equipment suppliers and rail), making it the leading European Technology Consultant. In addition, the Group has built up well-known and unique expertise in the Energy and Life Sciences sectors.

A COMPREHENSIVE OFFERING FOR THE COMPLETE LIFE CYCLE

The Group's 21 centres of excellence work on international work packages and offer unique expertise in eight key business areas: Systems Engineering, Mechanical Engineering, Process Engineering, Support Engineering, Digitalisation, Embedded Software and Electronics, Information Systems and Consulting. Its ability to drive major transnational projects on behalf of its customers positions AKKA Technologies as an undisputed leader in Engineering and Technology Consulting.



SYSTEMS ENGINEERING

Our teams develop complex systems (needs analysis, functional specifications from design through to integration and covering major key developments including complexity, certification, flexibility, cost-efficiency).

MECHANICAL ENGINEERING

Our teams are involved in a product's design and development phase and provide high added-value support in the following fields: studies, calculations, simulations, materials, testing and quality.

CONSULTING

Our experts in organisation support our customers in three main fields: consulting in the management of large projects, outsourcing and performance management.

PROCESS ENGINEERING

Our consultants participate in the industrialisation phase in three areas:
• assistance with project contracting and management, in workshops and factories, and related means of production,
• assistance with supply chain management,
• assistance with production: in production engineering and supporting production optimisation.

8 key business areas

21 centres of excellence

INFORMATION SYSTEMS

Our consultants are involved throughout the IS lifecycle, from the creation of blueprints, through assistance with project contracting and management, to third-party applications maintenance in service centres. Our centres of excellence, supported by our AKKA Research R&D centre, offer a high level of skills in leading-edge technologies such as mobile solutions, web portals, cloud computing and analytics.

EMBEDDED SOFTWARE AND ELECTRONICS

Our teams develop embedded software and electronics, scientific data processing applications and test benches. Our expertise in embedded systems also enables us to be part of the "production life cycle", through maintenance activities, development and reengineering of their software.

DIGITALIZATION

Our experts in connectivity (Internet of Things), big data and Artificial Intelligence, visualisation technology (augmented and virtual reality, 3D), additive printing and cyber-security support the digital transformation of companies, products, processes and tools in order to make them more efficient.

SUPPORT ENGINEERING

We offer both documentary services (creation of technical documentation, management of technical data, structuring, processing, visualisation) and support for operations to optimise product maintenance or to develop the product during its "production life cycle", for example, with our aircraft modification offering.

PURSUIT OF TECHNOLOGICAL ADVANCES IN DIGITAL AND TECHNOLOGIES OF THE FUTURE

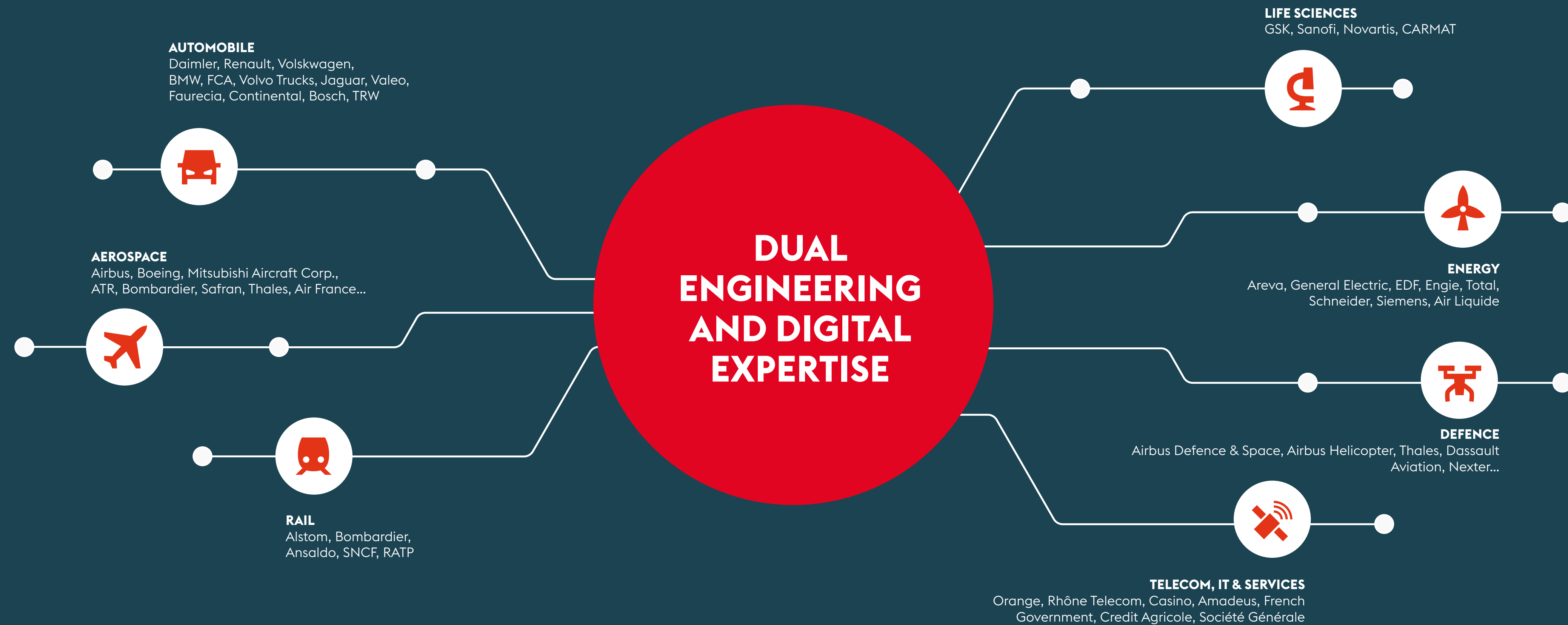
AAKKA will continue to invest in mastering the technologies of the future to capitalise on the opportunities offered by digital continuity in the mobility sector: **digital technologies, autonomous driving, the Internet of Things and mechatronics are cross-sector skills that are highly sought after by players in the automotive, aerospace and rail sectors but also by the entire peripheral ecosystem that will emerge with the development of Smart Cities.**

The Group will also continue to expand in the Life Sciences sector, a fast-growing market that is also being revolutionised by digital technology (cobots, exoskeletons, etc.).

01
ABOUT THE GROUP

A CROSS-SECTORAL APPROACH TO ACCELERATE INNOVATION

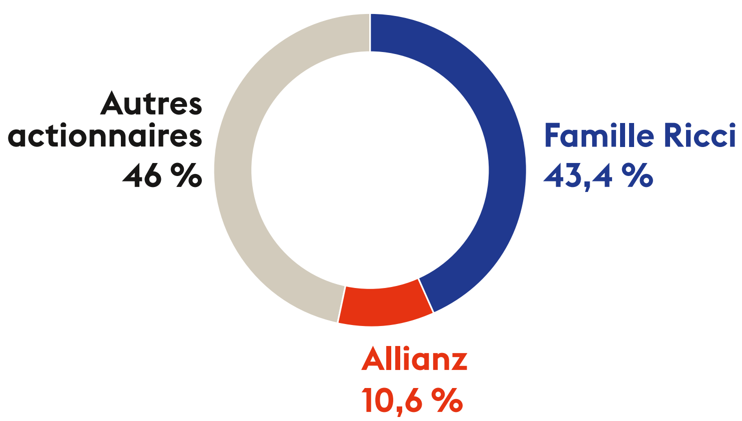
Accelerating innovation for the world's largest industrial groups, AKKA is the leading European Technology Consultant in the mobility sector: Automotive, Aerospace and Rail. The Group is also uniquely positioned in the Life Sciences and Energy sectors.



02

SHARE HISTORY AND OWNERSHIP

1. PERFORMANCE AND SHARE CAPITAL



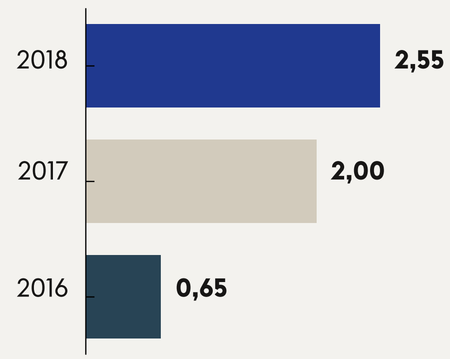
With effect from
31 December 2018
Market captitalisation
€897 million

Number of shares outstanding
20,291,990

Chapter 4.7 includes a complete breakdown

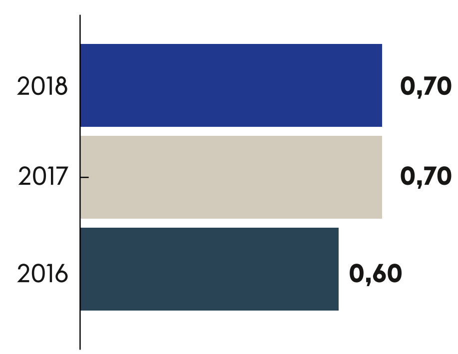
PER (in Euros)- Price Earnings Ratio

+27.5%
VS 2017



Dividends (in Euros)

1.6%
Yield

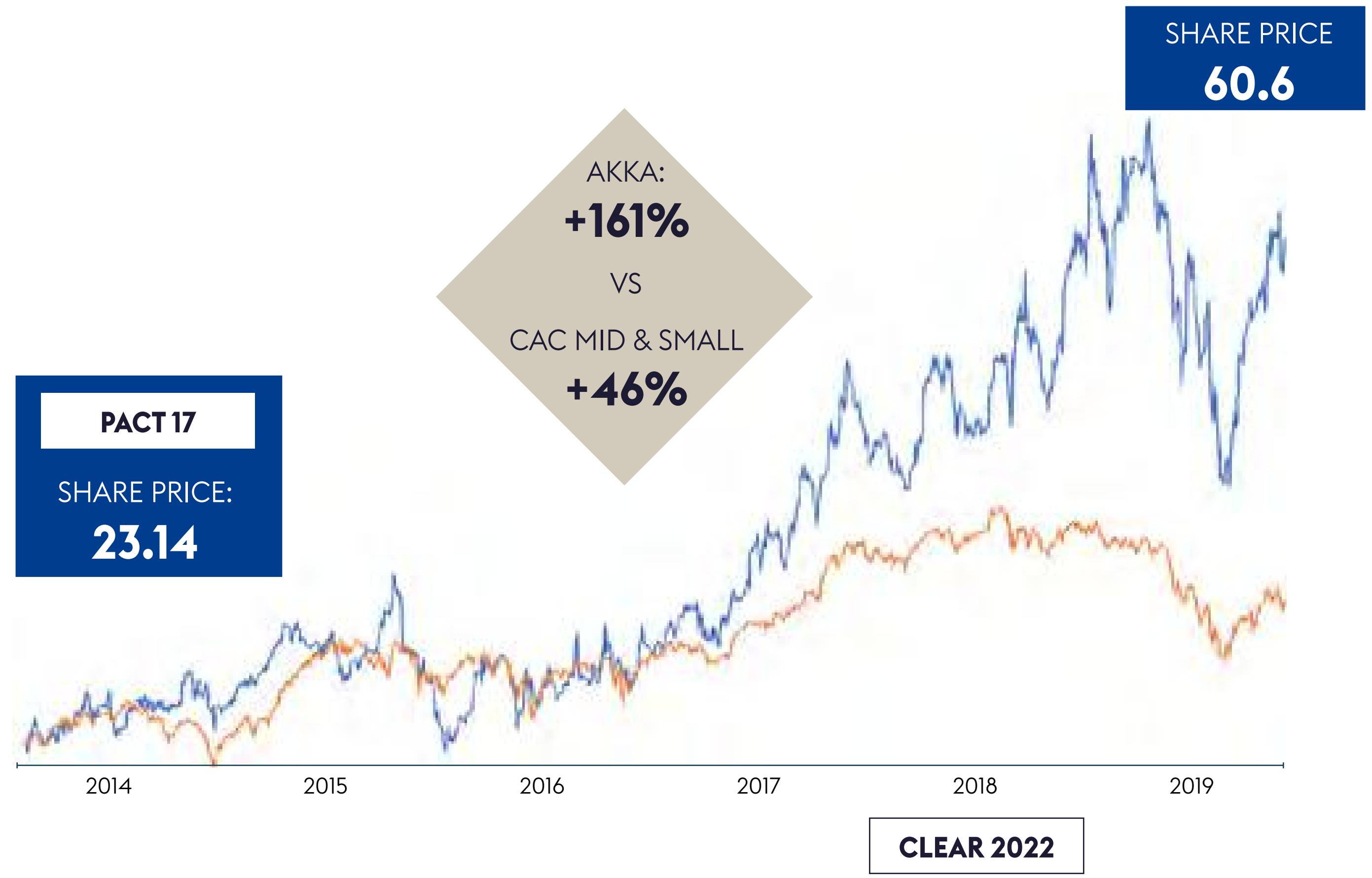


02

SHARE HISTORY AND OWNERSHIP

SHARE PRICE PERFORMANCE

YEAR	HIGHER	LOWER	CLOSE	AVERAGE DAILY TRADING VOLUME
2016	35.00	21.60	34.63	3.523
2017	52.96	34.65	46.30	7.863
2018	70.80	42.10	44.20	19.592
Q1 2019	63.50	42.10	60.60	23.126



FINANCIAL CALENDAR

Monday 6 May 2019:
Revenue for the first quarter of 2019

Thursday 13 June 2019:
Shareholders' Meeting

Thursday 25 July 2019:
Revenue for the first half of 2019

Tuesday 17 September 2019:
Results for the first half of 2019

Thursday 7 November 2019:
Revenue for the third quarter of 2019

The AKKA Technologies SA share is listed on the Eurolist market (segment A) of Euronext Paris and is part of the CAC Mid&Small index and the Family Business index

ISIN code: FR0004180537

For the latest financial information, please see:
www.akka-technologies.com

2. CORPORATE FORM AND PURPOSE

ARTICLE 1 - FORM - NAME

The company has the legal form of a European public limited company, or "Societas Europaea", which makes or has made a public call on savings.

Its name is **"AKKA TECHNOLOGIES".**

This name will always be preceded or followed by "Societas Europaea" or the abbreviation "SE".

ARTICLE 2 - REGISTERED OFFICE.

The registered office is located in Brussels, which includes the entire Brussels conurbation.

The address is avenue Louise 143, 1050 Brussels, Belgium.

The registered office may be transferred to any other location in the French-speaking Region of Belgium or the Brussels-Capital Region by simple decision of the Board of Directors published in the Annexes of the Belgian Official Journal. The Board of Directors subsequently has full power to have the articles of association legally amended. It may also be transferred to another Member State of the European Union in accordance with Articles 931 et seq. of Belgium's Companies Code.

The company may, by simple decision of the Board of Directors, set up administrative offices, branches, agencies, depots and outlets in Belgium or abroad.

ARTICLE 3 - CORPORATE PURPOSE

In any country, the company's purpose is:

- the acquisition, administration and management of a portfolio of investment and company securities,
- the acquisition of interests in any industrial, commercial and/or services company, the creation and/or acquisition of any business interests or branches of businesses involved in the field of workflow management, including the design, study and production of industrial automation equipment and systems,
- the management and coordination of any company, notably for the performance of all management and control offices, and the provision of any commercial, administrative, information technology or other services, as well as employee training, and management and financial advisory services,
- the trading and supply of all products and items useful or necessary for the operation of companies with which it has a business relationship,
- the acquisition, filing and exploitation of patents and trademarks,
- the contribution of technology and the development of technical expertise,
- the provision of services of all types, especially engineering, consulting, support, organisation for industrial, commercial and service companies,
- the training of all people in all areas,
- the organisation of events of all kinds, the participation by the company, by any means, directly or indirectly, in all operations related to its purpose by way of the creation of new companies, the contribution, subscription or purchase of securities or rights, by merger or otherwise, by the creation, acquisition, rental or leasing of all businesses assets or premises, the creation, acquisition, operation or sale of any processes and patents concerning these activities.

And generally, all industrial, commercial, financial, civil, fixed or movable property transactions related directly or indirectly to the corporate purpose or any similar or related purpose.

3. COMPANY CAPITAL

BASELINE DATA	Situation as at 31 December 2018
Total capital	€31,046,744.70
Total number of shares	20,291,990
Number of profit shares	7,927,487
Total number of voting rights (denominator)	28,219,477
Additional data	To date, there are no stock options or convertible bonds, or other securities giving access to capital through the issue of new shares.

4. RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

ARTICLE 9 - NATURE OF SECURITIES

Shares that are not fully paid up shall be in registered form. Shares that are fully paid up and other securities issued by the Company shall be in either registered or dematerialised form, within the limits stipulated by law.

Once the shares have been fully paid up, holders of registered securities may, at their own expense, elect to have their securities converted into dematerialised form. Holders of dematerialised securities may elect, at any time and at their own expense, to have their securities converted into registered form.

Only an entry in the share register or an entry on an account, in the name of the owner or holder, with a certified account holder or with a settlement institution will prove ownership of registered or dematerialised shares.

ARTICLE 10 - INDIVISIBILITY OF SECURITIES

All securities shall be held in undivided ownership vis-à-vis the company.

When a security is held by more than one person, the company may suspend all rights attaching to such security until such time as one person has been identified to the company as the holder of the security.

Unless otherwise agreed by the different owners of a security, the voting right belongs to the usufructuary in Ordinary General Meetings and to the bare owner in Extraordinary General Meetings, or special meetings of shareholders.

However, bare owners are entitled to attend shareholders' meetings at all times.

ARTICLE 11 - SUCCESSORS IN TITLE

The rights and obligations attaching to a security follow that security regardless of whom it is transferred to.

Neither the heirs nor the creditors of a shareholder may, on any grounds whatsoever, require the division or sale by auction of the company's assets, nor interfere in any way whatsoever with the management of the company.

They shall, in exercising their rights, abide by the annual financial statements and decisions of the shareholders' meeting.

ARTICLE 12 – TRANSFER OF SHARES, CONVERTIBLE BONDS AND SUBSCRIPTION RIGHTS

The transfer of shares is not subject to any restriction, notwithstanding legal provisions.

With regard to the company, registered shares are transferred by means of a transfer declaration recorded in the share register, dated and signed by the assignor and assignee or by their proxies, as well as an assignment of claim or any other method permitted in law.

These regulations apply to all company registered shares, as well as all convertible bonds and any registered subscription rights issued by the company.

ARTICLE 13 - PROFIT SHARES

The company may issue profit shares not representing the share capital as remuneration for contributions in kind made by any person who is also a shareholder of the company.

Only the general meeting of shareholders is competent to decide to issue profit shares, subject to the conditions required for amendment of the articles of association. It determines the valuation of the contributions made and the number of profit shares issued in return. It may instruct the Board of Directors to implement a decision to issue profit shares.

Without prejudice to paragraph 4, profit shares may confer on their holders the right to participate in and vote at general meetings of shareholders. In accordance with Article 542, paragraph 2 of Belgium's Companies Code, these securities may not, under any circumstances, give entitlement to more than one vote for each security, be allocated a greater number of votes than half of the votes allocated to all shares, nor be counted in the vote for a number of votes greater than two-thirds of the number of votes cast by the shares.

Profit shares may confer a dividend entitlement and a right to share in the surplus upon liquidation, limited to 5% of the total profit distributable at the time of allocation. This allocation is covered by a separate item on the agenda of the shareholders' meeting.

Profit shareholders may not vote on the allocation of a dividend and/or a share in the liquidation proceeds to profit shareholders.

Profit shares are and will remain in registered form and will be entered in the register of profit shares held at the company's registered office. The company must be notified in writing of any transfer of such shares, which shall be entered in the register of profit shares. Entry therein alone is authoritative.

Profit shares are transferable upon death. They are not transferable inter vivos, except in the following cases:

- The donation of profit shares to a spouse, legal cohabitant or any person heir to the donor;

- the allocation of profit shares to a spouse as part of the profit shareholder's divorce settlement;
- the contribution or transfer of profit shares to a company controlled by the profit shareholder;
- the transfer of profit shares resulting from the merger or division by acquisition of the company holding the profit shares by another company, provided that the companies taken over or split and the acquiring company has the same controlling shareholder within the meaning of Article 5 of Belgium's Companies Code.

On 19 June 2018, the Company issued 7,927,487 profit shares not representing the Company capital, in accordance with the provisions of this article. Each profit share confers the right to participate in and to vote, for one vote, at the shareholders' meeting, as well as a dividend entitlement and a right to share in the surplus upon liquidation, limited to 5% of the total profit distributable at the time of allocation and only by a specific decision of the shareholders' meeting, with the profit shareholders not being able to take part in this decision. The term of validity of these profit shares shall expire on the date on which a double voting rights mechanism attached to the company shares is put in place.

5. CHANGING SHAREHOLDERS' RIGHTS

Shareholders' rights may only be modified, as provided by law, by an extraordinary shareholders' meeting, under the quorum and majority conditions set by Belgium's Companies Code.

The articles of association do not contain any more restrictive provisions.

6. SHAREHOLDERS' MEETINGS

Calling of Meetings (article 29 of the articles of association)

The ordinary shareholders' meeting meets by law on the third Tuesday in June, at 4 p.m.

If that day is a legal public holiday, the Meeting will be held on the next working day.

It is held at the registered office or any other location indicated in the notice.

A shareholders' meeting may be called whenever it is in the company's interest to do so.

One must be held when requested by the Chairman of the Board of Directors, by an executive member of the Board or by an auditor, if there is one, or by shareholders jointly representing at least one tenth of the share capital.

The shareholders' meeting is convened by the Board of Directors or auditors.

Notices contain the information stipulated in the Companies Code and any other regulations, including the place, date, time and agenda for the meeting, and are drawn up in the forms and within the timeframes stipulated in the Companies Code.

One or more shareholders jointly holding at least three per cent (3%) of the share capital may ask for one or more items to be entered on the agenda of any shareholders' meeting.

Participation in meetings

ARTICLE 30 - ADMISSION TO THE MEETING

The right of a shareholder or holder of profit shares to participate in a shareholders' meeting and exercise the voting right attached to the shares or profit shares is subject to these shares or profit shares being entered in the books in the name of this shareholder or holder of profit shares on the date of registration, which is the fourteenth day before the shareholders' meeting, at midnight (Belgian time), or their entry in the company's share register for registered shares or profit shares, or their entry in the accounts of an approved intermediary or settlement institution, regardless of the number of shares held by the shareholder on the day of the shareholders' meeting. The day and time given in this paragraph will determine the date of registration.

Shareholders and holders of profit shares shall inform the company (or the person appointed for such purpose) of their desire to participate in the shareholders' meeting, no later than the sixth day before the date of the meeting, in accordance with the formalities set out in the notice of meeting and presenting the certificate of registration issued to them by the approved intermediary or settlement institution.

Holders of bonds or subscription rights are entitled to attend any shareholders' meeting, but only in an advisory capacity, in accordance with the conditions of admission set out for shareholders.

ARTICLE 31 - REPRESENTATION

Owners of securities may be represented at the shareholders' meeting by a proxy, a shareholder or otherwise, pursuant to the provisions of Articles 547 to 549 of the Companies Code.

Minors, persons not permitted and legal entities may be represented by their legal or statutory bodies.

The Board of Directors may decide on the form of proxies. Powers of attorney must be received by the company no later than the sixth day before the shareholders' meeting. Any power of attorney that reaches the company before publication of an agenda completed in accordance with Article 923 of the Companies Code is valid for the matters to be dealt with entered onto the agenda concerned.

Co-owners, usufructuaries and bare owners, creditors and secured debtors must respectively be represented by one and the same person.

Provisions having the effect of delaying, deferring or preventing a change of control

ARTICLE 7 OF THE ARTICLES OF ASSOCIATION (EXTRACT)

In the event of a public offer to buy the company's shares, the Board of Directors is expressly authorised to increase the capital under the conditions stipulated in Article 607 of the Companies Code. This authorisation is granted for a term of three (3) years, with effect from the date of the extraordinary shareholders' meeting's ruling dated 22 February 2018. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital as outlined above.

Threshold crossings

Threshold crossings are declared as provided by law.

7. PROVISIONS GOVERNING CHANGES IN THE SHARE CAPITAL

ARTICLES 6 AND 7 OF THE ARTICLES OF ASSOCIATION

ARTICLE 6 - CHANGES IN THE SHARE CAPITAL

The capital may be increased or reduced by a decision of the shareholders' meeting in accordance with the conditions required for amending the articles of association.

For capital increases approved by the shareholders' meeting, the price and conditions for issuing new shares are set at the same meeting based on recommendations from the Board of Directors.

Existing shareholders have a pre-emptive right to subscribe for the new shares in cash, in proportion to the number of shares they hold, within a time limit set at the shareholders' meeting, which may not be any less than fifteen days from the opening of the subscription, and in accordance with the conditions determined by the Board of Directors.

Shares with no stated par value below the carrying amount of the par value of existing shares may only be issued in compliance with legal requirements.

Pre-emptive rights may, however, in the Company's best interests, be limited or cancelled by decision of the shareholders' meeting ruling in accordance with the conditions required for amending the articles of association, in favour of one or more designated persons who are not employees of the Company or its subsidiaries, all in accordance with legal provisions.

The right to allocate new shares, following the incorporation of reserves, profits or share premiums into the share capital, belongs to the bare owner, notwithstanding the usufructuary's rights.

The Board of Directors may sign agreements, containing the clauses and conditions it deems appropriate, with any third party in order to ensure that all or part of the shares to be issued are subscribed.

A reduction in share capital is authorised or decided by the extraordinary shareholders' meeting and may not, in any event, derogate from the principle of equality between shareholders.

Reduction of capital below the legal minimum can only be decided under the condition of a capital increase aimed at restoring the legal minimum, unless the company is transformed into another form of company for which the minimum legal capital does not exceed the share capital thus reduced.

Otherwise, any interested party may apply to court to dissolve the company. However this cannot be imposed if the matter has been resolved on the date the court rules on the merits.

The share capital may be redeemed without being reduced by repaying a portion of the distributable profits to securities representing this share capital, in accordance with the law.

ARTICLE 7 - AUTHORISED CAPITAL

The Board of Directors is authorised to increase the share capital, on one or more occasions, under conditions that it imposes, by an amount of up to thirty-one million forty-six thousand seven hundred and forty-four Euros and seventy cents (€31,046,744.70).

The Board of Directors may use this authorisation to issue shares with or without voting rights, convertible bonds, equity notes, subscription rights payable in cash or in kind, and other share equivalents or equity instruments issued by the Company.

Any capital increase effected under this authorisation may be carried out:

- either by means of contributions in cash or in kind, including any restricted share premium, the amount of which is fixed by the Board of Directors, or by creating new shares carrying rights that will be determined by the Board;
- or by converting reserves – including restricted reserves – or the share premium into capital, with or without creating new shares.

This authorisation is granted to the Board of Directors for a period of five (5) years from the date of publication in Belgium of the amendments to the articles of association following the decision of the extraordinary shareholders' meeting held on 22 February 2018. It may be renewed on one or more occasions, in accordance with applicable provisions.

In the event that a capital increase is carried out within the authorised capital, the Board of Directors will allocate any share premium to a restricted account. This account will form part of shareholders' equity in the same way as the share capital, and, provided it is converted into capital by the Board of Directors, may only be reduced or cancelled by the shareholders' meeting under the conditions required by article 612 of the Companies Code.

The Board of Directors may limit or cancel pre-emptive subscription rights of existing shareholders in accordance with the conditions set forth in articles 595 et seq. of the Companies Code if it is in the Company's interests. It may even do so for one or more specific parties other than employees of the Company or of its subsidiaries, except as provided in article 606, paragraph 3 of said Companies Code.

The Board of Directors may decide, with the right of substitution, to amend the articles of association to reflect the Company's new capital and shares each time the share capital is increased within the limit of the authorised capital.

In the event of a public offer to buy the company's shares, the Board of Directors is expressly authorised to increase the capital under the conditions stipulated in Article 607 of the Companies Code. This authorisation is granted for a term of three (3) years, with effect from the date of the extraordinary shareholders' meeting's ruling dated 22 February 2018. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital as outlined above.

02
SHARE HISTORY AND OWNERSHIP

03

MANAGEMENT REPORT

1. FINANCIAL POSITION

1.1 ◆ Key events

In 2018, AKKA exceeded all its targets: one year after launching CLEAR 2022, the Group has now passed the 1.5 billion euros revenue mark.
2018 confirms the success of the deployment in Germany which bodes well for the continuation of strong in-market diversification. The acquisition of PDS Tech is accelerating the Group's diversification in the aerospace industry and providing immediate synergies between the two customer portfolios, enabling it to harness anticipated market growth. The Group is in an ideal position to achieve all its CLEAR 2022 targets due to the strong momentum initiated in 2018.

Activities in future mobility, digital and industry 4.0 technologies surged by 37%, boosting revenues of the three AKKA Business Units. All mobility sectors have seen substantial growth: Aerospace, Automotive and Rail.

The Group's revenue was €1,505.3 million in 2018, an increase of 12.8%. Excluding PDS Tech, organic growth was 9.5% compared with 7% in 2017. The trend in organic growth was significant in each of the three Business Units. In 2018, this was 11.5% in France, 5.1% in Germany and 13.2% in International.

The strong recruitment momentum in 2018 was reflected in a 35.5% increase in the Group's workforce, which will enable it to profit from strong market demand in 2019.

Simultaneously, each of the three Business Units is improving its margins and is approaching the 10% minimum target set for 2022.

1.2 ◆ The Group's results

1.2.1 ◆ Income statement review

The table below contains a summary of the main indicators of the consolidated income statement in accordance with the IFRS standards for the financial years ending 31 December 2017 and 2018.

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Revenue	**1,505,326**	**1,334,388**
Current Operating Profit	**118,075**	**95,450**
Recurring operating profit	108,296	89,248
Operating profit	90,065	75,286
Profit before tax	72,950	59,273
Consolidated net profit	**53,058**	**44,064**
Group share of net profit	50,145	39,253
Consolidated comprehensive income	53,395	43,758
Group share of comprehensive income	50,784	38,754

Note 1.1 - Revenue

The Group's revenue for 2018 jumped by 12.8% up to €1,505 million, supported by its expertise in future mobility, digital and industry 4.0 technologies.

	France		Germany		International (excluding Germany)	
	Value	%	Value	%	Value	%
2018 financial year	615,144	40.9%	510,982	33.9%	379,200	25.2%
2017 financial year	551,605	41.3%	486,218	36.4%	296,546	22.2%

Excluding PDS Tech, organic growth was +9.5% compared with +7% in 2017. Organic growth was strong in each of the three Business Units. In 2018, it was 11.5% in France, 5.1% in Germany and 13.2% in International.

■ **The France Business Unit recorded excellent organic growth of 11.5%** in 2018, with revenue of **€615.1 million**. The pace seen during the first nine months of the year continued in the fourth quarter. Organic growth was 10.3% in this quarter (11.6% as at Q4 2017). AKKA accelerated its market share gains in digital business in a promising environment. This acceleration was supported by the net recruitment of more than 880 engineers over the year as a whole. This excellent momentum indicates continued strong growth for 2019.

■ **The Germany Business Unit achieved a revenue of €511 million**, up 5.1% for the whole of 2018. The BU registered +7.5% acceleration in its growth in the fourth quarter thanks, in particular, to the signing of a €13 million contract in the autonomous vehicle sector (Autonomous Driving Assistance Systems). German diversification continued with double-digit growth for Volkswagen, BMW and Airbus. AKKA has had full ownership of MBtech since September. The Group can therefore build on its leadership position in Germany while continuing to improve its margins.

■ **The Group's international activities (outside Germany) achieved a revenue of €379.2 million in 2018**, up 27.9% over the year. Excluding PDS Tech, which was consolidated with effect from 1 November 2018, international activities showed strong organic growth of 13.2% in its revenue in 2018 (compared with 9.1% in 2017). Organic development was 17.4% in the fourth quarter despite a very high basis for comparison. This trend was driven mainly by North America, Italy, Spain and the United Kingdom.

Note 1.2 - Current Operating Profit

Current Operating Profit was €118,075 thousand in 2018.

	France		Germany		International (excluding Germany)		Others	
	Value	%	Value	%	Value	%	Value	%
2018 financial year	50,847	43.1%	45,840	38.8%	34,110	28.9%	(12,722)	-10.8%
2017 financial year	44,642	46.8%	37,040	38.8%	27,633	28.9%	(13,865)	-14.5%

As a percentage of revenue, the Current Operating Profit represented 7.8% in 2018 compared with 7.2% in 2017. In 2018, Germany in particular recorded strong growth in its operating margin of 140 basis points at 9% and achieved a margin of 10.6% in the second half of the year.
AKKA's Current Operating Profit, excluding PDS Tech, rose by 80 basis points to 8%. If we include PDS Tech, which was consolidated on 1 November 2018, the Current Operating Profit grew by 24% to €118.1 million in 2018.

Note 1.3 - Operating profit

The operating profit was €90,065 thousand, including a cost related to free shares and stock options of €9,779 thousand in 2018 (€6,203 thousand in 2017).

Note 1.4 - Cost of net financial debt

The cost of net financial debt was slightly up at 1.0% of revenue (compared with 0.9% in 2017) as a result of the new Schuldschein contract (SSD), with a greater volume but a lower average cost (on average less than 1.5%).

Note 1.5 - Corporation tax

The corporation tax expense was €19,891 thousand in 2018, representing 27.3% of pre-tax profit (compared with 25.6% in 2017). This included €7,962 thousand for the CVAE, a French local business tax based on value added.

Note 1.6 - Consolidated net profit

The Group share of consolidated net profit was €50,145 thousand in 2018 (compared with €39,253 thousand in 2017), representing €2.55 per share compared with €2.00 in 2017.

1.2.2 ◆ Balance sheet review

The table below contains a summary of the consolidated balance sheet prepared in accordance with IFRS, expressed in thousands of euros:

ASSETS - Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Goodwill	360,847	285,648
Other non-current assets	262,921	243,295
Non-current assets	**623,767**	**528,943**
Current accounts receivable and inventories	360,736	336,857
Cash and cash equivalents	271,785	430,892
Current assets	**632,520**	**767,750**
TOTAL ASSETS	**1,256,289**	**1,296,693**

LIABILITIES - Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Group share of equity	258,368	231,756
Minority interests	305	34,501
Non-current financial liabilities	479,860	516,022
Other non-current liabilities	40,356	30,173
Current financial liabilities	71,155	109,902
Other current liabilities	406,245	374,339
TOTAL LIABILITIES	**1,256,289**	**1,296,693**

Note 2.1 - Goodwill

Goodwill, consisting of differences in acquisitions and business assets, stood at €360,847 thousand as at 31 December 2018 against €285,648 thousand in the previous financial year. The increase in this item is mainly due to the acquisition of PDS Tech.

Note 2.2 - Change in cash

Statement of cash flows - in thousands of euros	31 Dec. 2018	31 Dec. 2017
Cash, cash equivalents and bank overdrafts at the start of the year	430,892	158,958
Net cash flow associated with business operations	129,482	69,127
Net cash flow associated with investment transactions	(165,526)	(130,942)
Net cash flow associated with financing transactions	(122,934)	334,483
Impact of changes in foreign currency exchange rates	(129)	(734)
Cash, cash equivalents and bank overdrafts at year end	**271,785**	**430,892**

Details of the Group's financing are provided in the Consolidated Financial Statements in section 4.13 of Chapter 6 of this Annual Report.

Note 2.3 - Shareholders' equity

Shareholders' equity amounted to €258,673 thousand on 31 December 2018 compared with €266,258 thousand on 31 December 2017, i.e. a reduction of 2.9%. On 31 December 2018, shareholders' equity represented 20.6% of the balance sheet total.

The main changes in shareholders' equity are as follows:

- consolidated net profit for the 2018 financial year of +€53,058 thousand;
- changes in the other items of comprehensive income amounting to +€336 thousand;
- impact of changes to the scope of consolidation for -€55,434 thousand;
- dividends of -€13,768 thousand paid to shareholders in 2018, for the year ending 31 December 2017;
- performance share plan of +€8,207 thousand.

Note 2.4 - Debt

Net debt stood at €279,230 thousand on 31 December 2018, against €195,032 thousand on 31 December 2017.

	31 Dec. 2018	31 Dec. 2017
Net financial debt/Shareholders' equity	107.9%	73.2%
Net financial debt/Revenue	18.5%	14.6%
Cost of net financial debt/Revenue	1.0%	0.9%

Note 2.5 - Interest rate hedging

Details of the Group's interest rate hedging are provided in the Consolidated Financial Statements in section 4.13 of Chapter 6 of this Annual Report.

2. SCOPE OF CONSOLIDATION

The scope of consolidation is presented in the consolidated accounts in section 4.13 of Chapter 6 of the Consolidated Financial Statements of this Annual Report.

The main changes over the last three years are as follows:

Acquisitions in the last 3 years	Items acquired	Date of integration into consolidation	Geographic distribution of the activity on the date of acquisition
Erlkonig	100% of the shares	2016	Germany/China
CTP System Srl	100% of the shares	2017	Italy
Edelway	100% of the shares	2017	Switzerland/Spain
Gigatronik	100% of the shares	2017	Germany/Austria/Switzerland
AKKA GmbH & Co. KGaA (ex-Mbtech Group)	35% of the shares	2018	N/A*
PDS Tech Inc.	100% of the shares	2018	United States

*The Group already previously had control of the Mbtech Group and consequently the companies were already consolidated.

There were no major changes to the scope of consolidation over the last three years.

3. RESEARCH AND DEVELOPMENT ACTIVITIES

The costs of research and development undertaken in 2018 rose to €65,223 thousand and were recorded under expenses for the financial year, i.e. 4.3% of revenue (4.0% in 2017).

AKKA Research, the in-house technology centre created in 2010, predicts future trends to explore and areas to develop new cutting-edge skills and technologies.

The centre is a veritable "high-tech laboratory" serving all of the Group's customers, across every sector. It tests and develops solutions that can be used in industry in the future by following a phased workflow:

- Phase 1: development of new skills.
- Phase 2: development of proofs - Proof of Concept (POC).
- Phase 3: development of demonstrators.

In line with advancements in the innovation market, AKKA Research operates as a flexible and adaptable network: a permanent team of around forty employees across France, Belgium and Germany lead a network of around a hundred multi-sector experts who are capable of collaborating in project-based work according to market requirements.

In close collaboration with the Group's operational teams, AKKA Research works on four major technology lines – consistent with the Group's global strategy and its customers' needs:

- Digitalisation in industry: artificial intelligence, Big Data and cloud computing, the Internet of Things, 5G connectivity, cyber security;
- Autonomous electric systems: autonomous connected robotics, electric mobility, electric networks;
- Advanced design and manufacturing: tools and methods for engineers (mechanical: 3D printing, programmable materials, digital and collaborative systems engineering);
- Augmented operator: HMI, mechatronics and cobotics, immersive technologies.

In addition to these technology lines, AKKA Research develops the skills, methods and tools for the future of innovation. Using the approaches of design thinking adapted to a context where start-up and partner network ecosystems enables new solutions to be quickly prototyped and tested.

AKKA Research works simultaneously on subsidised collaborative projects enabling it to anticipate long-term technological developments (European [H2020, EUREKA, etc.], national [ANR, FUI, etc.] and regional funding instruments or in partnership with a customer which it supports, for example in the development of a building block or an innovative project).

The centre is part of an ecosystem of national and international R&D partners consisting of universities, research laboratories and private companies, some of which are customers of the Group. It also leads innovation projects with a number of partner engineering schools (Centrale Paris, Centrale Lille, UTBM, ISAE, etc.). In 2018, it welcomed some 15 interns, three apprentices and three doctoral students who are currently preparing their theses through the Industrial Agreements for Training through Research (CIFRE) scheme, supported by the ANRT (National Association for Research and Technology) in the autonomous vehicle sector. Two new CIFRE doctoral theses have been accepted, one in image processing and the other in the analysis and processing of sonar signals by neural networks. The Group continues to build its skillset by recruiting young doctoral graduates to spearhead its technology lines, in particular in machine learning, artificial intelligence and cyber-security.

Six collaborative R&D projects were conducted in 2018: SEFA-IKKY (new human-machine interface development tools for the aircraft cockpits of the future); VALET (platooning solutions for the redistribution of autonomous self-service vehicles); TRACE (integration and validation of mass market electronic components in automotive architecture); AUTOPILOT (improvement of autonomous driving through IoT and Big Data technologies); ELVITEN (large-scale experimentation in new light electric mobility services); EUSysFlex (new large-scale smart grid solutions for high-level integration of renewable energies into European distribution networks).

A new European project awarded this year and which has just begun can be added to the list. Known as the H2020 5G-MOBIX project, it is aimed at testing 5G technology used in autonomous connected vehicles along cross-border corridors. This project allows AKKA Research to continue its efforts and to maintain its visibility in the field of intelligent, autonomous transport, as well as in the field of future telecoms technologies. AKKA Research teams will work on solutions for communication between the vehicle and its environment, in particular for protecting vulnerable users (pedestrians, cyclists). AKKA Research will bring its expertise in Cloud and Mobile Edge Computing in support of 5G connectivity to optimise the critical information exchange flow in real time.
AKKA Research will also be responsible for managing test data to ensure impact measurement is consistent across all test sites.

This year, during the Automotive Techdays trade fair in Lyon, as part of the future mobility theme, AKKA unveiled a functional prototype of the Drive by Wire ergonomic steering wheel. This prototype, with acceleration and braking controls on the steering wheel, has been patented by AKKA. The demonstrator was linked to a simulator in a 3D environment, also developed by AKKA, in Bordeaux, so that its performance could be assessed. This project reflects the move towards thinking of new ways to design the connected electric vehicles of tomorrow, where manual drive meets autonomous drive. Major design work has been carried out in combining topological optimisation and 3D printing, while at the same time improving the ergonomics of the steering wheel thanks to the support of the team of ergonomics engineers in Toulouse. This project is also an example of a human adventure due to its interdisciplinary and inter-site nature.

This interdisciplinary, inter-site collaboration for innovation does not stop in France but is the international approach. In 2018, the German teams were heavily involved in the Link&Fly research programme, headed up by France, working on the technical challenges of aeronautics of the future (more electric aircrafts, cockpit of the future, optimisation of power systems, on-board services, etc.). Most of these innovations will be unveiled at the next Paris International Air Show.

This openness for international collaboration does not stop at this programme; Germany is also involved in immersive technologies and Belgium in the field of artificial intelligence.

AKKA Research has also forged partnerships with high-tech companies, such as GAIAA on a project for the 3D reconstruction of the environment for the City of Bordeaux and with the IDRE, EZ-Wheel and Cdiscount companies for the development of a supply chain robotisation solution (industry of the future).

Finally, AKKA Research teams represented the AKKA Group at scientific and technical meetings where their work was presented. These include:

- **January 2018:** EMBEDDED REAL TIME SOFTWARE AND SYSTEMS (E^2RTS), drone: detect&avoid;
- **April-May 2018:** Demonstration of the AirCobot platform in Singapore and Malaysia;
- **June 2018:** Participation in the National ROS (Robot Operating System) Days in Toulouse;
- **September 2018:** The European Conference on Computer Vision, Prior 3D-Maps and Real-time Obstacle Detection for Autonomous Driving, in Munich;
- **November 2018, in Lyon:** The Automotive Techdays: Drive by Wire steering wheel;
- **July 2018:** Publication: A Statistical Update of Grid Representations from Range Sensors, Luis Roldao.

Today, innovation is a decisive factor for company growth. Whether it relates to an autonomous and connected electric car or an autonomous robot that is capable of carrying out non-destructive aircraft testing, AKKA has always demonstrated its ability to come up with breakthrough solutions. Today, with its CLEAR 2022 strategic plan, the Group wants to go one step further and is setting its sights on leadership in innovation. Thanks to an active co-innovation policy through technological and commercial partnerships with leading players such as promising start-ups, the Group expects to perform at least 75% of its business in digital technologies by 2022.

4. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FACING THE GROUP

4.1 ◆ Risks associated with staff and management

AKKA's performance and the satisfaction of its customers depend on the men and women who work in the Group.
Therefore, in 2005, the Group set up an Employees' Savings Scheme (PPE), open to employees with at least 3 months' service in the Group's French companies. In 2006, an AKKA Technologies Mutual Investment Fund was created with attractive conditions.
An Incentive Management Programme (IMP) was launched in 2017 for key managers with the aim of retaining and motivating the Group's talented workforce to meet the growth targets set out in the CLEAR 2022 plan.

Customer relationships are structured around several people in order to limit the impact of the departure or absence of an employee or a manager. However, the Group's strong culture serves to cement employee loyalty.

The Group's key executive officers are AKKA Technologies shareholders.

4.2 ◆ Risks associated with acquisitions

Acquisitions are envisaged when they are of strategic interest to the Group in terms of geographical location or synergy between businesses, whilst creating value and accelerating growth. The investment decision is taken after full due diligence of the target company (operational, financial, tax, social, and business) and rigorous analysis of the findings.

The challenges facing the Group in terms of acquisitions include the Company's ability to identify attractive targets, acquire companies on favourable terms, integrate them into its operations in such a way as to achieve harmonious commercial development, without sacrificing the Strategy of Balances that has guided the Group since its inception.

AKKA Technologies may have to turn to the banks or the financial market to finance these acquisitions by borrowing or making use of financial instruments. Such commitments may result in an increase in financial risks, imposition of certain restrictions or result in a dilutive impact for shareholders.

Moreover, acquiring companies, in the same way as other substantial transactions, generally results in additional expenses.

The company's business, financial position, results, growth and medium- and long-term prospects could be significantly affected if one or more of these risks were to materialise.

The Group's Financial Department runs an efficient and operational organisation able to take action if faced with acquisition risks, notably by carrying out various checks or reducing these risks.

4.3 ◆ Risks associated with Customers

The AKKA Group's activities cover a large number of customers based in different countries and operating in key industrial sectors, thus protecting the Group from exposure to the hazards of an economic downturn.

Moreover, the customer portfolio comprises major groups operating in industry and the services sectors in France and abroad which, in most cases, work with AKKA Technologies or for which AKKA Technologies works through various contractors.

Customer diversification is a critical part of the AKKA Technologies Group's "Strategy of Balances". Diversification has been a success in recent years: the weighting of the top 10 customers has eased by 5 percentage points in the space of two years. This trend will be accentuated in the coming months and years thanks to our business strategy, combined with our external growth strategy.

This diversification was a key challenge of the PACT17 strategic plan and is consolidated in the CLEAR 2022 plan, notably with the aim of developing 10 further major customers in addition to our TOP 10, and of reaching a critical size (between 30 and 50 million euros, depending on the manufacturer's size) with each of them (top 20).

AKKA continues its strategy of investing in future technological expertise to make the most of the tremendous prospects for growth in the mobility sector: autonomous driving, the Internet of Things and robotics are cross-sector skills that are highly sought after by players in the automotive, aerospace and rail sectors, but also by an entire peripheral ecosystem that will emerge with the development of Smart Cities. The Group also continues its expansion in the Life Sciences sector, a fast-growing market that is also being revolutionised by digital technology (cobots, exoskeletons, etc.).

In 2018 the Group's largest customer, DAIMLER, accounted for 18.9% of revenue (22.4% in 2017). The Group's top 10 customers accounted for 57.7% of the consolidated revenue (60.9% in 2017 and 62.9% in 2016).

4.4 ◆ Competition risk

The Group's operations in the leading European and international business regions and its referencing by major industrial customers has made it a benchmark in its sector in Europe.

Most key accounts have initiated a policy aimed at reducing the number of technology consultancies with which they work. This has resulted in a reduction in the number of partners approved as suppliers, which has tended to benefit larger players.

These players conduct approvals on a regular basis (every three years on average).

However, the loss by the Group of a position on a supplier list could have a temporary impact on its revenue, business volumes and profitability.

The AKKA Technologies Group's organisation nevertheless gives it a significant measure of responsiveness and a high degree of flexibility, enabling it to adapt very quickly to changes in its markets and the requirements of its customers.

The geographical and sector spread of the Group's revenue and the segmentation of its offerings further mitigate this risk.

Its expertise in the various phases of any project, from R&D to series production, its organisation around its centres of excellence and its unique know-how in turnkey projects are also undeniable competitive advantages that have played a part in its past resilience.

4.5 ◆ Legal and regulatory risks

The General Management of each country, with the support of its Chief Financial Officer and the Legal Department, is responsible for ensuring that the company complies with laws and regulations in force.

Any disputes are immediately notified to the Group's General Management.

Most confirmed or potential disputes are handled by the General Management and the Administrative and Financial Department of the company in question, with the support of the Legal Department in respect of commercial, administrative and insurance issues.

The Legal Department may call on independent counsel on matters in the litigation or pre-litigation stages.

The company has had a Key Accounts Department in charge of coordinating the commercial and legal analysis of prospective commercial agreements since 2018. As such, the holding company centralises customer contracts, especially those involving more than one Group company or containing a performance obligation.

To date, and to the Group's best knowledge, adequate provisions have been set aside to cover all disputes liable to have a significant impact on the Group's business, results, financial position or assets and liabilities.

See Consolidated Financial Statements, Chapter 6 - 4.12

4.6 ◆ Financial risks

4.6.1 ◆ Exchange rate risk

See Consolidated Financial Statements, Chapter 6 - 4.13

4.6.2 ◆ Investment and counterparty risk

See Consolidated Financial Statements, Chapter 6 - 4.13

4.6.3 ◆ Interest rate risk

See Consolidated Financial Statements, Chapter 6 - 4.13

4.6.4 ◆ Liquidity risk

See Consolidated Financial Statements, Chapter 6 - 4.13

4.7 ◆ Risk with regard to business ethics and respect for human rights

The Group remains firmly established in countries which have robust legislation on labour law. As an employer, the Group could be exposed to issues of freedom of association or collective bargaining rights, but it considers this risk very low, given the deployment of its HR policy and its generalised performance review process. Moreover, the activities of the Group and its markets actually reduce the risks of illegal, forced or child labour.

The Group is not positioned on any public markets or in any countries recognised as corrupt. In-house risk mapping has not identified this risk as significant. In any case, through its Code of Conduct, the Group ensures that all situations potentially harmful to its reputation or its business are avoided.

4.8 ◆ Environmental risks

Given the nature of our business, the Group's activities do not have any environmental consequences. However, the Group is aware of its environmental responsibility and therefore endeavours to reduce its energy footprint. See Chapter 5.

4.9 ◆ Insurance policy

The main policies taken out within the Group are as follows:

- Operational, professional, after-sales civil liability,
- Civil liability for aerospace and space industry products,
- Executive officers' civil liability insurance,
- Comprehensive property damage,
- Repatriation assistance,
- Vehicle fleet,
- Social security.

In addition, each of the Group's entities takes out the insurance policies required by local laws in its host country (inexcusable fault civil liability, employer's liability, workers compensation, etc.) and those that are appropriate to its specific risks (operating losses, civil liability in respect of private vehicles used on company business, etc.).

The AKKA Technologies Group's Insurance Department is responsible for annual contract negotiation and also monitors the insurance policy in relation to the risks involving the civil liability of the company, its subsidiaries and its directors.

Civil liability policies are taken out by AKKA Technologies on behalf of all its subsidiaries under international insurance programmes. Depending on local legal requirements, the Group's subsidiaries also benefit from a "no excess" policy and, where applicable, a "difference in terms and conditions and limits" guarantee in respect of local policies, whether or not they are included in the international insurance programmes.

Acquisitions are included in the Group's insurance policy and cover is adapted to their specific needs.

The new risks emerging at Group level are identified and assessed and transferred to the insurance policies.

The summary table below shows the main insurance policies taken out, namely:

Insurance policy	Insured party/parties	Excess	Amount of cover
Operational civil liability	AKKA Technologies and all its subsidiaries	€5,000	€25,000,000 per incident
Professional/after-sales civil liability		€100,000	€25,000,000 per year and per incident
Civil liability for aeronautics and space industry products	AKKA Technologies and all its subsidiaries	None.	€150,000,000 per year and per incident (with effect from 2018)
Executive officers' civil liability	Directors of the AKKA Technologies Group	None.	€40,000,000

5. PRESENTATION OF AKKA TECHNOLOGIES SE'S ANNUAL FINANCIAL STATEMENTS FOR THE YEAR

During the year ending 31 December 2018, the company continued its role as a holding company for all the Group companies.

The table below contains a summary of the main aggregates of the consolidated income statement for the years ending 31 December 2018 and 2017. The full version of the annual financial statements has been deposited with the Banque Nationale de Belgique:

Income statement Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Net revenue	34,656	22,568
Operating profit	(29)	(3,659)
Financial income/(expense)	15,301	9,494
Exceptional profit	-	1,752
Income tax	(1,645)	(2,879)
Profit or loss	16,917	10,467

Balance Sheet Assets Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Net intangible and tangible fixed assets	787	576
Net financial fixed assets	263,206	156,297
Fixed assets	**263,993**	**156,872**
Net receivables	501,905	488,661
Cash and cash equivalents	18,839	252,835
Current assets	**520,744**	**741,652**
Accruals	3,707	2,976
TOTAL ASSETS	**788,445**	**901,500**

Balance Sheet Liabilities Amounts in thousands of euros	31 Dec. 2018 *	31 Dec. 2017
Shareholders' equity *	70,437	80,839
Provisions for risks and expenses	5,703	2,974
Financial debts	524,500	613,364
Operating debts *	186,274	204,264
Miscellaneous debts	1,530	60
TOTAL LIABILITIES	**788,445**	**901,500**

* Including the proposed 2018 dividend payments of €14,204 thousand.

6. THE GROUP'S DEVELOPMENT AND FUTURE PROSPECTS

■ **2019** - Demand remains strong, especially in digital and in the mobility sectors, which represent AKKA's core strategic areas. In this promising environment, the Group's expertise in future mobility and digital technologies promises a profitable 2019. To date, the Group anticipates organic growth of 6% with an operating margin of 8.5% and an FCF of 5%.

■ **In the medium term**, thanks to its balanced sectoral positioning and a strong digital portfolio, AKKA will continue to benefit from investments in ER&D to generate growth greater than that of the underlying markets.

■ **The CLEAR 2022 strategic plan** will enable the company to benefit from the growth offered by the digital revolution and ensure continued improvement in financial performance, reaching the following targets by 2022:

> **€2.5 billion** in Revenue;
> **€250 million** in Current Operating Profit;
> **€150 million** in Free Cash Flow.

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CORPORATE GOVERNANCE STATEMENT

1. COROPORATE GOVERNANCE CODE

AKKA Technologies uses the Belgian Code of Corporate Governance of 12 March 2009 (the "Daems Code") as its benchmark. It is available on the Moniteur belge [Belgian Official Journal] website and on www.corporategovernance.committee.be.

The Corporate Governance Charter was introduced when the Company's registered office was transferred to Belgium on 3 May 2018 and updated on 19 June 2018. It is available on the Company's website and on the FSMA's website (the Belgian Financial Services and Markets Authority). It sets out the principles and rules determining how the Company is managed and controlled, as well as the corporate structure around which corporate governance is organised. The Company's Board of Directors is committed to these principles, based on transparency and accountability, thus instilling trust in its shareholders and investors. The Board of Directors undertakes to comply with the principles of good governance at all times, while always taking the specific nature of the Company into account. It applies the Daems Code in accordance with the "comply or explain" principle.

AKKA Technologies only deviates from the Daems Code on a limited number of matters: deviations from these recommendations can be explained in light of the Company's business, the associated operations and the structure of the Board of Directors:

- Principle 1.5 of the Daems Code recommends a clear division of responsibilities at the head of the Company between, on the one hand, the running of the Board of Directors and, on the other, the executive responsibility for running the Company's business. AKKA deviates from this rule as the Chairman of the Board of Directors also permanently represents the Company's Chief Executive Officer. This choice can be explained by historical reasons related to the Company's shareholding structure. Mauro Ricci is in effect the founder of the Company and the person behind its significant growth since its incorporation. He is also a key shareholder of the Company, and its main promoter.

- Principle 2.9 of the Daems Code recommends that the Board of Directors should appoint a Company Secretary to advise on governance matters. Given the limited size of the Board of Directors and its effective decision-making process, there is currently no need to formally appoint a secretary. The Group's General Counsel is always present on the Board of Directors and fulfils this role.

- Principle 5.5 of the Daems Code recommends that each specialised committee of the Board of Directors should include at least three members. The Appointments and Remuneration Committee only has two members, who are non-executive directors. It is chaired by an independent director with the required expertise in remuneration policy.

- Principle 7.11 of the Daems Code recommends that an appropriate portion of an executive manager's remuneration package should be structured so as to link rewards to corporate and individual performance. This is the case of the executive managers who are not members of the Board of Directors. By contrast, the executive directors currently only receive a fixed remuneration. However, as significant shareholders of the Company, they do have a direct interest in its performance.

2. BOARD OF DIRECTORS

2.1 ◆ Composition

The Company has opted for a one-tier system. Therefore, the Board of Directors is responsible for the general running of the Company's business and is accountable for its management to the Shareholders' Meeting in accordance with Articles 898 and 899 of Belgium's Companies Code.

The Board of Directors determines the company's business direction and ensures that it is implemented. It has the power to perform all acts necessary or useful to achieving the Company's corporate purpose, with the exception of those which the law reserves for the Shareholders' Meeting.

As at 31 December 2018, the Board of Directors had ten members, including:

- six non-executive directors, three of whom meet the independence criteria established by Belgium's Companies Code;
- three executive directors who are also responsible for day-to-day management;
- one director nominated by the workers' representatives.

The list of directors can be found below:

Mauro Ricci - 58 years old
Chief Executive Officer (CEO) - Chairman of the Board of Directors - responsible for day-to-day management
After a distinguished career at RENAULT AUTOMATION, Maurice Ricci founded HYSYS in 1984. This company provided technological support for industrialisation and production, to several manufacturers, as well as consulting services in productivity improvement. Other organisations complemented the HYSYS services offering. In anticipation of market developments, he set up a Group strategy in 1999 that aimed to bring together various organisations in order to offer a complete research and development service to its customers.

Jean-Franck Ricci - 50 years old
Chief Executive Officer (CEO) - GROUP MANAGING DIRECTOR IN CHARGE OF BUSINESS DEVELOPMENT AND SALES - responsible for day-to-day management
Jean-Franck Ricci joined HYSYS in 1988 as Technical Director. He subsequently became Managing Director of AKKA Product Engineering. At AKKA Development, he was in charge of the Group's international development. Jean-Franck Ricci now holds the position of Group Managing Director in charge of Business Development and Sales.

Nicolas Valtille - 53 years old
Chief Executive Officer (CEO) - GROUP MANAGING DIRECTOR & GROUP CFO - responsible for day-to-day management
Nicolas Valtille started his career as European management controller for a major company. After working with large, fast-growing groups and making many acquisitions in Europe, he joined the AKKA Group in 2001.

Alain Tisserand – Independent Director - 64 years old
With more than 30 years' experience in engineering and consulting, and a former head of one of France's largest design offices, Alain Tisserand has lent his support to the AKKA Technologies Group since 2002. Since his arrival, he has contributed significantly to the Group's growth, particularly in the aerospace sector.

Cécile Monnot – Director - 56 years old
After beginning her career at Rhône-Poulenc in management control, Cécile Monnot joined AKKA Technologies in 1995. To start with, she held the position of Administrative and Financial Director of a subsidiary, before taking charge of the Group's management control from 2004 until 2011. Since 2012, she has been in charge of IDEACTIVE Training.

Guy Lacroix – Director – 68 years old
A graduate of ESME (Special School of Mechanics and Electricity) and INSEAD (European Institute of Business Administration), Guy Lacroix joined SEEE (Société d'Études et d'Entreprises Électriques) in 1977 as a Business Engineer. He carried out progressive duties at the company and ended up becoming the Director. In 1996, he was appointed as the Chief Executive Officer.
In 2001, he was called upon to create INEO within the SUEZ group, which then became GDF-SUEZ and then, as is it known today, ENGIE.
Appointed CEO of Ineo in 2001, he served in this capacity and the following functions until the end of 2015:
- Deputy CEO of the Energy Services division of the GDF-SUEZ Group, since renamed ENGIE;
- Head of the FSIM BU, which housed INEO, AXIMA, ENDEL and FSA.

Guy Lacroix joined AKKA's General Management team in June 2016.

His business vision can be summed up as follows:
- an entrepreneurial spirit of continuous innovation in partnership with customers,
- encouraging management teams to anticipate changes in the environment and in the areas of business, openness to digital technology and the complexity of the markets.

Charlotte Ricci – Director – 29 years old
Charlotte Ricci has been a director of the Group since 5 June 2012.

Valérie Magloire – Independent Director – 61 years old
A graduate of the Paris Institute of Political Studies, Valérie Magloire started her career in 1979 at PSA Peugeot Citroën, first as the controller of a Peugeot division, then as a specialist in long-term financing and the person responsible for banking relationships within the Group's Finance Department.
From 1996 to 2008, she was in charge of the Group's investor relations.
Valérie Magloire joined Michelin in July 2008 and was appointed Head of Investor Relations in February 2009.

Muriel Barneoud – Independent Director – 50 years old
Muriel Barneoud is a graduate of the Paris Institute of Political Studies and ENSPTT (French National School of Posts and Telecommunications) and holds a DESS specialised graduate degree in financial management and taxation.
After beginning her career at Arthur Andersen, she joined the La Poste Group in 1994.
While she is currently the Director of Social Engagement at La Poste, she has also held the position of Chief Executive Officer of Docapost (a subsidiary of the La Poste Group specialising in transitioning companies and institutions to digital and mobile) and Assistant Managing Director of the Post division, in the capacity of Industrial Director.
She is an elected member of the Paris Île-de-France Regional CCI (Chamber of Commerce and Industry) and sits on the management committee of the CNAM (National Conservatory of Arts and Crafts) Abbé Grégoire foundation. She is very active within Finance Innovation, where she has jointly managed several working groups.
Muriel Barneoud is a Knight of the National Order of the Legion of Honour.

Jean-Luc Perodeau – Director – 41 years old
Jean-Luc Perodeau is Director representing all employees. He was appointed by the Group's Board on 7 November 2017 in accordance with the Articles of Association amended by the shareholders' meeting of 15 June 2017. An engineer by training, he currently holds the position of Project Manager at Aeroconseil, working within the Production division of the Aircraft Modification department.

2.2 ◆ Changes to the composition of the Board of Directors

The composition of the Board of Directors did not change during the 2018 financial year. When the company's registered office was transferred to Belgium, all the directors' terms of office were renewed for their remaining duration.

2.3 ◆ Gender diversity

The Board of Directors is made up of four women and six men. This composition complies with the provisions of Article 518 bis §1 of Belgium's Companies Code with regard to gender diversity.

2.4 ◆ Duration and expiry of terms of office and appointment procedure

Directors are appointed for a three-year term of office, which is renewable.

Directors are appointed by the Shareholders' Meeting upon nomination by the Board of Directors and after consulting the Appointments and Remuneration Committee.

The responsibilities of the Appointments and Remuneration Committee include advising on the size and functioning of the Board of Directors and the suitability of candidates to the needs of the Board.

The table below summarises the current terms of office and their duration:

Director	Position	Date of appointment/renewal	Duration
Maurice Ricci	Executive Director Chairman and CEO	Shareholders' meeting of 15 June 2017	Until the shareholders' meeting considers the accounts for the year ending 31 December 2019
Jean-Franck Ricci	Executive Director - CEO	Shareholders' meeting of 16 June 2016	Until the shareholders' meeting considers the accounts for the year ending 31 December 2018
Nicolas Valtille	Executive Director - CEO	Shareholders' meeting of 19 June 2018	Until the shareholders' meeting considers the accounts for the year ending 31 December 2020
Muriel Barneoud	Independent Director	Shareholders' meeting of 15 June 2017	Until the shareholders' meeting considers the accounts for the year ending 31 December 2019
Guy Lacroix	Director	Shareholders' meeting of 19 June 2018	Until the shareholders' meeting considers the accounts for the year ending 31 December 2020
Valérie Magloire	Independent Director	Shareholders' meeting of 15 June 2017	Until the shareholders' meeting considers the accounts for the year ending 31 December 2019
Cécile Monnot	Director	Shareholders' meeting of 15 June 2017	Until the shareholders' meeting considers the accounts for the year ending 31 December 2019
Jean-Luc Perodeau	Director (representing employees)	The Group's Board on 7 November 2017	Until the shareholders' meeting considers the accounts for the year ending 31 December 2019
Charlotte Ricci	Director	Shareholders' meeting of 19 June 2018	Until the shareholders' meeting considers the accounts for the year ending 31 December 2020
Alain Tisserand	Independent Director	Shareholders' meeting of 16 June 2016	Until the shareholders' meeting considers the accounts for the year ending 31 December 2018

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CORPORATE GOVERNANCE STATEMENT

2.5 ◆ Board of Directors' activity report

In 2018, the Board of Directors discussed all major issues affecting the Group. It met seven times, under the chairmanship of Mauro Ricci.

The minutes of meetings of the Board of Directors drawn up after each meeting are communicated or made available to all Directors and recorded in the corporate records required for this purpose, and stored at the Company's premises.

Meetings of the Board of Directors are usually held at the registered office. The average attendance rate of members at meetings of the Board of Directors was 80% in 2018.

2.6 ◆ Assessment

The Chairman of the Board regularly calls on the members to comment on the functioning of the Board and the preparation of its work. This assessment took place at the meeting of 18 March 2019. The assessment was conducted on the basis of a detailed questionnaire. From the discussions that followed an analysis of the responses, it emerged that no adverse developments had been observed compared with the previous positive assessment of 20 March 2018. The Chairman duly noted this assessment.

2.7 ◆ Conflicts of interest

The statutory regulation relating to conflicts of interest for directors, (Article 523 of Belgium's Companies Code), applies to decisions or actions arising from the competences of the Board of Directors, subject to the following conditions:

- A director has a direct or indirect property interest, i.e. an interest with financial implication;
- This interest conflicts with the Company's interest in the decision or action in question.

Under these provisions, directors are required to inform other directors before making a decision. They should leave the meeting during the discussion of the relevant agenda item. They cannot take part in the debate or the decision taken on this agenda item.

To the company's knowledge, none of the directors currently have a conflict of interest within the meaning of Article 523 of Belgian's Companies Code of which the Board of Directors has not been informed, with the exception of the management agreements drawn up between the Company and the management companies of the three managing directors.

Other than potential conflicts relating to remuneration issues, the Company does not foresee any other potential conflicts of interest in the immediate future.

With regard to conflicts of interest relating to transactions with related companies, the procedure of Article 524 of Belgian's Companies Code did not have to be applied in 2018.

3. REMUNERATION COMMITTEE

The Board of Directors has set up a single Appointments and Remuneration Committee which performs the following duties:

- establishing the procedures for appointing directors, CEOs and other members of the executive management;
- periodically assessing the size and composition of the Board of Directors and submitting recommendations to the Board of Directors for possible changes;
- identifying and proposing candidates for vacant positions to be filled for the approval of the Board of Directors;
- advising on nominations from shareholders;
- giving due consideration to succession issues.

It also submits proposals regarding:

- the remuneration policy of non-executive directors and members of the executive management, as well as, where applicable, any resulting proposals that must be submitted to the shareholders;
- the remuneration of the directors and the members of the executive management, including variable remuneration and long-term incentive schemes, linked to shares or otherwise, in the form of share options or other financial instruments, and of severance payments and, where applicable, the resulting proposals that must be submitted to the shareholders.

The Appointments and Remuneration Committee is comprised of two non-executive directors. The Chair of the Appointments and Remuneration Committee is an independent director who has the casting vote when the vote is tied:

- Ms Muriel Barneoud (Chair – independent director)
- Mr Guy Lacroix (Director)

4. AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee responsible for the following duties:

- monitoring the financial reporting process;
- monitoring the efficiency of the systems for the Company's internal control and risk management;
- monitoring the internal audit, where applicable, and its effectiveness;
- monitoring the statutory audit of the financial statements and the consolidated financial statements, including the follow-up of questions and recommendations made by the auditor;
- assessing and monitoring the auditor's independence, in particular in relation to additional services provided to the Company.

The Audit Committee is made up of three non-executive directors, two of whom are independent:

- Mr Alain Tisserand (Chair – Independent Director)
- Ms Valérie Magloire (Independent Director – responsible for accounting and auditing)
- Ms Charlotte Ricci

4.1 ◆ internal control and risk management system

The system implemented by AKKA is based on the "Reference framework for risk management and internal control systems for small caps and midcaps" published by the AMF on 22 July 2010.

This system is under the responsibility of the Control & Internal Audit Department, a cross-disciplinary Group function that is independent of operating entities.

The internal control system is applied across the entire AKKA Group, from the parent company to the subsidiaries, most of which are housed in three business units. Each business unit is run by a management team in charge of all operational and support functions

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The main objective of internal control is to contribute to the effectiveness of operations and the efficient use of resources.

Internal control is designed to address the risks to which the entities of the AKKA Group are exposed, with the aim of providing reasonable assurance that risks arising from the company's activities, including the risk of fraud, particularly in the fields of accounting and finance, are controlled.

The system is based on the framework laid down by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, and serves to provide reasonable assurance in respect of the following:

- compliance with laws and regulations,
- proper application of instructions and guidelines set by the General Management,
- proper functioning of the company's internal processes, particularly those aimed at safeguarding its assets,
- reliability of financial information.

RISK IDENTIFICATION

The risks resulting from the company's activities are reviewed periodically in the Group's various entities. This approach serves to identify and analyse any factors liable to prevent the Group from achieving its objectives and/or preserving its assets.

The analysis draws on the input of the management of the relevant entities and managers in charge of key business processes and support functions.

The involvement of managers helps raise the awareness of people in the field on the issues of internal control and the need to comply with best practices more generally.

The internal control system described below has been designed to respond to the risks identified through adequate procedures.

INTERNAL CONTROL FRAMEWORK

AKKA Group's internal control system comprises several reference documents that apply to all Group entities.

It is the responsibility of operational management to implement these standards.

AKKA Group Internal Control Standards

The Group has set up the "AKKA Group Internal Control Standards" with the purpose of clarifying management rules.

The Standards underline the basic principles of internal control:

- Organisation adapted to the challenges
- Separation of duties (SoD)
- Supervision of the delegation of power and signing authority

For each operational and support process, the Standards indicate the management rules to be complied with and the procedures to be formalised.

AKKA Code of Conduct

The Code of Conduct sets out the AKKA Group's values, principles of ethical conduct, the obligation to comply with laws and regulations, and the rules to be followed in combatting corruption and conflicts of interest.

The Code applies to all Group entities and all Group employees. It has been translated into the three main working languages (English, French and German) and is available on the Intranet.

Quality Management System

The Quality Management System encompasses all operational procedures applicable to the Group's various businesses. Quality systems are certified in accordance with generic standards (ISO 9001, ISO27001, ISO14001, etc.) and/or business-specific standards (EN 9001, IRIS, etc.).

PROCESSES AND KEY INTERNAL CONTROL PLAYERS

The Group's corporate support functions have laid down standards aimed at controlling perceived risks for each major process.

Sales and Project Management

Each Group entity must comply with contracting and project management rules:

- Pre-sale analysis to identify and cover technical and financial risks
- Respect for intra-group transfer pricing rules
- Monitoring of orders so as to limit the risks of non-billable services
- Billing procedure to optimise cash flows and reduce amounts outstanding

To regulate business and legal risks, the Group's Executive Committee must approve all key customer contracts and commercial propositions.

In each Business Unit, commitment authorisations in respect of customer contracts are governed by formalised delegation rules.

Purchasing

Suppliers are selected based on calls for tender and according to objective criteria aimed at guaranteeing the quality and competitiveness of the goods and services purchased.

The Group's purchasing policy consists of extending, as far as possible, the principle of establishing approved supplier panels by purchasing category so as to enable the Group to benefit from negotiated prices and better purchasing terms.

Given its direct link with the quality of goods and services delivered to customers, outsourcing is subject to greater scrutiny.

Human Resources

Recruitment, human resources management, pay and industrial relations are entrusted to the local entities.

To this end, the Business Unit management team is responsible for ensuring compliance with the laws and regulations in each country of operation.

Particularly sensitive procedures (recruitment, pay, expense management, employee terminations) must be formalised, and any potential or actual industrial disputes must be reported to the Group.

Finance

The Standards set by the Group finance function are designed to align the financial operations and minimise the risk of fraud:

- certain matters are managed directly at Group level: financial communication, intra-group financial flows, choosing external service providers, etc.
- in terms of tasks managed at local level, operating rules have been defined by the Corporate Finance and Group Controlling functions: accounting principles, budget planning and budgetary procedures, rules for calculating turnover, etc.
- monthly reporting to the Group ensures ongoing visibility.

Legal

With the support of the Group's Legal Department, each Business Unit is responsible for ensuring compliance with laws and regulations in force in its area. Subsidiaries may call on independent advisors, particularly in the event of disputes and for specific operations, after approval of such services by the Group.

Coverage of the main civil and product liability risks is centralised at Group level.

Monthly legal reporting is used at the Group level to track actual litigation or potential risks, allowing coordinated action to be taken if necessary.

IT

Management of IT standards and systems at Group level guarantees the overall consistency and constant availability of the company's IT tools.

All major supplier agreements (hardware, software and services) must also be approved by the IT function before being signed.

A backup and archiving system ensures data continuity and immediate accessibility.

Information System Security

The Group Information Systems Security function is tasked with ensuring the availability, integrity and confidentiality of information.

The system is based, in particular, on a strict process for managing access to management applications.

Common rules to protect employees and confidential information are set out in the Group's security policy.

Communication

In order to preserve AKKA's image, major communication initiatives and/or policies are managed at Group level:

Quality / Safety / Environment

Each Business Unit is responsible for defining a Quality, Safety and Environment management system adapted to customer requirements and complying with applicable laws and regulations.

5. EXECUTIVE MANAGEMENT

The Company has not set up a two-tier system with a board of directors and a supervisory board.

The company's general management is provided by its three directors responsible for day-to-day management, and who also carry out CEO duties:

- VALVEST MANAGEMENT SPRL, represented by Mr Nicolas Valtille;
- HR MANAGEMENT & INVESTMENT SPRL, permanently represented by Mr Jean-Franck Ricci;
- BMC MANAGEMENT & INVESTMENT SPRL, permanently represented by Mr Mauro Ricci.

The day-to-day management delegates are competent and involve the Company in this management system.

6. TRANSPARENCY RULES

6.1 ◆ Competent authority and relationship with the authorities

The Company remained listed exclusively on the EURONEXT PARIS stock exchange after transferring its registered office to Belgium. Therefore, as regards the control and prevention of market abuse, this falls within the joint competence of the French (AMF) and Belgian (FSMA) authorities.

Statements relating in particular to the disclosure of major holdings, the publication of inside or regulated information and dealings made by persons with managerial responsibilities are drawn up in Belgium under the control of the FSMA.

6.2 ◆ Code of conduct for securities markets matters

The Company has drawn up a code of conduct for securities markets matters in accordance with French law, taking into account Belgian law when this is stricter.

6.3 ◆ Inside Information

Inside Information is defined as any information of a specific nature that has not been made public, which directly or indirectly concerns the Company or the financial instruments issued by the Company and which, if made public, could significantly affect the price of those financial instruments or the price of financial instruments derived from them.

The Company keeps a list of persons with access to Inside Information and discloses this list at the request of the competent authority.

The Company publishes the Inside Information relating thereto as soon as possible.

6.4 ◆ Manager dealing and notification of manager dealings

Manager dealing is understood as any dealing for their own account relating to the Company's shares or debt instruments, or to derivatives or other financial instruments related to them, by directors, members of the executive management and, more generally, any person discharging managerial responsibilities with the Company and all persons closely associated with these persons within the meaning of Article 3.1, 26) of Regulation (EU) No 596/2014.

To ensure effective management of the financial communications strategy developed by the managers and to prevent the use of Inside information, Article 19.11 of the Market Abuse Regulation (MAR) sets out the principle of defining blackout periods during which time certain persons must refrain from dealings relating to the shares or debt instruments of the issuer or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or year-end report that the issuer is required to make public.

The AKKA TECHNOLOGIES group has extended the application of blackout periods to all persons who have regular or occasional access to Inside Information, i.e. those on the List of Insiders, as well as a 15-day period before the publication of quarterly information.

The Company and the FSMA are notified of Manager Dealings by the relevant persons within three working days of the dealing in accordance with Article 19 of Regulation (EU) No 596/2014 and delegated regulations adopted by the Commission in application of that Regulation.

Below is a list of dealings carried out by directors and their close associates in the 2018 financial year:

Date	Declared by	Position	Type	Unit price	Nbr shares
26 February 2018	Cécile Monnot	Director	Transfer	€54.90	2,952
4 May 2018	Cécile Monnot	Director	Transfer	€58.61	7,000
10 April 2018	Associate of Guy Lacroix	Director	Acquisition	€49.60	315
15 May 2018	Associate of Guy Lacroix	Director	Transfer	€60.00	964
16 May 2018	Jean-Franck Ricci	Director	Transfer	€59.5978	1,036
17 May 2018	Jean-Franck Ricci	Director	Transfer	€59.7183	9,178
18 May 2018	Jean-Franck Ricci	Director	Transfer	€60.1964	4,786
21 December 2018	Campus Rocquencourt SAS	Member of the "Ricci family group" community	Came in as a member of the "Ricci family group" community	€55.00	95,578
21 December 2018	Mauro Ricci	Director	Indirect transfer	€55.00	95,578
21 December 2018	Nicolas Valtille	Director	Investment in Campus Rocquencourt SAS	€55.00	12,233
21 December 2018	Jean-Franck Ricci	Director	Investment in Campus Rocquencourt SAS	€55.00	34,731

7. SHAREHOLDERS

The table below shows the shareholding structure and voting right as at 31 December 2018:

AKKA TECHNOLOGIES: shareholding of the RICCI Family Group and voting rights

	AS AT 31.12.2018				
Shareholder	**shares**	**% shares**	**profit shares**	**total voting rights**	**% voting rights**
RICCI MAURO	2,364,822	11.7%	2,364,822	4,729,644	16.8%
BMC MANAGEMENT AND INVESTMENT	3,395,424	16.7%	3,395,424	6,790,848	24.1%
IDEACTIVE EVENTS	1,017,001	5.0%	1,017,001	2,034,002	7.2%
sub-total M. Ricci holdings	**6,777,247**	**33.4%**	**6,777,247**	**13,554,494**	**48.0%**
Ricci Jean-Franck	900,153	4.4%	934,884	1,835,037	6.5%
CAMPUS ROCQUENCOURT	95,578	0.5%	-	95,578	0.3%
Monnot Cécile	437,488	2.2%	-	437,488	1.6%
Ricci Benjamin & Charlotte (NP)	388,576	1.9%	-	388,576	1.4%
Ricci Benjamin	6,549	0.0%	-	6,549	0.0%
Ricci Charlotte	1,508	0.0%	-	1,508	0.0%
Valtille Nicolas	203,123	1.0%	215,356	418,479	1.5%
sub-total Ricci Family Group	**8,810,222**	**43.4%**	**7,927,487**	**16,737,709**	**59.3%**
ALLIANZ	2,143,584	10.6%	-	2,143,584	7.6%
Other shareholders	9,338,184	46.0%	-	9,338,184	33.1%
TOTAL	**20,291,990**	**100.0%**	**7,927,487**	**28,219,477**	**100.0%**

8. REMUNERATION REPORT

General principles:

As regards the remuneration of the members of the Board of Directors, the company complied with the recommendations of the French Middlenext Corporate Governance Code (when its registered office was in France) and then with those of the Belgian Code of Corporate Governance 2009 (after the transfer of the registered office). As such, the principles for determining compensation meet the criteria of comprehensiveness, balance, benchmarking, consistency, clarity, measure and transparency.

The remunerations and benefits of all kinds granted to directors consist, where appropriate, of a fixed portion and/or of one or more service contracts underwritten by private management companies with one or more of the Company's subsidiary holding companies.

Executive or non-executive directors do not receive any deferred remuneration, severance pay or pensions. The directors' remuneration does not include any exceptional items.

In addition, executive directors do not receive directors' fees.

8.1 ◆ Remuneration of executive directors

The remunerations and benefits of all kinds granted to executive directors are determined in accordance with the following principles and rules:

Annual fixed remuneration

Executive directors receive fixed annual remuneration payable in 12 monthly instalments. The amount is determined by the level of responsibility, experience and market practices.

The annual fixed remuneration received by the executive directors is the sum of the following two items added together:

(i) A fixed remuneration received from the Company (until 3 May 2018);

(ii) One or more service contracts underwritten by private management companies with one or more of the Company's subsidiary holding companies

In addition, the executive directors benefit from the use of a company car.

Annual variable remuneration

The executive directors do not receive any annual variable remuneration

The executive directors do not currently receive any long-term remuneration in the form of performance shares or share subscription or purchase options.

The Shareholders' Meeting of 19 June 2018 authorised the implementation of a stock option scheme for the benefit of certain members of the executive management and/or employees of the Company. The features of this scheme do not allow for the acquisition or exercise of a right to acquire a company share less than three years before its allocation.

Exceptional remuneration

The executive directors' remuneration does not include any exceptional items.

Since the transfer of its registered office to Belgium, the Company has set up an Appointments and Remuneration Committee which, at its meeting on 3 May 2018, approved the remuneration policy for executive directors described above.

Remuneration elements for 2018 for Mauro Ricci - Chairman of the Board of Directors, Chief Executive Officer (CEO) and responsible for the Company's day-to-day management:

Fixed remuneration [1]	EUR 1,573,283
Annual variable remuneration	- no annual variable remuneration
Long-term remuneration	- no long-term remuneration
Exceptional remuneration	- no exceptional remuneration
Pension	- no pension
Other benefits	- company car

Remuneration elements for 2018 for Jean-Franck Ricci - Chief Executive Officer (CEO) and responsible for the Company's day-to-day management:

Fixed remuneration [2]	EUR 997,256
Annual variable remuneration	- no annual variable remuneration
Long-term remuneration	- no long-term remuneration
Exceptional remuneration	- no exceptional remuneration
Pension	- no pension
Other benefits	- company car

Remuneration elements for 2018 for Nicolas Valtille - Chief Executive Officer (CEO) and responsible for the Company's day-to-day management

Fixed remuneration (3)	EUR 1,017,256
Annual variable remuneration	- no annual variable remuneration
Long-term remuneration	- no long-term remuneration
Exceptional remuneration	- no exceptional remuneration
Pension	- no pension
Other benefits	- company car

(1) Remuneration paid by the Group to Mr Mauro Ricci as Director or to BMC for services rendered to the Group.

(2) Remuneration paid by the Group to Mr Jean-Franck Ricci as Director or to HR Management & Investment for services rendered to the Group.

(3)Remuneration paid by the Group to Mr Nicolas Valtille as Director or to Valvest for services rendered to the Group.

The Shareholders' Meeting on 18 June 2018 approved this resolution.

In accordance with the Rules of Procedure approved by the Board of Directors on 3 May 2018, the allocation of all or part of the directors' fees, the total amount of which is decided by the Shareholders' Meeting, is decided by the Board of Directors. after receiving the opinions and recommendations from the Appointments and Remuneration Committee. This remuneration of non-executive directors takes into account their role as ordinary board members, and their specific roles as chairman of the Board of Directors, chairman or members of board committees, as well as their resulting responsibilities and commitment in time. They do not receive performance-related remuneration such as bonuses, long-term incentive schemes, fringe benefits or pension benefits.

The remuneration of non-executive directors for their 2018 term of office was decided by the Board of Directors on 6 December 2018: a gross remuneration of 40,000 euros was granted to the independent directors only. All remuneration is charged to the Company's operating expenses:

Non-executive	**Category**	**Directors' fees 2018**	**Positions held outside the office of director**
Muriel BARNEOUD	Independent	40,000 euros	-
Guy LACROIX		-	165,000 euros paid in fees to GLX CONSULTING under a governance consultancy contract
Valérie MAGLOIRE	Independent	40,000 euros	-
Cécile MONNOT		-	Remuneration of the manager at the IDEACTIVE FORMATION subsidiary: 54,109 euros
Jean-Luc PERODEAU	Employee representative	-	Employment contract with AEROCONSEIL
Charlotte RICCI		-	-
Alain TISSERAND	Independent	40,000 euros	-

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THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

In 2018, the Group formalised its CSR policy around four areas in keeping with its positioning, its challenges and its risk mapping. A new organisation will be set up in 2019 with the aim of making CSR progress.

GLOBAL COMPACT, Sustainable Development Goal (SDG) and CSR policy

For over 8 years now, the Group has been committed to supporting the United Nations Global Compact and to applying its 10 principles. With this in mind, the Group uses the SDGs to guide its CSR strategy so that it can anticipate and respond better to the challenges of the world in which it operates. The Group's new CSR policy was drawn up on the basis of these SDGs, the 10 principles of the Global Compact and the CLEAR 2022 strategy. Furthermore, the Group aligns itself with the GRI standards for recording its indicators, drawing its inspiration from the ISO26000 standard.

The Group's CSR organisation

Although the Business Units have, for some years now, had a high degree of autonomy with regards to CSR, as well as in other areas, the Group strategy and the associated risks require greater integration and more established processes to achieve consistency at a global level. Therefore, since 2018, the CSR policy has been redefined and is under the supervision of the Group's Legal Manager.
To move this new organisation forward, the Group intends to develop a network of CSR correspondents by the end of 2019 to enable each country to adapt its CSR policy and its objectives to local conditions.

Consistent, established CSR performance

The Group 's non-financial performance is assessed by the independent body, EcoVadis. In November 2018, AKKA's commitment to CSR was recognised at an advanced level. The Group is among the 12% of most committed suppliers in the "Silver" category.
In 2018, AKKA mapped the risks to emphasise more clearly its consistency and to align its strategic approach. For this financial year, the social, societal and environmental risks and opportunities specific to CSR have been integrated into the mapping, together with certain other large groups of risks. For example, the risk associated with staff covers diversity, integration into the workplace, training and employability.
This financial year provided a solid foundation for developing the CSR policy, the Group CSR Action Plan and the relevant indicators.

INTERVIEW WITH Anne-Claude Pinget

Risk Manager

Which method was used to map the risks?

Having identified AKKA Group's risk universe, we drew up a questionnaire for the attention of some sixty Group Managers, supported by conducting face-to-face interviews with about twenty of them, including senior management. For each risk identified, this allowed us to take account of the human, legal and reputational criteria. During the course of 2018, the results were presented to all the company bodies with competence in these subjects. The final objective was to draw up a coherent, exhaustive action plan while integrating a variety of actions already in place, and to get the managers involved in the effective management of these issues in order to improve the Group's performance. An update will be carried out at the end of 2019.

What are the main lessons learned from this mapping of CSR risks?

It is interesting to note that the challenges identified match the targets of our CLEAR 2022 strategic plan. The first risk concerns the management and loyalty of our skilled workforce and resources. For a service company such as ours, this risk constitutes a major challenge. In fact, the quality of service and the performance of the company rely directly on our men and women. It is for this reason that actions introduced to improve well-being at work and to promote teamwork and the corporate culture are so important. Moreover, this risk directly impacts how we manage customer satisfaction.

The second and third risks are related to AKKA's international development, its organic growth development model and its external growth. These risks are closely connected to the first risk. Expansion into international markets is a driver of communication allowing us to further project the image of an innovative and efficient business in order to attract talented new employees and to create a favourable climate of mobility to promote career development. However, it also relies on the successful integration of acquired companies. These companies come with different cultures and processes, which is why activities and events which forge links and synergies between teams in different countries are important for developing a common culture.

1. ATTRACTING TALENT

1.1 ◆ Human Resources challenges

Like all service companies, AKKA's wealth relies on its human capital. In a market where there is a shortage of engineers and a talent war in the digital field, the Group faces a number of challenges in terms of human resources, beginning with the recruitment of new employees and, in particular, of talented people who are passionate about technology and motivated by a spirit of innovation.
The Group's presence on the international scene, its expertise in a number of industrial sectors and its command of digital tools are a real asset for attracting young talented people. In addition, the Group has introduced a dynamic human resources policy to respond to these market challenges. Locally, in close proximity to its customers, the teams are the primary ambassadors for the Group. The strengthening of historic partnerships with the Grandes Écoles and universities continues to be a priority.

Over the last few years, the Group has rolled out a number of initiatives to attract students and young graduates by getting involved in the eco-system of the higher educational establishments throughout Europe to enhance the Group's visibility and reputation. This is demonstrated by the development of relationships with engineering schools, enabling students to discover the extent and variety of careers with us, the innovative nature of our creations and career and international mobility opportunities. Careers are also accelerated by the Geneva-based AKKADEMY which develops the leadership skills of engineers straight out of engineering schools, and trains them on the Group culture.
With the new iconic Campus in Rocquencourt, intended to bring together teams from across the Paris region, the Group is showcasing the creation of a stimulating work environment, conducive to creativity and innovation. The aim is both to facilitate collaborative work and to contribute to the well-being of employees through services designed to make their day-to-day life easier.
AKKA also ensures that its teams reflect the society they work in. by trying to increase gender diversity in its workforce, despite the majority of engineering students being male, and to ensure that there is no discrimination. Disability and gender equality are also a core focus for the Group. Moreover, the Group sees diversity within its teams and multiculturalism as strong drivers of innovation.

AKKA ALSO ENSURES THAT ITS TEAMS REFLECT THE SOCIETY THEY WORK IN.

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THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

1.2 ◆ Relationships with schools

1.2.1 ◆ Participation in school life

In each country in which it is present, AKKA has developed partnerships with schools and universities to promote proximity with its future recruitees, to build its reputation and increase its attractiveness as a first-choice career destination. With this in mind, the Group is involved in the design of training programmes, participates in teaching or on examination boards, and takes part in careers forums or recruitment activities organised on campus. In 2018, a large number of Group agencies and sites also opened their doors to visits from students.

1.2.2 ◆ Support for student projects

Wherever it is present, AKKA shares its know-how and expertise with future engineers by supporting educational projects and activities within student associations. In 2018, for example, it sponsored the "Engineers' Cup" in the Czech Republic, a competition organised by the Engineers Prague students club, as well as Robotics Cups developed by student associations in schools in France: the Ecole Nationale Supérieure d'Electronique de Bordeaux (ENSEIRB) and the Institut Supérieur de l'Aéronautique-SUPAERO.

1.2.3 ◆ Learning about careers in technology

To meet the challenges of gender diversification, the Group believes that it must create opportunities for students to learn about careers in technology before they begin their studies, in order to guide them towards these study options and especially into engineering schools. To do so, we carry out a large number of projects in secondary schools and sixth form colleges. Some of the initiatives introduced in Germany have now been implemented in France.

INTERVIEW WITH Muriel Rouaux

Business Partnership Manager at Centrale Supelec

How does the partnership between your school and the AKKA Group work?

We have been partners for several years now. In particular, AKKA is involved with the third-yearstudents following the "Design and industrialisation of innovative systems" career option. The Group interacts with the students via forums, presentations, lessons, case studies and even hackathons in certain years. It also gets involved on our campuses abroad such as at Supelec Milan, where we organised a job fair, or in themed conferences. One example is the participation of an AKKA engineer at a digital round table followed by a discussion in front of second year students from Centrale Paris and Supelec.

What are the benefits for your students?

The AKKA Group provides students with information about the different engineering careers and career prospects in France and abroad (final work placement before graduation and jobs). For the students, it is a good way of learning about the variety of engineering careers that exist and of gaining awareness of concrete application opportunities. For example, in January 2018, AKKA unveiled its autonomous vehicle, Link&Go during the Car of the Future Industry Evening.

And for your school?

Our network comprises 140 partner companies, and AKKA is a very dynamic company and very active within the school. It offers our students an up-to-date perspective of possible engineering careers. It is also very involved in the diversity projects that we organise, especially in the area of disability. Every year it takes part, for example, in our Disability Day and also funds two computers adapted for disabled students. More recently, the Group also provided us with an Escape Game designed for students with a disability.◆

1.3 ◆ THE AKKADEMY

1.3.1 ◆ The AKKADEMY – a spring-board to an international career

The AKKADEMY is an international training programme for young graduates from universities and engineering schools in the European Union. The AKKADEMY plays an important role in the Group's transformation by creating new programmes for developing skills and encouraging a common culture. To achieve this, the programme combines teaching sessions, group work and practical experience, in the work situation, by including students from the AKKADEMY in concrete projects in France, Germany and Belgium.

INTERVIEW WITH Bérenger Martin

Country Manager and General Manager The AKKADEMY

Could you describe the AKKADEMY for us?

The founding idea behind the AKKADEMY is based on the Group's desire to create an AKKA culture and to train the leaders of tomorrow, both for technical and for commercial and managerial posts. Based in Geneva, the AKKADEMY is a unique "phygital" place and, thanks to its digital platform, it functions as a hub for the Group's different Business Units by creating training centres of excellence. It brings all the different educational programmes together and enables employees to converse with each other. The training centre is easy to join and access, facilitates autonomy and strengthens group dynamics.

What are the aims of this in-house instrument?

We contribute substantially to the CLEAR 2022 strategy as we aim to accommodate 10% of the workforce once we are running at fullspeed. This figure will allow us to transform the Group by opening our doors to a large number of AKKA employees across the network. For instance, in 2018, over 500 engineers attended a one-month training course in Geneva and then continued with a further eleven months of distance study after returning to their local country. We have accomplished a great deal in start-up mode. During the first year, the experience has enabled us to identify key points of focus for the future, for example, how to integrate young people into the wider network post-Geneva.

What sort of profiles are you looking for?

Applicants must of course have the required technical skills (developers, cyber-security, industrial method, project managers, etc.), but the most important factors are personality, ambition and real potential. We look for fast learners, with the ability to listen as well as people who are quick to make connections and interact with the whole group. Our leadership module will allow them to acquire the skills required to manage a team, take decisions, develop a strong team spirit and acquire emotional intelligence.◆

1.4 ◆ Rocquencourt Campus

The AKKA Group chose Rocquencourt as the location for its new campus to bring its teams from the Paris region together. The site is conveniently located close to its current Parisian site at Guyancourt and its main customers in the Île-de-France region. With this site, which will combine environmental considerations with employee wellbeing, AKKA aims to offer the engineers flexibility and freedom in their work, thanks to a new layout of the spaces.

Designed as a co-working and co-living space, the campus will have unique architecture designed to promote exchanges, synergy and creativity. It will comprise open collaborative work spaces, places for reflection and relaxation, workshops, sports facilities and services designed for well-being (nursery, sports and fitness complex, medical centre and restaurant).

The architecture of the building is designed to open towards the town, with a maximum amount of natural lighting, ventilation and green spaces.

The Group intends to introduce several innovative means of transport in order to ensure connections with the existing public transport networks in partnership with local players, industrials and shops. These alternative forms of transport, making it easier for staff to travel, will also serve as a showcase in a region where mobility plays a fundamental role.

It is anticipated that teams will be able to move into Campus Rocquencourt at the end of 2021. It will welcome more than 2,500 engineers from all disciplines and will showcase AKKA's know-how in attracting talented people and encouraging them to join the Group.

DESIGNED AS A CO-WORKING AND CO-LIVING SPACE, THE CAMPUS WILL HAVE UNIQUE ARCHITECTURE DESIGNED TO PROMOTE EXCHANGES, SYNERGY AND CREATIVITY.

1.5 ◆ Diversity

1.5.1 ◆ Promoting equality and non-discrimination

The Group's historic birthplace, France has always had a strong tradition of social dialogue. The Group has therefore negotiated a number of agreements with employee representative bodies. More recently, negotiations were opened in 2018 for an agreement combatting discrimination in access to recruitment, vocational and professional training and employment. This agreement is a continuation of the signing of the Diversity Charter and non-discrimination policies. Its objective is threefold: to support training initiatives combatting stereotyping: training of management; and, in raising staff awareness, emphasising in particular the issue of bullying. Ultimately, it aims to establish an alert process for when employees identify a source of discrimination or bullying. It will be based on the agreements already negotiated concerning professional equality, disability, work/life balance and quality of life at work.

AKKA FRANCE wanted to ensure its employees have a good work/life balance, which was made a reality in 2018 with the signature of an agreement in October. This is aimed notably at guaranteeing employee rights on the issues of parental leave and the right to disconnect.

Finally, an Agreement on Gender Equality has also been signed. It deals with the issues of remuneration, access to training, and professional promotion (women represent 24% of the workforce).

1.5.2 ◆ Disability is also a subject for innovation

The Group has always been sensitive to the integration of disabled persons. In 2018, the HandiKap mission, which works to promote the professional integration of disabled persons into the Group, set up Mission EsKape. The aim of this escape game is to innovate around combatting prejudice against disability. An original tool, which uses play to raise awareness among our own in-house staff, but also at customers and even at partner schools and universities. Furthermore, to help change the mind-set around disability, the Group is taking part in the Free Handi Trophy for the 4th year.

Girl's Day Mädchen-Zukunftstag

5.1.5.3 ◆ Promotion of women in engineering careers

The Group is well aware that, if it wishes to include more women in its workforce, it must get focus on engaging women with the sector, starting with the engineering schools and the leading technology universities. AKKA therefore regularly organises projects in partner schools to promote engineering careers to the students and in order to raise awareness of the career opportunities in its lines of business.

At local level, the Group's BUs organise and participate in open days dedicated to this subject, such as International Women's Day, Girl's Day, Ingénieure au Féminin. The Agreement on Gender Equality signed in France in 2018 strengthens the Group's positioning towards recruiting more women into its teams by implementing actions that favour equal treatment of employees, whatever their gender.

5.1.5.4 ◆ Promoting the integration of unemployed young people

In many countries the Group supports local and national bodies by way of sponsorship and patronage, notably in the area of integration into the workplace. In France, for example, it is involved in a strong partnership with the *Nos Quartiers ont du Talent* and *Mozaïk RH* 2 projects with the aim of enabling young people from priority neighbourhoods or modest social backgrounds to find employment. Employees are directly involved in these initiatives and contribute to them as volunteers.

NOS QUARTIERS ONT DES TALENTS

mozaïk RH — Diversifiez vos Talents —

2. BEING PASSIONATE

2.1 ◆ Human Resources challenges

Apart from attracting talented people, one of the major challenges for the group is to retain the best. The Group's HR policy helps to quickly identify employees with potential and develop a personalised career plan to help them develop. While technical knowledge is generally a strong asset among the new consultants integrated into the company, the development of skills is a key focus area for which the Group has developed a number of solutions.

"People reviews" are an indispensable tool and the Group's training policy is closely linked to them. Mobility, whether it be sectoral (between careers), geographical (between countries) or between consultancy and research, is also a tool used to enrich employees' experience. The Group's tools are therefore standardised to offer exciting careers to its employees.

Internally, the AKKA Group ensures that it offers a quality, meaningful working environment to all its staff and a management open to dialogue, with due regard to differences. In 2018, this commitment was once again recognised when it was awarded Top Employer certification for the 4th consecutive year. This award is recognition for the quality of the Group's HR policy and its talent management.

The AKKA Group has always encouraged individual entrepreneurship. The challenge for AKKA is to foster loyalty of employees to minimise staff turnover by giving them the means to grow professionally and to widen their development prospects. This is also reflected in a strong focus on team spirit, which is being fostered for example through sporting activities. Finally, the Group has always recognised that taking initiatives in professional and personal life is a driver of self-fulfillment. To that end, the AKKA AWARDS demonstrate AKKA's culture of recognition and development. An in-house competition designed to reward employees for the innovative solutions offered to customers, the AKKA AWARDS are awarded annually by the AKKA Executive Board, who selects the best project from those put forward by the Management in each country. In 2018, a project from Germany was awarded first prize, responding to a specific mobility challenge.

IN 2018, A PROJECT FROM GERMANY WAS AWARDED FIRST PRIZE BY RESPONDING TO A MOBILITY CHALLENGE.

2.2 ◆ AKKAttitude

2.2.1 ◆ Move@work: health and well-being

Until recently each country developed its own initiatives aimed at promoting health and well-being at work for its employees. In 2018, this became a global initiative under the AKKAttitude label. From connected sports challenges (Move@WorkChallenge), awareness-raising initiatives and teams participating in races alongside NGOs or local associations, all of the Group's employees are involved in AKKA's programme of health at work.

2.2.2 ◆ Top Employer And Quality of Working Life Awards

In January 2019, AKKA received the Top Employer 2019 award for the 4th consecutive year. In a year of sustained recruitment - 5,500 jobs created within the Group in 2018 - this recognition of the quality of the human resources policy rewards in particular the development of managerial leadership, the introduction of a career management process for its talent, the excellence and modernity of the HR and management practices as well as the corporate culture and its strong values.

In 2018, for the first time, AKKA France took part in the Victoires des Leaders du Capital Humain in the Quality of Life at Work category. At the end of a 20-minute presentation before a panel composed of HR professionals, the Group was awarded the silver trophy at the ceremony held in Lyon on 13 December 2018.

2.2.3 ◆ The New York Marathon: a Group adventure

Five men and three women from the Toulouse, Pau, Grenoble, Le Havre, Paris, and Lyon agencies, supported by all the Group's employees, ran the 42 km of the prestigious New York Marathon. Selected for their performance in running and their commitment to the Group's values, they all ran Lyon half-marathon in September 2018 in preparation. They then set off to New York for five days in November with the whole project financed by AKKA FRANCE. This human and sporting adventure was a great team-building experience and a positive experience for all involved.

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THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

2.3 ◆ Employability

2.3.1 ◆ AKKA Move, to promote internal mobility

Operating in 20 countries with a spectrum of activities covering a wide range of services for industrial projects, the AKKA Group offers a great variety of professional career opportunities. Internal, national or international mobility is a mainstay of AKKA's HR strategy. In late 2018, the Group rolled out the AKKA Move programme to raise awareness of internal opportunities. This solution, part of the Talentsoft HR management information system, allows employees to take a proactive step in their professional development. The tool offers: a comprehensive view of all internal opportunities, a space dedicated to the management of mobility applications, a transparent step-by-step recruitment process and an alert system, enabling candidates to receive job advertisements that match their expectations. Alongside this career management programme, the ClickPath tool is currently being rolled out and offers consultants a clear view of the projects and jobs immediately available, enabling them to register their interest and take charge of their careers.

2.3.2 ◆ One brand with a cross-sectoral approach

A pillar of the CLEAR 2022 plan, the introduction of the new AKKA brand became a reality with the adoption of a one-brand architecture and identity, embodying a truly cross-sectoral approach that promotes a shared identity, both internally and externally. The employer brand, currently in development, is a key strategic driver and will be launched during the course of 2019.

Group-wide tools have been increased with more rolled out since 2018. AKKA, the Group intranet is available, comprising a corporate section and dedicated local-language sections for each country. Yammer communities have been created to collaborate on and discuss issues relating to markets, countries, and the range of sectors and topics, depending on demand.

2.3.3 ◆ E-learning platforms

Training, a major axis of employee development throughout their professional career, is a priority for the AKKA Group. Already having access to its own in-house training centre, the Group has improved its training package by creating e-learning platforms (AKKADEMIA, eAKKADEMY) with access to various content. Through these, trainees can access the training screen from their own personal space and view their level of progress.

INTERVIEW WITH Thomas Fogelgesang

Business Manager, Hamburg

In 2017, you took up an opportunity to move internally to Hamburg. What was your background at AKKA prior to this move?

Having finished a 6-month engineering course with AKKA in Grenoble in 2014, I was taken on as a junior business manager on an permanent contract in Toulouse. I was very interested in the aerospacesector. For a year and a half I gained management experience on a variety of projects and was appointed business manager in mid-2016 on a project involving industry, innovation and IT.

How did the mobility offer arise?

As I love learning about other cultures and wanted to make the most out of my English language skills, I talked to my line managers about my interest in international mobility at the start of my career with the AKKA Group. Then, when the people reviews were held, I mentioned it again. It was during one of these reviews that I learned about this job opening for Airbus in Hamburg. The fact that I have a good basic command of German played in my favour.

What have you gained from this?

I am very happy on a personal and professional level; you gain a lot from it! I have a local contract, which are pretty good in Germany, and also some level of security since the mobility contract includes a return clause, valid for three years, offering me my initial job back if there is dissatisfaction on my side or on that of AKKA in Germany. I found that things are organised differently there than they are in France. This means having to adapt, but I would encourage anyone tempted by living abroad to try this for themselves!◆

2.4 ◆ On Track

2.4.1 ◆ A programme for placing engineers at the heart of AKKA's entrepreneurial culture

The On Track 2.0 programme aims to place engineers and consultants at the centre of the AKKA Group's entrepreneurial culture. This programme is based on the principle that the company's strength lies in its consultants. Their know-how, capacity for innovation and daily direct contact with our customers allow them to play a decisive role in the Group's development. To do so, they need to be given the necessary space and attention, and their professional aspirations need to be considered. The Group is currently creating a network of 2,000 ambassador consultants to promote the initiative and expected AKKA behaviours. 200 candidates have already been nominated. An initiative that aims to train managers on how to become more effectively involved and how to support their teams has been launched simultaneously to enable manager/consultant duos to deliver their potential as innovators.

INTERVIEW WITH Alexandre Dellatolas

Director of the HR programme

On Track grants consultants a special place. Is their role essential in your opinion?

Yes, consultants are the driving force of the AKKA Group. They have the specific knowledge that customers are looking for and, thanks to their presence in the field, are better placed to understand their needs and most able to find solutions to their challenges. They are the key players in AKKA's success. On Track aims to increase customer-consultant dialogue. When this duo works at its best, we can deliver real value to our customers.

How does this translate into reality?

It starts with our managers' genuine interest in the professional and personal projects of our consultants. This is how we can involve them effectively in creating solutions for our customers. The programme is also based on our consultants becoming aware themselves of the importance of their contribution (hence the creation of a network of ambassadors). Moreover, On Track relies on the use of processes and tools that embody these good behaviours: transparency about career and development opportunities, knowledge-sharing tools, etc.

What is the role of the ambassadors?

The ambassadors are consultants selected from different AKKA units. They have been chosen due to them being the best people to support the company's transformation. "Ambassador managers" act as "conveyor belts" between ambassadors and leadership. Ambassadors are expected above all to communicate about the project and to conduct themselves in an exemplary fashion in order to inspire their peers and to recruit other ambassadors (becoming responsible for their own development, sharing knowledge, customer relations, etc.). They are required to contribute to some of the Group's key projects. The first 200 ambassadors selected met with the AKKA Group leadership for the first time in June 2018 during a convention in Geneva. They are now working on action plans for each country, in order to replace the consultants at the core of the company.◆

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THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

2.4.2 ◆ Getting consultants on board with the One AKKA app

As part of the On Track project, the One AKKA application was launched in late 2018 to support a number of campaigns which are enabling consultants to become more actively involved in the life of the company. The application is being initially tested in France before being rolled out internationally. A number of campaigns have been proposed covering four topics. Individual involvement is rewarded through points that can be converted into cash:

- **all sales staff:** publicising offers and encouraging consultants to offer them to their customers through a contact form,
- **all recruiters:** having a consultant introduce a job to trigger the internal recruitment of potential candidates by employees in the Talent Soft HR information system,
- **all influencers:** previewing the publication of information and encouraging employees to spread the word on social networks to increase the Group's audience.
- **all players:** sending out questionnaires, quick-fire surveys to contribute to decision-making on a large variety of subjects.

2.5 ◆ IMPACT

2.5.1 ◆ Introducing the initiative

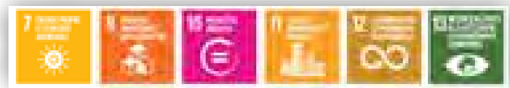
In late 2018, as a complement to the CLEAR 2022 strategy and the On Track project, the AKKA Group launched the IMPACT project. This project supports the Group's transformation by placing the emphasis on individuals and on leadership. Based on different one-on-one interviews with the country managers and an assessment of the management team, the Group defined its expected leadership behaviours. This came from discussions held during in-house working groups, including young talent and a market benchmark. This work has helped identify 22 key behaviours grouped in 6 clusters, which originate from the Group's three fundamental values: RESPECT, COURAGE and AMBITION.

Through this initiative, AKKA aims to encourage positive behaviour and diversity in teams to produce a Group which leads the way in its sector. The frame of reference is based on an "à la carte" approach and linked to job profiles and descriptions. It specifies the key performance and behaviour indicators for an assessment based on facts and actions. It is currently being rolled out across several HR processes, including recruitment and performance management.

The Group began by training the HR community, human resources managers, business managers and members of General Management.

THIS PROJECT SUPPORTS THE GROUP'S TRANSFORMATION BY PLACING THE EMPHASIS ON INDIVIDUALS AND ON LEADERSHIP.

3. DEVELOPING INNOVATIVE AND RESPONSIBLE TECHNOLOGIES



3.1 ◆ Business challenges

A leader in mobility in Europe, the AKKA Group has ambitions to continue its growth momentum based on a strategy of geographic, sectoral, customer portfolio and financial balances in order to harness market growth.
The Group is therefore placing emphasis on mastering the technologies of the future which impact our environment and services to people. Thus, autonomous driving, the Internet of Things and robotics are skills that cut across several sectors which are highly sought-after by players in the automotive, aerospace and rail industries and more generally by the Smart City industry. The development of Life Sciences, a rapidly-growing sector undergoing profound changes with digital technology, also constitutes a key axis.
Although these services provide part of the solution as far as sustainable development is concerned, the Group must constantly innovate to ensure that technology keeps up with the major social and environmental challenges of the 21st century.

The AKKA Group looks upon certain environmental challenges as an opportunity for growth and sustainable development. This is true in the mobility sector with the development of the electric car, but also with new car-sharing solutions in autonomous vehicles.
The development of Artificial Intelligence also provides a great opportunity for meeting people's needs, especially disabled people. The Group began by training the HR community, human resources managers, business managers and members of General Management.

THE GROUP MUST CONSTANTLY INNOVATE TO ENSURE THAT TECHNOLOGY KEEPS UP WITH THE MAJOR SOCIAL AND ENVIRONMENTAL CHALLENGES OF THE 21ST CENTURY.

THE GROUP PLACES THE EMPHASIS ON MASTERING THE TECHNOLOGIES OF THE FUTURE.

3.2 ◆ Making technologies work for people

3.2.1 ◆ Handiroad, an innovative project for those with reduced mobility

handiroad

Handiroad is an application that aims to facilitate mobility and accessibility through optimised journeys and to keep persons with reduced mobility safe while offering reassurance to those close to them. The solution offers feedback from alerts and geolocation, as well as assistance services in case of difficulties. This technological innovation, offering disabled people greater independence, was born out of a meeting between Stéphanie Magy, the project promoter, who suffers from a neuro-degenerative illness, and AKKA. The Handikap mission has provided its technical, financial and communication support to successfully complete the project developed at the Group's research centre in Bordeaux. Beyond this application, Handiroad aims to create a mutual assistance community to make the lives of the 25 million people affected by reduced mobility and that of their families easier.

3.2.2 ◆ Artificial Intelligence and disability

INTERVIEW WITH William Rollin
Business Manager

A team of developers has created a prototype mind-control helmet for those suffering from *locked-in syndrome*. Can you explain the context of this project to us?

Three of our developers (a multi-national team made up of two Tunisians and a Spaniard) made use of some temporary availability to conduct a philanthropic project which is of interest from both a societal and ethical perspective. We were attracted by the idea of combining technology, innovation and solidarity. The project involves a mind-control helmet enabling those suffering from the syndrome, which is characterised by a neurological state in which the person, although fully conscious and with intact intellectual capacities, is completely paralysed, apart from their eyes, to control home automation.

What was the technical aim of this project?

The purpose was to demonstrate our experienced consultants' ability to take on technical challenges and develop a useful product, which offers a genuine service, in very little time and starting from nothing. In just three months, from September to December 2018, they managed to develop a prototype that can control connected appliances (such as television, radio, shutters, etc.) using an interface with simple commands (up, down, confirm), to increase the range of possibilities for these people, who generally live at home.

Is it possible to reproduce this type of project?

This prototype was unveiled to the Group's marketing department and has been assessed by customers. It demonstrates our ability to take on technical challenges that have true value to the end user. It is also sets an example across the AKKA Group, as all employees could potentially be a source of ideas.◆

3.3 ◆ Technologies working for the environment

3.3.1 ◆ Link & Fly

The AKKA Group has lent its innovations to the aerospace market to develop the aircraft of the future. Link&Fly combines aircraft and rail offering modularity to speed up the transfer of freight and passengers between these two means of transport. The project emphasises the versatility of the cabin thanks to interchangeable modules on rails which can be loaded directly onto an aircraft without a fuselage. The cabin can carry up to 162 passengers or containers and can be customised to integrate both. There are economic benefits for airports by reducing transfer times, for manufacturers in the aerospace industry and also environmental advantages, because the sharing of modules reduces the consumption of raw materials by aircraft or trains.

3.3.2 ◆ Link&Go

In February 2013, following two years of research and development, the AKKA Group presented Link&Go to the general public, showcasing the only autonomous electric concept-car. An iconic project for the Group, this driverless vehicle is continuously evolving to push the technological challenges of the smart city of tomorrow even further. Today, AKKA is no longer thinking only of Link&Go as an autonomous vehicle but is developing it within an intelligent, connected environment with a view to integrating new solutions, such as car-sharing, in order to respond to new use models, and to reduce CO_2 emissions in the cities of tomorrow.

3.3.3 ◆ Sustainable mobility and car sharing

The AKKA Group has been working in cooperation with the TransDev Group to develop a mobility service in a suburban district of Rouen.
Thanks to its know-how acquired from the autonomous electric vehicle, the Group was selected by Transdev to test the first shared, autonomous on-request mobility service on open roads in Europe. Transdev is a major player from the Rouen Normandy Autonomous Lab. It aims to serve different destinations within the "Technopôle du Madrillet". It will operate in the first and last kilometre by offering a mobility service in a suburban area of Saint-Étienne du Rouvray, where traditional public transport solutions are not suitable.

Together, the Transdev and AKKA teams have designed, developed, incorporated and fine-tuned the autonomous system now in use in the Transdev vehicles. This system includes all the automation components needed for localisation, following a defined route and environmental management on a road vehicle subject to real-time constraints. From the initial research to calculation of the AI algorithms, AKKA has once again demonstrated its ability to support major mobility stakeholders in the field of complex autonomous systems.

→ *See also Chapter 3.3: Research and Development Activities*

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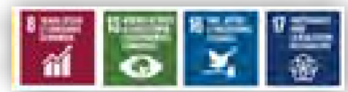
THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

4. DRIVING STRONG PERFORMANCE



4.1 ◆ Integration challenge

As announced in the previous CSR Report, the Group can confirm the progress of its integration plan. Risk mapping has underlined the need to integrate the BUs and to communicate globally under one brand.
With the introduction of its CLEAR 2022 strategic plan, the AKKA Group is continuing to implement a new, more integrated organisation. This will allow it to manage business more closely, both in terms of what it is offering and its human resources policies and in the quality of the services provided. This control over its financial performance is essential for the Group and remains true to the Group's values, guided by a strong entrepreneurial spirit and a performance-driven culture.

"WITH THE INTRODUCTION OF ITS CLEAR 2022 STRATEGIC PLAN, THE AKKA GROUP IS CONTINUING TO IMPLEMENT A NEW, MORE INTEGRATED ORGANISATION.

4.2 ◆ Talking to the stakeholders

4.2.1 ◆ Direct dialogue with employees

Maintaining strong, constructive dialogue with all employees has always been an important goal for the General Management of the AKKA Group. To achieve this, it organises in-house meetings with agencies in all the countries in which the Group operates. These meetings are used to discuss Group strategy and its implementation out in the field. These discussions, although not compulsory, are conducted during work hours and provide the opportunity for a plenary presentation of Group strategy and to assess actions relating to the life of the company, with an informal discussion and a regional focus, during which consultants also have the chance to present their project.

4.2.2 ◆ CEO and CHO chat and monthly breakfasts: regular meetings

In France and Germany, meetings with the General Management are organised several times a year. In France, for example, two annual chats (55% rate of participation), led by the CEO France and the DHR France, are broadcast live enabling all employees to take part remotely. Questions can be sent in advance or live during the chat. They also get involved in breakfast meetings in the regions attended by ten or so consultants to discuss global or more individual issues.

4.2.3 ◆ Meetings with customers

Exhibiting at professional trade shows provides the opportunity for demonstrating the Group's technological know-how and forging close relationships with customers. Every two years, AKKA erects a chalet at the Paris International Air Show. This enclosed stand creates a private setting in which to receive customers who are invited during days reserved for professionals, students and employees. The Group also takes part in the Dubai Air Show, an event focusing on the aerospace industry and aircraft modification.

4.3 ◆ Environment

As mentioned previously, the AKKA Group has a low environmental impact yet it still endeavours to reduce it further. The Group's environmental policy is implemented at all its sites, with or without external certification. Four issues are prioritised in an action plan: climate change though power consumption, mobility, green IT and the reduction of waste.

4.3.1 ◆ Mobility and greenhouse gases

Demonstrating the Group's major CO_2 impact, the mobility policy is regularly reviewed to further integrate climate change, reduce power consumption and thus reduce our carbon footprint. The choice of vehicles is therefore dictated by CO_2 emissions per kilometre. Moreover, the Group has developed and made widespread use of video-conference solutions to encourage synergies between teams without increasing carbon emissions.

4.3.2 ◆ Green IT and greenhouse gases

Electrical and electronical equipment waste is systematically sorted and recycled by accredited operators in each of the Group's countries. However, the real challenges lie in the power consumption of data centres. The IT department is therefore working on rationalising the management of its local servers and reorganising them in its main data centres. Its goal is to reduce electricity consumption and the associated greenhouse gas emissions. It should be noted that the Czech Republic has been the Group's trail-blazer in terms of controlling power consumption, with all its sites being ISO 50001-certified.

4.3.3 ◆ Waste

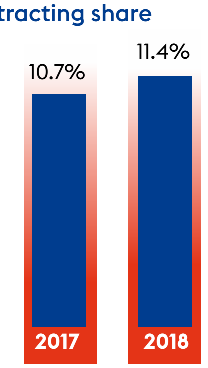
For some years now, the Group has had in place a system of office waste sorting and recycling. Voluntary support throughout the sites is such that we have been able to remove individual bins and facilitate selective sorting. Lastly, various sites are ISO 14001-certified and are steering their environmental approach towards this management system.

4.4 ◆ Business ethics

Although the risk of corruption or conflict of interests is low, the Group has nevertheless introduced an action plan in this area and is monitoring the development of this risk. The Group's *Code of Conduct* has therefore been applied for a long time now by all the subsidiaries. A tool for monitoring the fight against corruption and unfair competition, this Code refers to the key tenets of the relationship between the AKKA Group and its partners for all employees. As it is required to deal with a large number of stakeholders, the challenge for the Group is to adopt a responsible attitude as a trusted third party in the value chain.

In France, since 2016, the *Code of Conduct* has been sent out to all French suppliers involved in sub-contracting and industrial procurement. In Germany, it is an integral part of the legal framework, managing the relationship between the parties.

Group sub-contracting share



METHODOLOGICAL NOTE

This CSR Report, which covers the calendar year 2018, has been prepared in accordance with the requirements of the Belgian Companies Code. In view of its international footprint, the Group takes into account the principles and recommendations of the *Global Reporting Initiative*. As a signatory of the UN Global Compact, the Group presents here its report on progress for 2018.

NON-FINANCIAL REPORTING SCOPE

The CSR report is prepared in accordance with the financial reporting and quantitative data extracted from the internal information system. The data makes reference to the following scopes:

Group: The scope referred to as "Group" covers the consolidated data of the AKKA SE Group.

France: The scope referred to as "France" includes all non-financial data relating to the following entities: Aéroconseil, AKKA I&S, AKKA Informatique et Systèmes, AKKA Ingénierie Produit, AKKA Life Science, AKKA Manager, AKKA Research, AKKA Services, AKKA Technologies, EKIS France, Real Fusio, OPERANTIS, Corialis Engineers, MATIS Hightech, and MATIS SA.

Germany: The scope referred to as "Germany" includes CSR data relating to the following entities: AKKA Co GmbH KGaA; AKKA Management Services GmbH; AKKA DNO GmbH; AKKA DSW GmbH; AKKA EMC GmbH, AKKA DSO GmbH; AKKA Germany GmbH; AKKA Deutschland GmbH, Proceda GmbH and ATP Automotive Testing Paperung.

Czech Republic: The scope referred to as "Czech Republic" includes CSR data relating to the entity MBTech Bohemia.

PRELIMINARY REMARKS:

The number of units included in the CSR reporting scope consolidates its progress. For 2018, the report covers all French and German entities and includes a subsidiary company belonging to the International BU.

As far as possible, the indicators are presented for the 2017-2018 period. However, we would like to draw the reader's attention to the fact that the indicators are not always comparable, given the regular extension of the reporting scope.

The reporting scope is confined to operational data and only partially includes indicators relating to assigned projects.

DEFINITION OF INDICATORS:

The AKKA Group operates in numerous countries where legislation and cultures differ. Hence, some indicators relating to the French non-financial reporting have been subject to adjustment in terms of definition. As such, the Group has established its own CSR reporting standards.

Workforce

All types of contracts are taken into account in the workforce (permanent contracts, fixed-term contracts and apprenticeship contracts) with the exception of suspended contracts, parental leave and sabbaticals).

Distribution of workforce by geographical zone

%	2018	2017
France	7,795	6,996
Germany	4,984	3,951
Czech Republic	546	532
Group	17,228*	15,587

*Excluding PDS TECH (+ 3,791). Total: 21,019

Distribution by type of contract

2018	France	Germany	Czech Republic	Group*
Permanent	7,463	4,852	400	16,307
of whom women	1,827	1,086	44	3,808
Temporary	332	132	146	921
of whom women	102	37	21	214

* Excluding PDS TECH

Distribution by type of permanent contracts*

	France	Germany	Czech Republic
Full-time	7,230	4,437	361
of whom women	1,658	813	56
Part-time	233	415	39
of whom women	169	354	13

* Group data unavailable

Distribution by age

	France		Germany		Czech Republic		Group	
	2018	2017	2018	2017	2018	2017	2018*	2017
<25 years	478	553	242	148	32	28	1,163	995
25-30 years	1,956	1,697	1,181	804	142	146	4,630	3,794
30-40 years	2,936	2,533	1,926	1,561	218	213	6,241	5,951
40-50 years	1,576	1,456	957	869	117	101	3,226	3,117
50-55 years	442	406	352	303	15	23	976	890
>50 years	407	351	326	266	22	21	992	840

* Excluding PDS TECH

Gender breakdown

	France		Germany		Czech Republic		Group	
%	2018	2017	2018	2017	2018	2017	2018*	2017
Women	24	24	22	22	13	12	23	23
Men	76	76	78	78	87	88	77	77

* Excluding PDS TECH

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THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

Absenteeism:

The types of absences taken into account in the absenteeism rate are sick leave and workplace accidents.

The rate is calculated by dividing the number of days of absence by the theoretical number of days worked over the period.

Absenteeism

	2018	2017
France	3.14	2.82
Germany	4.67	6.03
Czech Republic	3.40	2.55

Workplace accidents

Number of workplace accidents with lost time: accidents are those recognised by the official authorities.

Number of hours worked: actual work time within the contractual definition of the term (paid leave and holiday leave excluded).

Numbers of working days lost: days lost due to workplace accidents are counted in calendar days.

Frequency rate: Number of accidents with lost time per year / hours worked x 1,000,000.

Severity rate: Number of days lost per year due to workplace accidents in that year or following a fall/hours worked x 1,000

Workplace accidents

	France*		Germany		Czech Republic	
	2018	2017	2018	2017	2018	2017
Lost-time accident	35	36	76	32	3	1
Frequency rate	3.04	3.45	9.41	5.31	0.3	1.05
Severity rate	0.106	0.06	0.11	0.06	0.38	0.02

Training

Training is represented in hours. If detailed information is not available, 1 day equals 7 hours (France) or 8 hours (Germany) of training.

All types of internal and external training are included for all types of contracts.

Exclusions France: Individual Training Leave (CIF), hours of training given to interns and employees on apprenticeship contracts.

Exclusions Germany: Coaching sessions and on-the-job training.

	France		Germany		Czech Republic	
	2018	2017	2018	2017	2018	2017
Training (hours)	41,900	46,246	60,897	47,882	31,624	31,330

Employment of disabled persons

The % of employees with disabilities out of the total workforce.

Employees with disabilities		
%	2018	2017
France	2.80	2.01
Germany	0.87	1.03
Czech Republic	1.20	0.94

Energy consumption

Reported energy consumption covers: buildings (offices, workshops), company vehicles and industrial processes.

	France		Germany		Czech Republic	
	2018	2017	2018*	2017	2018	2017
ENERGY CONSUMPTION (GWH)	6.7	6	23.1	20.5	3	2.7
Of which buildings	6.6	6	15.8	20.4	1.8	1.4
OF WHICH COMPANY CARS (L)						
Diesel	448,143	402,884	643,446	734,750	208,322	208,464
Petrol-powered	-	-	35,248	11,621	4,720	1,624

* Data provided in 2018 and estimates based on consumption in 2017 (hot water, heating oil, other).

Greenhouse gas emissions

Greenhouse gas emissions under Scope 1: Direct emissions from fixed or mobile installations located inside the organisational perimeter (except for leaks of refrigerants for which data is not available), Scope 2: Indirect emissions related to electricity consumption / heating networks and a part of Scope 3: emissions associated with business travel.

	France		Germany		Czech Republic	
	2018	2017	2018**	2017	2018	2017
TOTAL EMISSIONS (TCO2)	7,235	4,769	12,102	11,709	1,714	1,606
Of which buildings	417	404	5,890	8,010	596	510
Of which company cars	1,124	1,055	1,967	2,169	557	552
Of which processes	-	-	2,715	-	498	510
Of which business travel	5,693*	3,310	1,529	1,529	50	46

*As far as France is concerned, the marked increase of TCO2 in France is due to the increase in the number of long-haul operations because of the acquisition of PDS Tech, which is based in Dallas. Global consumption of CO2 is increasing because of the change in DEFRA methodology in 2018, compared to that of 2017, 130.81% of which was for long-haul operations.
**Data provided in 2018 and estimates based on 2017 emissions (hot water, heating oil).

This information was established in line with the nature of the activities of AKKA Technologies and the associated social, environmental and societal impacts. The following information required by law is less relevant to the services of the AKKA Group, performed primarily in offices:

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THE GROUP'S CORPORATE RESPONSIBILITY & NON-FINANCIAL PERFORMANCE INDICATORS

- Elimination of forced or compulsory labour and the effective abolition of child labour.
- Sum of provisions and guarantees for environmental risks.
- Measures to reduce waste or remedy discharges into the air, water and soil that have a serious adverse impact on the environment.
- Awareness of noise pollution and all other forms of pollution specific to a given activity.
- Combatting food waste.
- Water consumption and supply in relation to local constraints.
- Land use.
- Adaptation to the consequences of climate change. Moreover, given their links with projects conducted by the Group on behalf of its customers, the following topics cannot be addressed. The Group is nevertheless aware of the impact that its projects may have on the environment.
- Consumption of raw materials and measures taken to improve efficiency in their use.
- Measures taken to preserve or develop biodiversity.
- Measures taken to protect the health and safety of the consumer.

Correlation Table GRI, ISO 26000, and Global Compact

Indicator	Global Reporting Initiative (GRI)	ISO 26000	Global Compact	Referencing
SOCIAL				
Total Employees by type of employment				
Total Employees by type of contract				
Total Employees by age group	G4-10	6.4.3		5.1
Total Employees by gender				
Social dialogue				
Absenteeism	G4-LA7			
Workplace accidents	G4-LA6	6.4.4/5/6	3	5.2.2
Quality and well-being at work	GRI 403-6		3	5.2.2
Training policy and hours of training	G4-LA9	6.4.7	3	5.2.3
Annual career appraisal	G4-LA11	6.4.4.	3	5.2.3
Internal mobility policy	GA-LA11	6.4.7	3	5.2.5
Gender equality	G4-LA12	6.3.7/8/9/10	6	5.1.5.3
Recruitment and integration of disabled persons	G4-HR3	6.3.5	6	5.1.5
Anti-discrimination and diversity policy	G4-HR3	6.3/7/10	6	5.1.5
Respect for fundamental freedoms and the right of association	G4- 11	6.3.10	3	5.1.5.1
Eliminating discrimination in employment and professional life	G4- HR4/LA13/LA14		6	5.1.5
ENVIRONMENT				
Treatment and recycling of waste	G4-EN22			5.4.3.3
Energy consumption	G4-EN3	6.5.4	7, 8 and 9	5.4.3
Greenhouse gases	G4-EN15/16/17	6.5.5		5.4.3
SOCIAL CHALLENGES				
Territorial and local presence	EC8	6.8.5		5.1.2/3/4
Talking to the stakeholders		5.3.3		5.4.2
Partnership and sponsoring		6.8.4 /9		5.1.2
Importance of subcontractors	G4-EC9	6.6	1, 2 and 9	5.4.4
Research and development		6.8.4		5.3.3 and R&D section (Chapter 3)
Anti-corruption	G4-56	6.6.3/4	10	5.4.4

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT in thousands of euros	Note no.	31 Dec. 2018	31 Dec. 2017
REVENUE	**3.1**	**1,505,326**	**1,334,388**
External expenses	3.2	(378,884)	(357,576)
Taxes and duties		(12,262)	(9,330)
Personnel expenses	3.3	(982,359)	(861,953)
Net depreciation and provisions	3.4	(20,350)	(14,961)
Other current expenses		(3,479)	(3,381)
Other current income		8,254	5,972
Income from equity affiliates	4.4	1,828	2,290
CURRENT OPERATING PROFIT		**118,075**	**95,450**
Free shares and stock options	4.11	(9,779)	(6,203)
RECURRING OPERATING PROFIT		**108,296**	**89,248**
Other non-current income and expenses	3.5	(18,231)	(13,962)
OPERATING PROFIT		**90,065**	**75,286**
Income from cash and cash equivalents	3.6	174	432
Cost of gross financial debt	3.6	(14,894)	(12,632)
COST OF NET FINANCIAL DEBT		**(14,720)**	**(12,200)**
Other financial income and expenses	3.6	(2,395)	(3,812)
PROFIT BEFORE TAX		**72,950**	**59,273**
Tax expense	3.7	(19,891)	(15,209)
CONSOLIDATED NET PROFIT		**53,058**	**44,064**
Non-controlling interests		(2,914)	(4,811)
GROUP SHARE OF NET PROFIT		**50,145**	**39,253**
Earnings per share		€2.55	€2.00
Diluted earnings per share		€2.50	€1.96
Weighted average number of ordinary shares outstanding		19,641,030	19,665,727
Weighted average number of ordinary shares plus potential dilutive shares		20,071,917	20,016,167

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	31 Dec. 2018	31 Dec. 2017
CONSOLIDATED NET INCOME	**53,058**	**44,064**
Actuarial gains and losses on pension obligations	563	19
Tax effect of items not to be recycled to profit or loss in subsequent periods	(160)	(8)
Items not to be recycled to profit or loss in subsequent periods	**403**	**11**
Gains and losses on hedging instruments	308	527
Change in translation differences	(281)	(673)
Tax effect of items to be recycled to profit or loss in subsequent periods	(94)	(172)
Items to be recycled to profit or loss in subsequent periods	**(67)**	**(317)**
CONSOLIDATED COMPREHENSIVE INCOME	**53,395**	**43,758**
Non-controlling interests	2,611	5,004
Group share	50,784	38,754

CONSOLIDATED BALANCE SHEET

ASSETS in thousands of euros	Note	31 Dec. 2018	31 Dec. 2017
Goodwill	4.1	360,847	285,648
Intangible assets	4.3	19,990	17,368
Tangible assets	4.3	91,160	82,927
Non-current financial assets	4.5	40,340	34,621
Securities of affiliated companies and joint ventures	4.4	46,230	45,830
Other non-current assets	4.6	31,109	28,083
Deferred tax assets	3.7.3	34,092	34,464
Non-current assets		**623,767**	**528,943**
Inventories and work in progress		12,716	6,209
Trade receivables	4.7	261,908	232,582
Other receivables	4.8	86,112	98,067
Cash and cash equivalents	4.10 and 5.1	271,785	430,892
Current assets		**632,520**	**767,750**
TOTAL ASSETS		**1,256,289**	**1,296,693**

LIABILITIES in thousands of euros	Note	31 Dec. 2018	31 Dec. 2017
Share capital	4.11	31,047	31,047
Share premium	4.11	656	-
Consolidation reserves		176,520	161,456
Group share of net profit		50,145	39,253
Group share of equity		**258,368**	**231,756**
Non-controlling interests		305	34,501
Shareholders' equity		**258,673**	**266,258**
Non-current provisions	4.12	26,689	25,706
Non-current financial liabilities	4.13	479,860	516,022
Deferred tax liabilities	3.7.3	13,667	4,466
Non-current liabilities		**520,215**	**546,195**
Current provisions	4.12	4,307	5,751
Current financial liabilities	4.13	71,155	109,902
Trade payables		118,055	86,225
State - income taxes		7,822	6,328
Tax and social security liabilities excluding income tax	4.15	212,806	208,141
Other liabilities	4.16	63,255	67,894
Current liabilities		**477,401**	**484,241**
TOTAL LIABILITIES		**1,256,289**	**1,296,693**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS in thousands of euros	Note	31 Dec. 2018	31 Dec. 2017
Consolidated net profit		53,058	44,064
Reintegration of expenses (+) or elimination of income (-) connected to depreciation and impairment (excluding working capital)		21,837	18,765
Elimination of income from equity affiliates	4.4	(1,828)	(2,290)
Dividends received from equity affiliates	4.4	1,428	-
Reintegration of tax expenses (+) or elimination of tax income (-)	3.7.2	18,374	15,281
Reintegration of expenses (+) or elimination of income (-) calculated under IFRS (1)		6,192	4,959
Reintegration of expenses (+) or elimination of income (-) from net disposals		(2,605)	(1,939)
Reintegration of expenses (+) or elimination of income (-) associated with net financial debt	3.6	14,720	12,200
Last Year : Cash flow before net borrowing costs and tax		**111,176**	**91,041**
Tax paid		(12,144)	(13,869)
Change in net working capital	5.2	30,450	(8,046)
Net cash flow from operating activities		**129,482**	**69,127**
Acquisitions of fixed assets	4.1 and 4.3	(35,708)	(38,858)
Disposals of fixed assets		6,159	229
Change in financial assets		(9,736)	(4,599)
Impact of changes in the scope of consolidation	5.3	(126,240)	(87,713)
Net cash flow from investing activities		**(165,526)**	**(130,942)**
Dividends paid to shareholders of the parent company	5.4	(13,768)	(11,804)
Proceeds from new borrowings	4.13	15,460	453,439
Repayment of loans	4.13	(107,975)	(95,268)
Net interest received		174	432
Net interest paid		(16,824)	(12,315)
Net cash flow from financing activities		**(122,934)**	**334,483**
Impact of changes in foreign currency exchange rates		(129)	(734)
CHANGE IN CASH AND CASH EQUIVALENTS		**(159,106)**	**271,934**
Cash, cash equivalents and bank overdrafts at the start of the year	5.1	430,892	158,958
Cash, cash equivalents and bank overdrafts at year end	5.1	271,785	430,892
CHANGE IN CASH AND CASH EQUIVALENTS		**(159,106)**	**271,934**

(1) Expenses calculated on the basis of IFRS consist of the valuation of stock options and free shares (IFRS2) and the impact of the integration of borrowing costs into the EIR.

06

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Amounts in thousands of euros	Number of shares			Share capital	Share premium	Consolidated reserves	Profit for the period	Translation adjustments	Group share of equity	Non-controlling interests	Consolidated shareholders' equity
	Components of equity	Treasury shares	Outstanding shares								
Shareholders' equity as at 1 January 2017	**20,277,690**	**618,267**	**19,659,424**	**31,025**	**-**	**156,309**	**12,715**	**(87)**	**199,964**	**29,530**	**229,495**
Income for the period	-	-	-	-	-	-	39,253	-	39,253	4,811	44,064
Other comprehensive income	-	-	-	-	-	354	-	(853)	(499)	192	(306)
Consolidated comprehensive income	**-**	**-**	**-**	**-**	**-**	**354**	**39,253**	**(853)**	**38,754**	**5,004**	**43,758**
Change in the share capital of the parent company	14,300	-	14,300	22	-	(22)	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	(606)	-	-	(606)	(35)	(641)
Appropriation of earnings	-	-	-	-	-	12,715	(12,715)	-	-	-	-
Dividends	-	-	-	-	-	(11,804)	-	-	(11,804)	-	(11,804)
Impact of free shares and stock options	-	-	-	-	-	5,253	-	-	5,253	-	5,253
Other changes	-	7,996	(7,996)	-	-	195	-	2	196	2	198
Shareholders' equity as at 31 December 2017	**20,291,990**	**626,263**	**19,665,728**	**31,047**	**-**	**162,394**	**39,253**	**(938)**	**231,757**	**34,502**	**266,259**
Shareholders' equity as at 1 January 2018	**20,291,990**	**626,263**	**19,665,728**	**31,047**	**-**	**162,394**	**39,253**	**(938)**	**231,757**	**34,502**	**266,259**
Income for the period	-	-	-	-	-	-	50,145	-	50,145	2,914	53,058
Other comprehensive income (1)	-	-	-	-	-	628	-	12	639	(303)	336
Consolidated comprehensive income	**-**	**-**	**-**	**-**	**-**	**628**	**50,145**	**12**	**50,784**	**2,611**	**53,395**
Change in the share capital of the parent company	-	-	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	(17,797)	-	(828)	(18,626)	(36,808)	(55,434)
Appropriation of earnings	-	-	-	-	-	39,253	(39,253)	-	-	-	-
Dividends (2)	-	-	-	-	-	(13,768)	-	-	(13,768)	-	(13,768)
Impact of free shares and stock options	-	-	-	-	-	8,207	-	-	8,207	-	8,207
Other changes	-	24,697	(24,697)	-	656	(642)	-	-	14	-	14
Shareholders' equity as at 31 December 2018	**20,291,990**	**650,960**	**19,641,031**	**31,047**	**656**	**178,275**	**50,145**	**(1,755)**	**258,368**	**305**	**258,673**

1) As at 31 December 2018, the amount of actuarial gains and losses was €(2,845) thousand, and that of hedging reserves was €(529) thousand.
2) The amount of dividends in respect of 2018 payable in 2019 is disclosed in Note 5.3.

These notes contain additional information regarding the consolidated balance sheet, the total of which is €1,256,289 thousand, and the consolidated incomes statement, which shows the Group share of comprehensive income at €53,395 thousand.

Such information is only included when its importance is material.

Unless otherwise stated, all figures are expressed in thousands of euros.

The Board of Directors of the AKKA Technologies Group approved the financial statements at its meeting of 18 March 2019.

Business operations:

AKKA ranks as the European leader in engineering consulting and R&D services in the mobility sector. AKKA supports its customers in the automotive, aerospace, rail and life sciences sectors throughout the lifecycle of their products. A dynamic force in innovation for its clients, AKKA offers them all the benefits of its expertise in state-of-the-art digital technologies (AI, ADAS, IoT, Big Data, robotics, embedded computing, machine learning, etc.).

Founded in 1984, AKKA has a strong entrepreneurial culture and is pursuing its fast-paced growth and international development in line with its CLEAR 2022 strategic plan. With over 21,000 employees, who are passionate about technology and dedicated to advancing the future of industry, the Group recorded revenues of €1.5 billion in 2018.

The company's registered office is located at 143 avenue Louise, 1050 Brussels, Belgium.

AKKA Technologies is listed on Euronext Paris – Compartment B – ISIN code: FR0004180537.

Significant events and transactions in 2018:

> **CLEAR 2022**: In January 2018, AKKA unveiled its CLEAR 2022 strategic plan. This plan will reinforce AKKA's position as a leader in Mobility Technology Consulting, while sustainably improving the company's financial performance.

> **The acquisition of PDS Tech**, in a deal finalised in November 2018, is a major step forward in the Group's diversification strategy in the American aerospace sector. It will enable the Group to acquire a strong position with its long-standing customers who are key aerospace clients in the US market. Mirroring the success of its development in Germany, combining organic growth with strategic acquisitions, AKKA is taking a controlled and orderly approach to its expansion in the United States. The foundations for establishing a leading role in engineering and technology services in the US are now in place.

In 2018, PDS Tech benefited from strong momentum within the aerospace market in the United States and from early commercial synergies with AKKA. It recorded 2018 revenues of $303 million with organic growth of more than 15% compared to the 2017 revenue ($262 million).

The acquisition of PDS Tech will be accretive as of 2019 thanks to growth in its revenue and margins and its acquisition price of less than $100 million negotiated on the basis of 2017 performance.

With PDS Tech's stellar expert recruitment capacity and the quality of AKKA's engineering offerings, the Group will be ideally placed to benefit from strong growth in US demand, to support the trend towards the outsourcing of R&D by major manufacturers and to take advantage of the acceleration of demand in aerospace.

> **MBtech – now under 100% control**: in completing the acquisition of 100% of MBtech in September 2018, with the acquisition of the 35% minority stake owned by Daimler, AKKA has accelerated the transformation of its German subsidiary under one brand and within an integrated organisation. The completion of this transformation has further improved the profit margins for this Business Unit.

> **Registered office transfer**: the Group has optimised its organisation as part of its CLEAR 2022 strategic plan. The bolstering of AKKA International is well advanced, and the transfer of the Group's registered office to Brussels, at the heart of Europe, is now complete. This move has further accelerated the Group's ambition to develop internationally.

1. SCOPE AND METHODS OF CONSOLIDATION

1.1 ◆ Reporting standards

The consolidated financial statements of the AKKA Technologies Group were prepared in accordance with IFRS and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union at the reporting date.

These standards are available on the European Commission website at the following address: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

1.2 ◆ New IFRS standards and interpretations

The Group has applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial instruments" since 1 January 2018, without restating comparative data. The cumulative impact of the first-time application of these standards is immaterial, and the new standards do not entail substantial changes in the Group's accounting policies.

The other standards applicable from 1 January 2018 had no significant impact on the Group's financial statements:

- Amendments to IFRS 2: "Classification and measurement of share-based payment transactions";
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration";
- Annual improvements, 2014-2016 cycle.

The Group has elected not to early-adopt the standards, interpretations and amendments adopted by the IASB not yet applicable as at 31 December 2018. This relates primarily to the following standards:

- IFRS 16: "Leases";
- IFRIC 23: "Uncertainty over Income Tax Treatments";
- Amendments to IAS 19: "Plan amendment, curtailment or settlement";
- Amendments to IFRS 9: "Prepayment features with negative compensation";
- Amendments to IAS 28: "Long-term interests in associates and joint ventures";
- Annual improvements, 2015-2017 cycle.

The impact studies of the application of these standards, amendments and interpretations is ongoing.

Standard IFRS 16 "Leases" is applicable for financial years beginning on or after 1 January 2019. This standard introduces provisions that have a significant impact on the financial reporting of leases and financial aggregates for lessees. On the basis of the initial analyses, the Group anticipates impacts on aggregate fixed assets and financial liabilities in line with lease commitments under IAS 17 mentioned in Note 9.2, most of which relate to real estate.

In addition to the balance sheet, the income statement (depreciation and interest instead of lease charges, acceleration of the discounting charge) and the cash flow statement will be modified.

The work undertaken to assess the amounts to be entered in the accounts on 1 January 2019 is currently being finalised. The impact on the Group's shareholders' equity as at 1 January 2019 will be immaterial.

The interpretation of IFRIC 23 completes the provisions of IAS 12 "Income taxes" by specifying the assessment and accounting methods for uncertainties relating to income tax. This interpretation is mandatory for the financial years beginning on or after 1 January 2019. The impacts of implementing this interpretation are currently being analysed, however, the impact on Group accounts is expected to be immaterial.

The Group does not expect the other standards, interpretations and amendments mentioned above to have a material impact on its financial statements.

1.3 ◆ Management estimates

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions that have an impact on the financial statements. These estimates and assumptions are based on information available when they are drawn up. Estimates may be revised in the event of change in the circumstances on which they were based. Actual results may therefore differ from the initial estimate.

The consolidated financial statements for the year were prepared taking into account the prevailing macroeconomic environment and the financial market parameters available as of the reporting date, in particular for the estimates below.

The use of estimates impacts the following information in particular:

> the assumptions used for asset impairment testing (notes 2.10 and 4.2),
> the calculation of deferred tax assets (notes 2.5 and 3.7.3),
> the assessment of earnings based on the state of progress of contracts (notes 2.1 and 3.1),
> the measurement of provisions and pension commitments (notes 2.15 and 4.12),
> the measurement of the expense related to the allocation of free and performance shares (note 4.11),
> the estimate of projects eligible for research tax credits (notes 2.19 and 3.3).

1.4 ◆ Consolidation methods

The companies over which the Group directly or indirectly exercises exclusive control are consolidated by the full consolidation method.

Exclusive control is assessed in accordance with the criteria set out in IFRS 10 (power over the relevant activities, exposure to variable returns and ability to use power to affect the amount of returns). This majority control is presumed to be the case in companies in which the Group directly or indirectly holds at least 50% of the voting rights. Immediately exercisable potential voting rights, including those held by another entity, are taken into account in assessing control.

The analysis of joint arrangements pursuant to the criteria set out in IFRS 11 has resulted in the identification of joint ventures, but no joint activities. Joint ventures are consolidated by the equity method. Goodwill in companies consolidated by the equity method is tested only if an indication of loss of value is identified; this was not the case as at 31 December 2018. As at 31 December 2018, similarly to 31 December 2017, only one company was consolidated by the equity method (notes 1.6 and 4.4).

1.5 ◆ Date of the financial statements

All financial statements of the companies included in the scope of consolidation are for the year ending 31 December 2018.

1.6 ◆ Scope of consolidation

Companies	% control	% interest	Consolidation method (1)	Country in which the the company is based
AKKA TECHNOLOGIES SE	-	-	CE	Belgium
AEROCONSEIL SAS	100%	100%	FC	France
AKKA ENERGY SAS	100%	100%	FC	France
AKKA I&S SAS	100%	100%	FC	France
AKKA INFORMATIQUE ET SYSTEMES SAS	100%	100%	FC	France
AKKA INGENIERIE PRODUIT SAS	100%	100%	FC	France
AKKA LIFE SCIENCE SAS	100%	100%	FC	France
AKKA MANAGER SARL	100%	100%	FC	France
AKKA RESEARCH SAS	100%	100%	FC	France
AKKA SERVICES SAS	100%	100%	FC	France
EKIS FRANCE SAS	100%	100%	FC	France
EKIS SAS	100%	100%	FC	France
ELRON CONSULTING SARL	100%	100%	FC	France
ERDIMAT SAS	100%	100%	FC	France
MATIS HIGH TECH SA (formerly MATIS TECHNOLOGIES SA)	100%	100%	FC	France
MATIS HOLDING SAS	100%	100%	FC	France
MODELISATION ASSISTANCE TECHNIQUE INFORMATIQUE SCIENTIFIQUE (MATIS) SA	100%	100%	FC	France
OPERANTIS SAS	100%	100%	FC	France
OPERANTIS-SI SARL	100%	100%	FC	France
REAL FUSIO SAS	100%	100%	FC	France
SOLIANTIS SARL	100%	100%	FC	France
AKKA DEUTSCHLAND GmbH	100%	100%	FC	Germany
AKKA EMV GmbH	100%	100%	FC	Germany
AKKA GERMANY GmbH	100%	100%	FC	Germany
AKKA SERVICES GmbH	100%	100%	FC	Germany
ATP AUTOMOTIVE TESTING PAPENBURG GmbH	100%	100%	FC	Germany
ELEKTRONISCHE FAHRWERKSYSTEME GmbH	51%	51%	EM	Germany
AKKA MANAGEMENT SERVICES GmbH (formerly GIGATRONIK HOLDING GmbH)	100%	100%	FC	Germany
AKKA DNO GmbH (formerly GIGATRONIK KOLN GmbH)	100%	100%	FC	Germany
AKKA DSO GmbH (formerly GIGATRONIK MUNCHEN GmbH)	100%	100%	FC	Germany
AKKA DSW GmbH (formerly GIGATRONIK STUTTGART GmbH)	100%	100%	FC	Germany
AKKA Consulting GmbH (formerly MBTECH CONSULTING GmbH)	100%	100%	FC	Germany
AKKA EMC GmbH (formerly MBTECH EMC GmbH)	100%	100%	FC	Germany
AKKA GmbH & Co. KGaA (formerly MBTECH GROUP GmbH & Co. KGaA)	100%	100%	FC	Germany
AKKA Verwaltungs GmbH (formerly MBTECH VERWALTUNGS - GmbH)	100%	100%	FC	Germany
PROCEDA MODELBAU GmbH	100%	100%	FC	Germany
SYSTEM DESIGN GmbH	100%	100%	FC	Germany

Companies	% control	% interest	Consolidation method (1)	Country in which the the company is based
GIGATRONIK Austria GmbH	100%	100%	FC	Austria
AKKA FINANCE SPRL	100%	100%	FC	Belgium
AKKA BELGIUM SA	100%	100%	FC	Belgium
AKKA INTERNATIONAL SA	100%	100%	FC	Belgium
AKKA GROUPE AMERIQUE DU NORD INC	100%	100%	FC	Canada
AKKA TECHNOLOGIES BEIJING Ltd.	100%	100%	FC	China
ERLKONIG MANAGEMENT CONSULTING BEIJING Ltd.	100%	100%	FC	China
MB SIM TECHNOLOGY Co. Ltd.	100%	100%	FC	China
AKKA CONGO SA	70%	70%	FC	Congo
AKKA MIDDLE EAST DMCC	100%	100%	FC	Dubai
AKKA TECHNOLOGIES SPAIN SL	100%	100%	FC	Spain
ALL ENERGY CORIALIS WEST AFRICA SL	51%	51%	FC	Spain
CORIALIS ANGOLA SL	100%	100%	FC	Spain
EDELWAY SPAIN SL	100%	100%	FC	Spain
AKKA DEVELOPMENT UK LTD	100%	100%	FC	Great Britain
AKKA RESOURCING LIMITED *	100%	100%	FC	Great Britain
MBTECH HUNGARY ENGINEERING AND CONSULTING LLC	100%	100%	FC	Hungary
BERTONE DIGITAL MOBILITY SRL	100%	100%	FC	Italy
AKKA ENERGY Srl (formerly EPSCO Italy)	100%	100%	FC	Italy
AKKA ITALIA SRL	100%	100%	FC	Italy
CTP SYSTEM SRL	100%	100%	FC	Italy
AKKA JAPAN K.K	100%	100%	FC	Japan
AKKA DEVELOPMENT SARL	100%	100%	FC	Luxembourg
AKKA NETHERLANDS BV	100%	100%	FC	The Netherlands
AEROCONSEIL PACIFIC SAS	100%	100%	FC	French Polynesia
MBTECH BOHEMIA s.r.o.	100%	100%	FC	Czech Republic
AKKA ROMSERV SRL	100%	100%	FC	Romania
AKKA TECHNOLOGIES SINGAPORE	100%	100%	FC	Singapore
AKKA SLOVAKIA s.r.o.	100%	100%	FC	Slovakia
AKKA SWITZERLAND SA	100%	100%	FC	Switzerland
EDELWAY AG	100%	100%	FC	Switzerland
AKKA LIFE SCIENCE AG (formerly EDELWAY GENEVA)	100%	100%	FC	Switzerland
THE AKKADEMY SWITZERLAND SA	100%	100%	FC	Switzerland
AKKA DIGITAL SWISS AG (formerly GIGATRONIK TECHNOLOGIES AG)	100%	100%	FC	Switzerland
LEORA HUMAN CAPITAL SA	100%	100%	FC	Switzerland
AKKA TECHNOLOGIES MUHENDISLIK VE DANISMANLIK Limited Sirketi LLC	100%	100%	FC	Turkey
MBTECH MUHENDISLIK VE DANISMANLIK Limited Sirketi LLC	100%	100%	FC	Turkey
AKKA DEV US INC	100%	100%	FC	USA
AKKA GROUP NORTH AMERICA Inc.	100%	100%	FC	USA
MBTECH NORTH AMERICA Inc.	100%	100%	FC	USA
MB-TECHNOLOGY NA LLC.	100%	100%	FC	USA
PDS TECH Inc.	100%	100%	FC	USA

(1) CE = Consolidating Entity; FC = Full Consolidation; EM = Equity Method

* The company AKKA Resourcing Limited is exempt from any audit by virtue of Section 479A of the 2006 Companies Act in effect in the United Kingdom.

1.7 ◆ Comparability of financial statements

1.7.1 ◆ First-time consolidation in 2018

- The Group acquired all of the shares in PDS Tech. Founded in 1977, PDS Tech has been fully consolidated since 1 November 2018.

Its contribution to the consolidated revenue since 1 November 2018 amounts to €47.6 million.

1.7.2 ◆ First-time consolidation in 2017

- The Group acquired all of the shares in CTP System. Founded in 1990, CTP System has been fully consolidated since 1 January 2017.
- The Group acquired all of the shares in Edelway. Founded in 2007, the Edelway Group has been consolidated since 1 January 2017. Its main entities are as follows:
  - Edelway AG,
  - AKKA Life Sciences AG (formerly Edelway Geneva),
  - Leora Human Capital,
  - Edelway Spain.

- The Group acquired all of the shares in the Gigatronik Group.

Founded in 2001, the Gigatronik Group has been consolidated since 1 January 2017. Its main subsidiaries are as follows:

- Gigatronik Holding GmbH
- Gigatronik Stuttgart GmbH
- Gigatronik Ingolstadt GmbH
- Gigatronik Munchen GmbH
- Gigatronik Koln GmbH
- Gigatronik AG
- Gigatronik Technologies AG
- Gigatronik Technologies GmbH
- Gigatronik Austria GmbH

Elektronische Fahrwerksysteme GmbH (EFS) is jointly owned by Gigatronik Ingolstadt GmbH and AEV GmbH (a subsidiary of the Audi Group), and is accounted for by the equity method (51%). The Group has concluded that there is an absence of control related to the agreement signed with our partner AEV.

These three Groups, acquired in 2017, generated consolidated revenue of €133 million during 2017 (excluding EFS, which is accounted for by the equity method).

1.7.3 ◆ Acquisition price of companies consolidated for the first time in 2017 and 2018

The acquisition prices paid out in 2018 amounted to €137,079 thousand compare to €96,999 thousand in 2017; €17,510 thousand is yet to be paid out for acquisitions post-2018. Details of goodwill and earn-out payments are given in Note 4.1.

1.7.4 ◆ Changes in percentage interests

Since the beginning of September 2018, the Group has bought out the entire 35% of minority interests in MBtech, thereby taking total control of all entities within this scope. Since this buyout did not result in a change of control, the difference between the price paid and the amount of minority interests on the transaction date was recorded as a reduction of shareholders' equity.

1.7.5 ◆ Exit from the scope of consolidation

There were no significant exits from the scope of consolidation in 2018.

1.7.6 ◆ Other events affecting the scope of consolidation

Streamlining the number of legal entities continued, notably with mergers in both Germany and Spain. These operations do not have any impact on the consolidated information.

1.7.7 ◆ Proforma information

In the absence of any significant impact from acquisitions, proforma information is not provided for the periods presented.

1.8 ◆ Translation of the financial statements of subsidiaries

The Group's functional currency is the euro.

The financial statements of subsidiaries have been translated into euros using the closing rate for balance sheet items other than equity, the average rate for the year for the income statement and the historical rates for components of equity other than retained earnings.

The differences arising from the translation of financial statements of subsidiaries are recorded in a separate section of the statement of changes in equity, under "translation adjustments". Movements during the year are presented on a separate line, in other comprehensive income.

1.9 ◆ Intra-Group transactions

Transactions between Group companies (purchases, sales, dividends, receivables, payables, provisions, results of internal transfers, etc.) are fully eliminated for fully consolidated companies.

2. ACCOUNTING POLICIES

2.1 ◆ Method of recognition of profit from contracts

The consolidated revenue is recognised in accordance with the provisions set forth in Standard IFRS 15.

Revenue from the majority of contracts is recorded as a unique performance obligation, the transfer of control of which takes place as the contract progresses.

For all types of contract (cost-plus, fixed-price or cost per unit of work), the revenue and the margin are recognised based on the progress of each contract. For fixed-price contracts, the services are recognised on the basis of the cost of work completed, taking into account an estimate of the remaining works required to complete the contract.

Whenever the customer requests works to be carried out not included in the initial order on fixed-price contracts, the Group conducts an analysis of such transactions in order to modify the contract appropriately. If the Group is certain to receive payment prior to the customer's formal agreement, unbilled work is recognised on the basis of the work completed, provided that the customer acknowledges that the works have indeed been performed outside of the initial contractual framework. In such cases, revenue is to be recorded on a cost price basis.

Fixed-price contracts represent a significant portion of revenue and margin. For fixed-price contracts, where the work completed plus what remains to be done to fulfil the contract exceeds the total revenue from the contract, the excess amount is recognised as "provision for losses on completion" in liabilities, under the heading "current provisions".

Should a third party be involved in supplying a particular good or service, the Group determines whether it should obtain control of said good or service prior to transfer to the customer. When control is obtained prior to transfer to the customer, the Group records the gross amount it expects to collect from the customer in revenue. On the other hand, when control is not obtained, the Group considers that it is acting as an agent in the given transaction and only records the amount corresponding to its net remuneration in revenue.

For all types of contract, where work completed exceeds the amount billed, the difference is recognised as "unbilled work" in assets, under the heading "trade receivables". By contrast, where the work billed exceeds the amount of work actually completed, the difference is recognised in "deferred income" in liabilities, under the heading "other liabilities".

Within the Group, contract assets correspond to unbilled work, advances paid to subcontractors, and holdbacks.
In accordance with the requirements of standard IFRS 9, contract assets are analysed to assess the potential risk of uncollectability. Contract liabilities primarily consist of advances received and deferred income.

	Note	2018	2017
Unbilled work	4.7	139,100	139,668
Advances paid to subcontractors	4.8	1,728	1,326
Contract assets		**140,829**	**140,993**
Customer advances and deposits received	4.15	8,872	3,782
Deferred income	4.15	31,698	27,310
Contract liabilities		**40,569**	**31,093**

2.2 ◆ Research and development expenses

Research expenses are recognised as expenses.

Under IAS 38, development costs can only be recognised as assets if projects meet the following conditions:

- the project is clearly identified and the project costs can be measured reliably,
- the project's technical feasibility has been demonstrated,
- the Group intends to complete the project and to use or sell the resulting solutions,
- the financial and technical resources needed to complete the development and to use or sell the asset are available,
- it is likely that the future economic advantages will benefit the Group.

2.3 ◆ Share-based payments

IFRS 2 defines the methods for measuring and recognising share-based payments. Stock option and free share plans are regarded as benefits granted by the Group to the beneficiaries. As such, the benefit is measured based on the fair value of the equity instruments granted at the grant date. It gives rise to the declaration of an expense spread over the vesting period in exchange for an increase in shareholders' equity, taking the probability of departure of the employees into account.

On expiry of the vesting period, the amount of cumulative benefits recognised is maintained in equity for the part actually vested, whether or not the options are actually exercised.

The fair value of stock option plans is measured using the Black & Scholes model; no stock option was granted for the financial year.

Free shares granted are subject to certain restrictions on their sale or transfer and to the employee's presence in the Group at the end of the vesting period. The fair value of the benefit granted takes into account various parameters such as employee turnover and the non-transferability of shares during the vesting period.
The corresponding expense is shown on the line assigned to free shares and stock options from the income statement.

2.4 ◆ Other non-current income and expenses

Other non-current income and expenses consist of income and expenses that are unusual owing to their frequency and amounts in respect of the Group. (See 3.5)

2.5 ◆ Tax expense

2.5.1 ◆ Income tax

Current tax expense represents the amounts paid or payable to the tax authorities for the year, based on the rules and rates applicable in the various countries.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities and their tax basis in accordance with IAS 12, except for differences related to goodwill and investments in subsidiaries. These amounts basically stem from the following items:

- time lag between the recognition and tax deductibility of certain expenses,
- restatement of tax-related provisions,
- adjustments made between the financial statements prepared in local GAAP and financial statements prepared in accordance with IFRS (e.g. restatement of goods subject to fixed or movable property finance leases).

In accordance with IAS 12, deferred taxes are calculated using tax rates that were enacted or substantively enacted as of the reporting date. Changes in deferred tax rates and tax bases are recognised in profit or loss when they affect an item recognised in profit or loss, in other comprehensive income or in reserves, depending on the method of recognition of the item on which the tax is levied.

Deferred tax assets are recognised only when their recovery is deemed likely. To assess its ability to recover deferred tax assets, the Group takes into account the following:

- future earnings forecasts as determined from multi-year budgets used for goodwill impairment testing;
- the probability of use of tax losses arising before and after tax consolidation;
- the specific treatment of tax losses under local tax rules.

Deferred taxes are not discounted.

2.5.2 ◆ Corporate Value Added Contribution

According to the Group's analysis, the corporate value added contribution (cotisation sur la valeur ajoutée des entreprises – CVAE), a French business tax based on the value added in the parent company's financial statements, has features that meet the definition of an income tax within the meaning of IAS 12.2 ("taxes based on taxable profits"). It is therefore recognised under "income tax expense" in the income statement.

2.6 ◆ Earnings per share

In accordance with IAS 33, basic earnings per share is calculated by dividing the "Group share of net profit" by the weighted average number of shares outstanding less treasury shares.

Diluted earnings per share is calculated by dividing the "Group share of net profit", adjusted for the financial cost of dilutive instruments, by the weighted average number of shares outstanding after the conversion into ordinary shares of dilutive instruments outstanding convertible into AKKA Technologies shares.

2.7 ◆ Goodwill

The revised standard IFRS 3 on business combinations was applied prospectively to business combinations formed on or after 1 January 2010.

The principles presented below are those laid down in IFRS 3R.

When taking control of a new company, the identifiable assets and liabilities of the acquired subsidiary are recognised in the consolidated balance sheet at their fair value at that date. These assets and liabilities follow the rules for balance sheet items to which they are assigned.

The residual difference between the acquisition cost and the share of interest in the net fair value of contingent assets and liabilities is included in assets under "goodwill". Analysis of the allocation of the acquisition cost is finalised at the end of a period of 12 months from the date of acquisition.

The acquisition cost is the amount of cash or cash equivalents and contingent considerations measured at fair value, excluding the acquisition costs of securities. Acquisition expenses are recognised as expenses in the period.

The Group recognises non-controlling interest in a takeover, either at fair value (full goodwill method) or on the basis of their share in the net assets of the acquired company (partial goodwill method). A decision is taken for each acquisition.

The impact of buyouts of non-controlling interests after a takeover is recognised directly in equity. The treatment is the same in case of transfer without loss of control.

For acquisitions made on or after 1 January 2010, in accordance with IFRS 3R, changes in earn-out payments are recognised in profit or loss after the acquisition date. When the impact is material, contingent considerations are discounted. The impact of the accretion is recognised in profit or loss.

Negative goodwill is recognised immediately in profit or loss.

Goodwill is allocated to a cash-generating unit or a group of CGUs based on synergies expected by the Group. In practice, goodwill is allocated to geographical areas, as described in note 4.1.

Goodwill is not amortised. It is subject to impairment testing as defined in note 2.10, whenever there is an indication of impairment and at least once a year.

2.8 ◆ Intangible and tangible assets

The basic method adopted for the recognition and measurement of fixed assets is the historical cost method. The Group has opted not to remeasure fixed assets other than business combinations.

Among property, plant and equipment, land is the only asset with an indefinite life.

In accordance with IAS 16, buildings are measured using a component approach.

Buildings are broken down into four homogeneous components based on estimates and quotes made at the time:

> building shell,
> facade and sealing,
> general and technical fixtures,
> fittings.

Depreciation is generally calculated on a straight-line basis over the useful life of the item. Accelerated depreciation may however be used when it appears more appropriate to the conditions of use of the equipment in question.

The main useful lives of the various categories of property, plant and equipment and intangible assets are:

	Method	Number of years
Software	Straight-line basis	1 to 3 years
Operating software (unit value less than €23 thousand)	Straight-line basis	2 years
Operating software (unit value greater than €23 thousand)	Straight-line basis	3 years
Building shell	Straight-line basis	50 years
Facades and sealing	Straight-line basis	30 years
General and technical fixtures	Straight-line basis	4 to 20 years
Fittings	Straight-line basis	10 years
Plant, equipment and tooling	Straight-line basis	4 years
General facilities, fixtures and fittings	Straight-line basis	4 to 10 years
Transport equipment	Straight-line basis	4 years
Office equipment	Straight-line basis	4 years
Computer Equipment	Straight-line basis	3 years
Furniture	Straight-line basis	7 years

2.9 ◆ Leases

2.9.1 ◆ Financial leases

The following are considered to be financial leases:

> agreements that transfer ownership of the item at the end of the term,
> agreements containing a purchase option at a preferential price,
> leases covering the major part of the useful life of the item,
> agreements for which the present value of the minimum rent payments is equal to substantially all of the fair value of the asset leased,
> agreements relating to very specific assets.

In addition, the following situations may individually or jointly result in a lease being classified as a finance lease:

> if the lessee can cancel the lease, the losses incurred by the lessor for the cancellation are borne by the lessee;
> gains or losses resulting from change in the fair value of the residual value are borne by the lessee;
> the lessee has the option of extending the lease for a second term at a rent that is substantially below the market price.

Finance leases are recognised in fixed assets and financial liabilities. Lease payments are broken down into interest expense and depreciation. The Group acts as lessee.

2.9.2 ◆ Operating leases

Operating lease payments are expensed on a straight-line basis over the duration of the term.

2.10 ◆ Impairment of non-financial assets

Periodically, once a year (for goodwill and other intangible assets with indefinite useful lives) and whenever an indication of impairment is identified (for other non-financial assets), impairment testing is performed to ensure that the recoverable amount of non-financial assets is at least equal to the carrying amount. If necessary, an impairment loss is recognised to align the carrying amount of these assets with their recoverable amount.

As recommended by IAS 36, the recoverable amount of an asset is the greater of its net fair value (fair value less costs to sell) and its value in use, which corresponds to the present value of the estimated future flows of the relevant cash-generating unit (CGU) or group of CGUs. CGUs are defined as the smallest identifiable groups of assets that generate independent cash flows (see note 2.7).

Impairment testing is performed by CGU or group of CGUs based on a five-year projections of net cash flows from operations (operating cash flow, cash flows related to working capital and investment) plus, if applicable, corresponding R&D subsidies. This projection is determined using the budget data of the CGU or group of CGUs, taking into account past experience and future prospects. Beyond this horizon, the Group calculates a terminal value of the CGU corresponding to the present value of cash flows from operations discounted to infinity.

The discount rate is determined in accordance with IFRS, without taking into account the level of debt. The discount rate is after tax, and is applied to cash flow after tax. Its use results in determining recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36. The discount rate is calculated using a risk free rate, an equity-market risk premium and a sector beta. Depending on the location of the CGU or groups of CGUs with goodwill, a country risk premium is also factored into the discount rate.

Projected cash flows do not include cash flows resulting from growth investments or cash flows from restructuring not yet begun.

Impairment losses recognised on a CGU or group of CGUs are allocated first to goodwill. Impairment losses recognised on the goodwill of fully consolidated companies cannot be reversed.

2.11 ◆ Trade receivables, related accounts and other receivables

Trade and other receivables are current assets initially measured at fair value, which generally corresponds to their nominal value, unless the effect of discounting is material.

At each reporting date, receivables are measured at fair value, taking into account where necessary any impairment to reflect the potential risks of non-recovery.

An impairment loss is recognised when there are objective indications that the Group will not be able to collect all amounts due under the terms of the original transaction. Bankruptcies, creditor protection processes, notorious insolvency or disappearance of the debtor and significant payment arrears are considered indicators that a trade receivable is impaired.

2.12 ◆ Factoring and financing tools

The working capital of the main French and German companies is funded mainly by the sale of receivables (factoring, Dailly, etc.). Analysis of the derecognition of assigned receivables is made on the basis of the decision tree provided by IFRS 9.

The conditions enjoyed by the Group lead us to record the cash obtained from such assignments under "cash and cash equivalents" and holdbacks under "financial assets". The assigned receivables are derecognised from assets on the balance sheet. Information on the amount of receivables assigned and derecognised is disclosed in note 4.7.

This method of recognition results notably from the following criteria:

- upon assignment, the rights to the cash flows of the asset have not expired,
- the rights to receive cash flows from the asset are transferred to the assignee,
- the risks and benefits are substantially transferred to the assignee,
- the Group does not retain control of the receivable.

2.13 ◆ Cash and cash equivalents

This item includes current bank accounts (debit and credit), the amounts made available by the factor but not used and cash equivalents.

Short-term investments (cash equivalents) are measured and recognised at fair value by reference to the most recent year-end price. Changes in fair value are recognised in profit or loss.

2.14 ◆ Foreign currency transactions

Transactions in foreign currencies are recorded at their equivalent value on the date of the transaction. Trade payables and receivables are recorded at their equivalent value based on the year-end exchange rate. The corresponding translation differences are recognised in profit or loss.

2.15 ◆ Employee benefits

Post-employment benefits (see Note 4.12)

Post-employment employee benefits comprise commitments in respect of retirement bonuses, and are the subject of a provision in non-current liabilities.

The calculation of such commitments takes into account:

- rights acquired, including social security contributions, for each employee using the projected unit credit method based on pay at retirement,
- the mortality table,
- the staff turnover rate,
- wage growth rate of 1% in France (1% in 2017) and 3% in Germany (3% in 2017).

This calculation was discounted at a rate of 1.57% in 2018, compared with 1.30% in 2017 (iBoxx AA10+).

The service cost and interest expense are recognised in profit or loss. Actuarial gains and losses are recognised in other comprehensive income; they are not recycled to profit or loss.

There is no deferred cost of past services, nor is there any change in regime in the years presented. The Group does not outsource the funding of its liabilities.

2.16 ◆ Provisions

Obligations to third parties resulting from past generating events, whether legal, regulatory, contractual or constructive, are subject to a provision as soon as the Group has a present obligation, legal or constructive, arising from past events existing independently of future actions by the Group and it is probable that it will result in an outflow of resources.

Contingent assets are disclosed in the notes when their realisation is deemed probable and the amount is material. Contingent liabilities are disclosed in the notes when the amount is material.

The components comprising provisions (commercial disputes, industrial tribunal disputes, restructuring, etc.) are reviewed regularly to allow any necessary adjustments to be made.

When the effect is material, provisions are discounted.

2.17 ◆ Financial liabilities

Financial liabilities include loans from credit institutions (banks and leasing companies and bonds). Financial liabilities are recorded at amortised cost based on the effective interest rate method.
The portion due within one year is classified under "Current financial liabilities"; that due in more than one year is classified under "Non-current financial liabilities".

2.18 ◆ Derivatives

The Group uses financial instruments to hedge its exposure to fluctuations in interest rates. Derivatives are initially measured at fair value on the date of inception, and are subsequently remeasured at fair value at each reporting date. In accordance with IAS 39, the recognition of changes in fair value depends on the classification of the derivative as a fair value or cash flow hedge.

Fair value hedges are intended to hedge exposure to changes in the fair value of an asset or liability recognised in the financial statements or of an identified component of such assets or liabilities or a commitment to purchase or sell an asset at a predetermined price, which is attributable to a specific risk and which could affect the profit presented. Any gain or loss resulting from the remeasurement of the hedging instrument is recognised in profit or loss.

The Group had no such contracts in the years presented.

Cash flow hedges are intended to hedge exposure to changes in cash flows attributable to a specific risk associated with an asset or liability recognised in the financial statements or to an intended transaction that could affect profit. Changes in fair value as at the year-end are broken down into an effective portion recognised in "Other items of comprehensive income", and an ineffective portion recycled to profit or loss.
The effective portion is recognised in profit or loss for the period at the maturities of the hedging instrument. If the hedging instrument expires or is sold, terminated or exercised, the gain or loss initially recognised in other items of comprehensive income must be maintained separately in other comprehensive income until the intended transaction takes place. If it is no longer expected that the commitment or the transaction will materialise, any impact previously recognised in other items of comprehensive income is recycled in profit or loss.

2.19 ◆ Subsidies

In accordance with IAS 20, subsidies (including the research, and competitiveness and employment tax credits) are deducted from the expense to which they relate.
The amount recognised as at 31 December 2018 is calculated based on the eligible expenses.

2.20 ◆ Other information on financial assets and liabilities

Treasury shares and related impacts (gain or loss on disposal, impairment, if any) are deducted from consolidated reserves.

Financial assets and liabilities are recognised under several headings in the balance sheet (non-current financial assets, trade receivables, other current assets, trade payables, other current liabilities, borrowings, cash and cash equivalents).

Financial instruments are allocated to five categories that do not correspond to identified balance sheet headings, bearing in mind that their allocation determines the applicable recognition and measurement rules.

The five categories are as follows:

> Assets held to maturity: not applicable in the Group in the years presented,

> Financial assets and liabilities at fair value through profit or loss: this item mainly includes cash equivalents. Changes in the fair value of the items allocated to this category are recognised in profit or loss at each-year end,

> Loans, receivables and payables: items under this heading are recognised "at cost" or "at amortised cost" as appropriate.

- Assets and liabilities carried "at cost" are mainly trade receivables and payables, and non-current financial assets (e.g. deposits and guarantees). These items are initially recognised at fair value, which for the Group corresponds to their nominal value (short maturities). In the event of loss of value, these items are subject to impairment,
- Assets and liabilities carried "at amortised cost" relate mainly to borrowings. The amortised cost of these items is the initial value of the asset or liability less repayments of principal, adjusted if necessary using the effective interest rate method and for possible impairment,

> Assets held for sale: this only applies to non-consolidated investments, recognised at cost, with the performance of impairment testing.

> Derivatives: see Note 2.18.

Under IFRS 13, applicable from 2013, financial instruments are presented in three categories (see Note 4.17), according to a hierarchy of methods for determining fair value:

- **Level 1**: fair value determined by reference to unadjusted prices quoted in active markets for identical assets or liabilities;
- **Level 2**: fair value determined by reference to observable prices for similar assets or liabilities in active markets, either directly (adjusted level 1 quoted prices) or indirectly (derived from prices);
- **Level 3**: fair value determined by reference to unobservable market data.

3. NOTES TO THE INCOME STATEMENT

3.1 ◆ Segment information

Segment information is provided pursuant to IFRS 8. The information provided in the segment breakdown is based on the internal reporting used by the chief operating decision-maker (Group Executive Committee) to assess the performance of the various segments.

As at 31 December 2018, the Group had identified three segments within the meaning of IFRS 8 on segment reporting, representing geographic regions, namely France, Germany and International (excluding Germany).

With the exception of France and Germany, no country has reached the threshold of 10% of revenue, profit or assets cited in IFRS 8.

December 2018 - in thousands of euros	France	Germany	International (excl. Germany)	Others	TOTAL
INCOME STATEMENT					
External revenue	615,144	510,982	379,200	-	1,505,326
% of revenue	40.9%	33.9%	25.2%	-	100.0%
Inter-segment revenue	20,891	9,230	34,310	36,424	100,855
Revenue	636,035	520,212	413,511	36,424	1,606,182
Operating income and expenses	(564,297)	(465,142)	(345,090)	(12,722)	(1,387,251)
Current Operating Profit (3)	**50,847**	**45,840**	**34,110**	**(12,722)**	**118,075**
Free shares and stock options	-	-	-	-	(9,779)
Other non-current income and expenses	-	-	-	-	(18,231)
Cost of net financial debt	-	-	-	-	(14,720)
Other financial income and expenses	-	-	-	-	(2,395)
Tax expense	-	-	-	-	(19,891)
Net profit	**-**	**-**	**-**	**-**	**53,058**

December 2017 - in thousands of euros	France	Germany	International (excl. Germany)	Others	TOTAL
INCOME STATEMENT					
External revenue	551,605	486,218	296,546	19	1,334,388
% of revenue	41.3%	36.4%	22.2%	-	100.0%
Inter-segment revenue	19,594	5,141	18,400	30,709	73,844
Revenue	571,199	491,359	314,946	30,728	1,408,232
Operating income and expenses	(506,963)	(449,179)	(268,913)	(13,884)	(1,238,939)
Current Operating Profit (3)	**44,642**	**37,040**	**27,633**	**(13,865)**	**95,450**
Free shares and stock options	-	-	-	-	(6,203)
Other non-current income and expenses	-	-	-	-	(13,962)
Cost of net financial debt	-	-	-	-	(12,200)
Other financial income and expenses	-	-	-	-	(3,812)
Tax expense	-	-	-	-	(15,209)
Net profit	**-**	**-**	**-**	**-**	**44,064**

December 2018 - in thousands of euros	France	Germany	International (excl. Germany)	Others	TOTAL
REVENUE BY ACTIVITY					
Mobility	471,630	481,620	230,343	-	1,183,593
Others	143,514	29,362	148,857	-	321,733
External revenue	**615,144**	**510,982**	**379,200**	**-**	**1,505,326**

December 2017 - in thousands of euros	France	Germany	International (excl. Germany)	Others	TOTAL
REVENUE BY ACTIVITY					
Mobility	435,056	461,445	160,962	-	1,057,463
Others	116,549	24,773	135,584	19	276,925
External revenue	**551,605**	**486,218**	**296,546**	**19**	**1,334,388**

December 2018 - in thousands of euros	France	Germany	International (excl. Germany)	Others	TOTAL
BALANCE SHEET	-	-	-	-	-
Segment assets (1)	139,391	214,146	163,881	31,917	549,335
Segment financial liabilities (2)	259	4,927	21,135	524,694	551,015

December 2017 - in thousands of euros	France	Germany	International (excl. Germany)	Others	TOTAL
BALANCE SHEET	-	-	-	-	-
Segment assets (1)	128,573	167,292	89,301	28,861	414,027
Segment financial liabilities (2)	82	10,130	3,863	611,849	625,923

(1) Goodwill, intangible assets and property, plant and equipment, other non-current assets
(2) Financial liabilities
(3) Or Current Operating Margin (OM)

The biggest customer of each operating segment represents 25.6% of revenue in France, 53.0% in Germany and 11.4% in International(excluding Germany). The five biggest customers of each operating segment represent 54.1% of revenue in France, 82.61% in Germany and 25.1% in International (excluding Germany).

3.2 ◆ External expenses

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Sub-contracting	(155,898)	(148,893)
Other external expenses	(222,986)	(208,683)
External expenses	**(378,884)**	**(357,576)**

3.3 ◆ Personnel

3.3.1 ◆ Average workforce of consolidated companies

	31 Dec. 2018	31 Dec. 2017
Managers	13,220	11,212
Non managers	4,061	3,850
TOTAL	**17,281**	**15,062**

	31 Dec. 2018	31 Dec. 2017
Non-billable workforce	2,016	1,854
Billable workforce	15,265	13,208
TOTAL	**17,281**	**15,062**

The Group had 21,019 employees as at 31 December 2018 (compared with 15,515 as at 31 December 2017).

3.3.2 ◆ Personnel expenses

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Wages and salaries	(762,080)	(665,245)
Social security contributions	(218,920)	(196,283)
Employee profit sharing	(1,359)	(425)
Personnel expenses	**(982,359)**	**(861,953)**

Subsidies (see Note 2.19) were deducted from personnel expenses in the amount of €32,971 thousand in the year ending 31 December 2018, compared with €29,704 thousand in the year ending 31 December 2017.

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CONSOLIDATED FINANCIAL STATEMENTS

3.4 ◆ Depreciation and provisions

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Net depreciation, amortisation and impairment of assets	(21,692)	(19,075)
Net impairment of current assets	713	1,453
Provisions for risks and expenses	629	2,661
Net depreciation and provisions	**(20,350)**	**(14,961)**

3.5 ◆ Other non-current income and expenses

	31 Dec. 2018	31 Dec. 2017
Acquisitions, integrations and restructuring	4,180	3,143
Transformation and strategic programmes	5,894	6,657
Launch of new activities	7,642	-
Restructuring costs	115	3,049
Others	400	1,116
Other non-current income and expenses	**18,231**	**13,964**

Other non-current income and expenses consist primarily of expenses intended to consolidate and accelerate the Group's profitable and sustainable development over the next few years, as defined in its strategic plan.

3.6 ◆ Financial income

3.6.1 ◆ Cost of financial debt

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Income from cash and cash equivalents	**174**	**432**
Interest expenses	(14,894)	(12,338)
Accretion of restructured debt	-	(294)
Cost of gross financial debt	**(14,894)**	**(12,632)**
COST OF NET DEBT	**(14,720)**	**(12,200)**

3.6.2 ◆ Other financial income and expenses

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Other financial income and expenses	(2,395)	(3,812)

3.7 ◆ Income tax

3.7.1 ◆ Breakdown of tax expense

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Current tax	(10,732)	(4,868)
CVAE	(7,962)	(7,407)
Deferred tax	(1,198)	(2,934)
Total corporation tax	**(19,891)**	**(15,209)**

3.7.2 ◆ Tax proof

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Consolidated net profit	**53,058**	**44,064**
Tax expense	19,891	15,209
Consolidated profit before corporation tax	**72,950**	**59,273**
Tax rate applicable to the parent company	29.58%	33.33%
Theoretical tax expense	**(21,578)**	**(19,756)**
Impact of permanent differences	9,035	10,020
Impact of unrecognised tax losses or previously subject to limitation	328	(1,560)
CVAE (French business tax based on added value)	(7,962)	(7,398)
Impact of the rate differential on foreign companies	973	2,698
Other differences	(687)	787
Income tax expense recognised	**(19,891)**	**(15,209)**

The tax rate applicable to the parent company dropped from 33.33% in 2017 to 29.58% in 2018 following the transfer of AKKA Technologies SE from France to Belgium.

3.7.3 ◆ Nature of deferred taxes

Amounts in thousands of euros	31 Dec. 2018	Change	Change in the scope of consolidation	31 Dec. 2017	Change	1 Jan. 2017
Restatements of financial leases	(231)	-	-	(231)	-	(231)
Deferred taxes on current account provisions	4	-	-	4	-	4
Deferred taxes resulting from local tax regimes	1,956	(13,661)	8,127	7,490	211	7,279
Deferred taxes on tax losses	28,155	(2,007)	-	30,162	(1,858)	32,020
IFRS adjustments	(6,698)	(112)	-	(6,586)	(1,537)	(5,050)
Other adjustments	(2,761)	(1,918)	-	(841)	(72)	(769)
Net deferred taxes	**20,425**	**(17,698)**	**8,127**	**29,998**	**(3,256)**	**33,253**
Of which deferred tax assets	34,092	(372)	-	34,464	(656)	35,120
Of which deferred tax liabilities	(13,667)	(9,201)	-	(4,466)	(2,599)	(1,867)
Net deferred taxes	**20,425**	**(9,573)**	**-**	**29,998**	**(3,255)**	**33,253**

As indicated in note 2.5, the deferred tax assets of French and international subsidiaries are not recognised when the probability of charging them against future taxable profits is low.

4. NOTES TO THE BALANCE SHEET

4.1 ◆ Goodwill

Breakdown by CGU

Cash-generating unit	31 Dec. 2018	Change in the scope of consolidation	Purchase of goodwill	Translation adjustments	Other changes	31 Dec. 2017
France	131,291	4,359	561	-	-	126,371
Germany	97,455	-	154	-	-	97,301
USA	70,085	70,902	-	(817)	-	-
Italy	32,011	-	-	-	-	32,011
Benelux	14,117	-	-	-	-	14,117
Spain	10,610	-	-	-	3,659	6,951
Switzerland	5,176	-	-	40	(3,659)	8,795
Romania	102	-	-	-	-	102
Amount of goodwill	**360,847**	**75,261**	**715**	**(777)**	**-**	**285,648**

The implementation of the procedures defined in Note 1.5.1 did not result in the recognition of any impairment in the financial statements for the year ending 31 December 2018, as was the case in the year ending 31 December 2017.

2017 and 2018 were marked by the following key acquisitions:

- **2018 - United States - PDS Tech:** goodwill was recorded in the amount of €70,902 thousand;
- **2017 - Germany - Gigatronik:** goodwill was recorded in the amount of €34,457 thousand;
- **2017 - Italy - CTP Systems:** goodwill was recorded in the amount of €19,533 thousand.

The Group has opted for the full goodwill method.

The goodwill of entities acquired in 2017 varied in the amount of €22 thousand in 2018. In accordance with IFRS, the AKKA Technologies Group has a period of one year to measure the fair value of assets acquired and liabilities assumed, and to determine goodwill, namely the difference between the acquisition price and the Group's share in the fair value of such assets and liabilities.

The amount of goodwill related to earn-out payments and associated holdbacks amounted to €17,510 thousand, offsetting a debt to the vendors recorded in the "Other liabilities" line of the balance sheet for the same amount.

4.2 ◆ Impairment of assets

Impairment testing was performed as at 31 December 2017 and 31 December 2018, with the research tax credit included in cash flow for the subsequent three years.

In 2018, testing was conducted by discounting projected cash flows after tax using a weighted average cost of capital of 10.69% in Belgium, 10.57% in France, 10.01% in Germany and Switzerland, 12.49% in Italy and Romania, and 11.81% in Spain (compared with 2017 rates of 9.25% in Belgium, 9.15% in France, 8.68% in Germany and Switzerland, 10.48% in Italy and Spain, and 10.76% in Romania).

The terminal value of the CGU or group of CGUs corresponds to the projected net cash flows from operations discounted to infinity assuming a growth rate of 1.5% (as was the case in 2017).

The AKKA Technologies Group was divided into 15 CGUs as at 31 December 2018.

Only 8 CGUs or combinations of CGUs have non-depreciable assets (7 in 2017). Impairment testing did not reveal any impairment to be recognised in the financial statements as at 31 December 2018 or 31 December 2017.

Sensitivity testing to a variation within a range of +/- 1 percentage point on the discount rate and the perpetual growth rate did not reveal any risks of impairment. The Group has not identified probable scenarios liable to result in the recognition of impairment.

Acquisitions come with collateral clauses covering assets and liabilities through sureties. Commitments received by the Group in this respect amounted to €0 in 2018 compared with €6,700 thousand in 2017.

4.3 ◆ Property, plant and equipment and intangible assets

Amounts in thousands of euros	Gross intangible assets	Amortisation of intangible assets	Total
1 January 2017	**56,080**	**(38,940)**	**17,140**
Change in the scope of consolidation	3,686	(1,825)	1,860
Acquisitions	4,731	-	4,731
Disposals	(2,210)	2,211	1
Depreciation and amortisation	-	(4,683)	(4,683)
Translation adjustments	10	(10)	-
Other changes	(1,477)	(204)	(1,681)
31 December 2017	**60,819**	**(43,451)**	**17,368**
Change in the scope of consolidation	1,450	(950)	500
Acquisitions	5,707	-	5,707
Disposals	(1,126)	1,091	(35)
Depreciation and amortisation	-	(5,149)	(5,149)
Translation adjustments	(38)	29	(9)
Other changes	1,618	(11)	1,607
31 December 2018	**68,430**	**(48,440)**	**19,990**

Amounts in thousands of euros	Gross tangible assets	Depreciation of property, plant and equipment	Total
1 January 2017	**166,043**	**(110,523)**	**55,520**
Change in the scope of consolidation	12,971	(6,035)	6,936
Acquisitions	34,127	-	34,127
Disposals	(13,216)	12,656	(560)
Depreciation and amortisation	-	(14,398)	(14,398)
Translation adjustments	646	(258)	388
Other changes	665	249	914
31 December 2017	**201,236**	**(118,309)**	**82,927**
Change in the scope of consolidation	11,737	(9,094)	2,643
Acquisitions	29,286	-	29,286
Disposals	(27,583)	22,060	(5,524)
Depreciation and amortisation	-	(16,532)	(16,532)
Translation adjustments	(326)	174	(152)
Other changes	(1,637)	148	(1,489)
31 December 2018	**212,713**	**(121,553)**	**91,160**

Investments in intangible fixed assets mainly include acquisitions of licences, rights and developments on information systems.

Changes in property, plant and equipment correspond mainly to new buildings in France and the construction of a new building in the Czech Republic.

4.4 ◆ Investments in associates

Elektronische Fahrwerksysteme GmbH (EFS) is jointly owned by AKKA DSO GmbH (51%) and AEV GmbH (subsidiary of the Audi Group) (49%); it has been accounted for by the equity method at 51% since 1 January 2017.

Amounts in thousands of euros	EFS	
Percentage interest in equity associates	51%	
	2018	**2017**
1 January	**45,830**	**-**
First consolidation *	-	43,540
Share of net income of equity associates	1,828	2,290
Dividends received from associates	(1,428)	-
31 December	**46,230**	**45,830**
** of which goodwill allocated to associates*		*37,651*

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Revenue	63,149	58,914
Net income	3,584	4,491
Current assets	35,474	31,487
Non-current assets	5,494	4,641
Shareholders' equity	16,822	16,038
Current liabilities	23,195	18,811
Non-current liabilities	951	1,280
% interest held by the Group	51%	51%
Total shareholders' equity attributable to the Group	**8,579**	**8,179**

4.5 ◆ Non-current financial assets

Gross amounts:

Amounts in thousands of euros	Assets held for sale	Other financial assets	Total financial assets
1 January 2017	**3,527**	**27,394**	**30,921**
Change in the scope of consolidation	(37)	1,418	1,381
Increase	2,403	4,954	7,357
Decrease	(66)	(1,626)	(1,692)
31 December 2017	**5,827**	**32,140**	**37,967**
Change in the scope of consolidation	(442)	535	93
Increase	602	10,057	10,659
Decrease	(4)	(1,003)	(1,007)
Other	(4,313)	-	(4,313)
31 December 2018	**1,670**	**41,730**	**43,400**

Other financial assets mainly consist of holdbacks by the factor (€18,144 thousand in 2018 and €10,326 thousand in 2017), participation in the construction effort and guarantee deposits.

Provisions in respect of non-current financial assets amounted to €3,060 thousand as at 31 December 2018 and €3,346 thousand as at 31 December 2017.

4.6 ◆ Other non-current assets

This item includes receivables in respect of R&D subsidies, for a net amount of €31,109 thousand in 2018 compared with €28,083 thousand in 2017.

4.7 ◆ Trade receivables and related accounts

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Work in progress for customers	131,696	103,189
Unbilled work	139,100	139,668
Gross trade receivables	**270,796**	**242,857**
Provisions	(8,888)	(10,276)
Net trade receivables	**261,908**	**232,582**

Not due receivables assigned to the factor and derecognised totalled €208,775 thousand as at 31 December 2018 compared with €177,322 thousand in 2017. They represent the total amount of not past-due receivables assigned to the factor and not yet settled by customers, and are recorded as a credit in the trade receivables account.

The breakdown of net trade receivables as required by IFRS 7 is as follows:

Amounts in thousands of euros	Total	Not due and due < 6 months	Due 6 to 12 months	Due > 1 year
2018	261,908	247,624	7,347	6,937
2017	232,582	220,129	5,811	6,641

4.8 ◆ Other receivables

Other net receivables amounted to €86,112 thousand as at 31 December 2018; this item relates mainly to Claims on the French treasury in the amount of €56,055 thousand.

In 2017, other net receivables amounted to €98,067 thousand; they relate mainly to Claims on the French treasury in the amount of €69,090 thousand.

In 2018, as in 2017, following analysis of the maturity of other receivables, the portion due in more than one year has been reclassified in "Other non-current assets" (see Note 4.6). In view of the very low rates, no discounting was performed.

4.9 ◆ Provisions for current assets

Amounts in thousands of euros	Inventories	Trade receivables	Other receivables	Total
1 January 2017	**324**	**11,996**	**5,544**	**17,866**
Change in the scope of consolidation	-	910	-	910
Allowances included in depreciation and net provisions	-	3,424	-	3,424
Reversals included in depreciation and net provisions	(30)	(6,075)	(726)	(6,832)
Others	-	61	-	61
Translation adjustments	7	(40)	-	(33)
31 December 2017	**300**	**10,276**	**4,817**	**15,395**
Change in the scope of consolidation	-	140	-	140
Allowances included in depreciation and net provisions	-	3,016	-	3,016
Reversals included in depreciation and net provisions	(7)	(4,546)	(36)	(4,588)
Others	-	-	-	-
Translation adjustments	(1)	3	-	2
31 December 2018	**293**	**8,888**	**4,780**	**13,962**

4.10 ◆ Cash and cash equivalents

This item breaks down into cash in the amount of €271,785 thousand in 2018, compared with €430,892 thousand in 2017, and cash equivalents in the net amount of €243 thousand in 2018, compared with €137 thousand in 2017.

Cash includes funds made available by the factor but not used, in the amount of €91,924 thousand as at 31 December 2018 and €51,944 thousand as at 31 December 2017.

4.11 ◆ Share capital and share premium

As at 31 December 2018, the share capital of AKKA Technologies comprised 20,291,990 shares with a par value of €1.53 each, or a total of €31,047 thousand and the share premium stood at €656 thousand. These items varied as follows in 2017 and 2018:

	Number of shares	Par value	Amount of share capital	Share premium	Comment
31 December 2016	**20,277,690**	**1.53**	**31,026**	**-**	
Capital increase	14,300	1.53	22	-	Issue of free shares (Board of Directors meeting of 15 June 2017)
31 December 2017	**20,291,990**	**1.53**	**31,047**	**-**	
Capital increase	-	1.53	-	656	Contribution premium
31 December 2018	**20,291,990**	**1.53**	**31,047**	**656**	

As at 31 December 2018 and 31 December 2017, all potentially dilutive instruments were included in the calculation of diluted earnings per share.

Voting rights:

	31 Dec. 2018	31 Dec. 2017
Shares with single voting rights	19,641,030	10,113,423
Shares with double voting rights (2)	-	9,552,304
Treasury shares (1)	650,960	626,263
Total number of shares	**20,291,990**	**20,291,990**
Profit shares (3)	**7,927,487**	**-**

(1) Non-voting shares
(2) Shares with double voting rights removed following transfer of registered office to Belgium
(3) Shares not representing the capital carrying one voting right per share

Potentially dilutive instruments:

To support its future growth, AKKA Technologies has launched an incentive compensation scheme based on the company's performance. This co-investment mechanism will allow AKKA Technologies to renew an initiative dating back to 2008, which, in a similar context, enabled it to strengthen the sense of belonging and cohesion within the Group, and generated strong organic growth.

Accordingly, the Combined Shareholders' Meeting of 16 June 2016 authorised the Board of Directors of AKKA Technologies SE to make one or several free grants of existing or new shares of the Company in order to allow a certain number of its officers and employees to share in the fruits of the Group's anticipated growth in the years to come.

The Board of Directors of AKKA Technologies SE, at its meetings in 2016 and 2017 (see table below), decided to allocate performance shares to various named employee beneficiaries (no executive officer was a beneficiary as at 31 December 2018).

The allocation of the shares will be effective in 2019 subject to cumulative conditions of continued presence in the workforce and the achievement of performance criteria. Performance criteria are based on operating profitability and cash generation indicators. They contain a leverage effect allowing allocation of up to 200% if the targets in respect of the two indicators are significantly beaten simultaneously.

Moreover, during its meeting held on 20 March 2018, the Board of Directors approved the allocation of 20,000 shares to former shareholders of recently acquired companies in order to streamline integration into the Group.

This allocation is subject to the condition of continued presence within the Group until 31 December 2018 for the 1st tranche and until 31 December 2019 for the 2nd tranche. On 6 December 2018, the Board of Directors also approved the allocation of 20,000 shares to an employee, to be allocated in 2022 subject to cumulative conditions of continued presence in the workforce and the achievement of performance criteria, with a cap set at 200%.

Issuer	AKKA Technologies	AKKA Technologies	AKKA Technologies
Decision of the Board of Directors	16/06/16, 03/11/16, 19/01/17 and 16/02/17	20/03/18	06/12/18
Type of plan	Allocation of performance shares	Allocation of free shares	Allocation of performance shares
Maximum number of shares that can be allocated	819,800	20,000	40,000
Number of shares to be allocated in the event of objectives being fully reached	409,900	12,975	20,000
Estimated number of shares to be allocated	371,912	12,975	20,000
Means of settlement	Issuance of securities	Issuance of securities	Issuance of securities
End of the vesting period	31/03/19	31/12/18 and 31/12/19	31/03/22
Conditions for beneficiaries leaving the Group's service	loss	loss	loss
Share price on allocation (EUR)	29, 31, 37 and 39	46.30	49.10
Shares forfeited as at 31/12/2018	-	-	-
Lock-up period	None	None	None

Moreover, on 15 June 2017, the Shareholders' Meeting approved the principle of stock option plans in a decision confirmed by the Shareholders' Meeting held on 22 February 2018; as such, two plans are being drawn up as at 31 December 2018:

	Stock options	
Date allocated by the Board	**19 November 2018**	**7 December 2018**
Number of remaining options	20,000	6,000
Potential number of corresponding shares	20,000	6,000
First date it can be exercised	1 January 2022	1 January 2022
Last date it can be exercised	30 June 2023	30 June 2023
First possible disposal date	1 January 2022	1 January 2022
Strike price in euros (per option)	**€62.40**	**€58.70**

The company is not subject to any specific regulatory or contractual obligations in respect of its share capital. The Group has no specific management policy in respect of share capital. The choice between funding through debt or capital increase is made depending on the prospective transaction. Shareholders' equity monitored by the Group contains the same components as consolidated equity.

Dilutive instruments represented 2.19% of share capital as at 31 December 2018 compared with 1.78% as at 31 December 2017.

Earnings per share:

	31 Dec. 2018	31 Dec. 2017
Group share of net profit (in thousands of euros)	**50,145**	**39,253**
Number of shares outstanding as at 1 January	**20,291,990**	**20,277,690**
Pro-rated weighted average number of shares taking into account free shares	-	14,300
Impact of treasury shares	(650,960)	(626,263)
Weighted average number of shares as at 31 December	**19,641,030**	**19,665,727**
Impact of dilutive free shares as at 31 December	371,912	350,440
Weighted average number of shares as at 31 December after dilution	**20,012,942**	**20,016,167**
Earnings per share (in €)	**2.55**	**2.00**
Diluted earnings per share (in €)	**2.50**	**1.96**

4.12 ◆ Current and non-current provisions

Amounts in thousands of euros	Current		Non-Current	
Maturity	**31 Dec. 2018**	**31 Dec. 2017**	**31 Dec. 2018**	**31 Dec. 2017**
Provisions for litigations and risks	3,264	4,499	7,471	7,040
Provisions for pensions	-	-	17,268	16,851
Provisions for taxes	-	-	1,099	1,099
Provisions for other expenses	1,043	1,252	851	716
Total	**4,307**	**5,751**	**26,689**	**25,706**

Change in provisions

Amounts in thousands of euros	Litigations and risks	Pensions	Taxes	Other provisions	TOTAL
1 January 2017	**14,180**	**15,840**	**1,068**	**852**	**31,940**
Change in the scope of consolidation	-	-	45	30	75
Allowances	4,427	1,596	31	1,097	7,151
Reversals of used provisions	(4,395)	(305)	-	(8)	(4,708)
Reversals of unused provisions	(2,593)	(228)	-	-	(2,821)
Translation adjustments	2	-	-	(2)	-
Actuarial gains (losses)	-	(53)	-	-	(53)
Reclassifications and other	(81)	-	(45)	-	(126)
31 December 2017	**11,539**	**16,850**	**1,099**	**1,968**	**31,457**
Change in the scope of consolidation	-	-	-	-	-
Allowances	1,628	1,291	-	251	3,170
Reversals of used provisions	(2,275)	(167)	-	(313)	(2,755)
Reversals of unused provisions	(169)	(143)	-	(11)	(323)
Translation adjustments	(1)	-	-	(1)	(3)
Actuarial gains (losses)	-	(563)	-	-	(563)
Reclassifications and other	13	-	-	-	13
31 December 2018	**10,735**	**17,268**	**1,099**	**1,894**	**30,996**

Sensitivity analysis was determined based on the balance of retirement bonuses as at 31 December 2018. The Group has elected to present sensitivity analysis to the discount rate based on a variation of the yield curve of +/- 0.5 percentage points compared with the rate as of the closing date. An increase of 0.5 percentage points would have an impact of €(979) thousand on pension obligations. A decrease of 0.5 percentage points would have an impact of €1,169 thousand on pension obligations.

4.13 ◆ Current and non-current financial liabilities

The current and non-current financial liabilities shown below exclude the debt resulting from acquisitions described in 4.15.

Amounts in thousands of euros	Borrowings and other financial liabilities		Leases		Total financial liabilities	
Maturity	**31 Dec. 2018**	**31 Dec. 2017**	**31 Dec. 2018**	**31 Dec. 2017**	**31 Dec. 2018**	**31 Dec. 2017**
Current (less than one year)	70,299	109,027	856	875	71,155	109,902
1 to 5 years	343,493	378,769	1,490	1,980	344,983	380,749
More than 5 years	132,500	132,500	2,377	2,773	134,877	135,273
Total	**546,292**	**620,296**	**4,723**	**5,628**	**551,015**	**625,924**

Change in financial liabilities breaks down as follows:

Amounts in thousands of euros 2018	31 Dec. 2018	Change in the scope of consolidation	Increases	Reductions	Translation adjustments	Change in fair value	Other non-cash variations	1 Jan. 2018
Loans from credit institutions	545,624	21,983	15,460	(7,068)	(343)	(391)	598	515,385
Restatement of leasing contracts	4,723	-	28	(885)	-	-	(48)	5,628
Bonds	-	-	-	(100,000)	-	-	(2,073)	102,073
Other borrowings	668	-	23	(2,198)	4	-	-	2,838
Bank overdrafts	-	-	-	-	-	-	-	-
Financial liabilities	**551,015**	**21,983**	**15,566**	**(110,169)**	**(339)**	**(391)**	**(1,559)**	**625,924**
Cash equivalents	(243)	-	-	(106)	-	-	-	(137)
Cash	(271,542)	-	-	159,213	-	-	-	(430,755)
Cash and cash equivalents	**(271,785)**	**-**	**-**	**159,107**	**-**	**-**	**-**	**(430,892)**
Net debt (less net cash) excluding restructured debt	**279,230**	**21,983**	**15,566**	**48,938**	**(339)**	**(391)**	**(1,559)**	**195,033**

Amounts in thousands of euros 2017	31 Dec. 2017	Change in the scope of consolidation	Increases	Reductions	Translation adjustments	Change in fair value	Others non-cash variations	1 Jan. 2017
Loans from credit institutions	515,385	4,375	451,393	(85,748)	(161)	(444)	(471)	146,441
Restatement of leasing contracts	5,628	6,491	-	(863)	-	-	-	-
Bonds	102,073	-	-	-	-	-	331	101,742
Other borrowings	2,838	1,032	2,245	(618)	(9)	-	22	166
Bank overdrafts	-	-	-	-	-	-	-	-
Financial liabilities	**625,924**	**11,898**	**453,638**	**(87,229)**	**(170)**	**(444)**	**(118)**	**248,349**
Cash equivalents	(137)	-	-	6,115	-	-	-	(6,252)
Cash	(430,755)	-	-	(278,050)	-	-	-	(152,706)
Cash and cash equivalents	**(430,892)**	**-**	**-**	**(271,935)**	**-**	**-**	**-**	**(158,958)**
Net debt (less net cash) excluding restructured debt	**195,033**	**11,898**	**453,638**	**(359,164)**	**(170)**	**(444)**	**(118)**	**89,392**

Note that the Group issued a bond by private placement on 1 March 2013. The amount of the bond was €100 million, with a maturity of 5 years and 4 months; this bond was repaid in full at maturity on 29 June 2018.

On 30 October 2014, the Group further restructured its medium-term financing by placing a Schuldscheindarlehen-type loan (placement subject to German law). The initial € 140 million placement matures in five to seven years. It includes a fixed tranche and a variable tranche, fully hedged by a swap contract. At the end of December 2017, partial payments were made for all variable parts, i.e. €67.0 million for the 5-year tranche and €13.5 million for the 7-year tranche.

On 31 October 2017, the Group issued a further Schuldscheindarlehen-type loan for an amount of €450 million, comprising 5 fixed and variable tranches of 5-, 7- and 10-year maturities, with an average cost of financing slightly below 1.5%.

With regard to short-term financing:

- on 30 June 2016, AKKA Technologies signed a new five-year €200 million revolving credit facility, replacing the 2012 contract;
- AKKA Technologies also implemented a €200 million NEU CP (Negotiable European Commercial Paper) in the first quarter of 2017.

On 31 December 2018, the only short-term draw-down of this funding amounted to €15 million using the NEU CP programme.

Pledges and guarantees amounted to €110,002 thousand as at 31 December 2018, compared with €60,992 thousand as at 31 December 2017. They relate primarily to:

> A demand guarantee from Akka Deutschland in the amount of €42,500 thousand for a property lease;

> A guarantee on the Citibank loan contracted by PDS Tech for a maximum amount of $50,000 thousand;

> A guarantee to replace the vendor of EPSCO under the guarantees given;

> Joint surety on Matis rents;

> A letter of comfort to the vendors of Gigatronik.

Acquisitions come with collateral clauses covering assets and liabilities through sureties. Commitments received by the Group in this respect amounted to €0 as at 31 December 2018 compared with €6,700 thousand in 2017.

As at 31 December 2017, the covenants negotiated with the Group's banks for the bond issue, the two Schuldscheindarlehen loans and the revolving credit facility were as follows:

> Leverage Ratio: Consolidated Net Debt/consolidated EBITDA < 3.5 x as at 30 June and 31 December each year.

> Gearing Ratio: Consolidated Net Debt/equity < 1.5 x as at 30 June and 31 December each year.

The Group was in compliance with both covenants as at 31 December 2018.

4.13.1 ◆ Interest rate risk

On 30 October 2014, the Group signed an interest rate hedging contract on the Schuldschein loan to protect itself against a possible increase in 6-month Euribor.

The derivative financial instrument is a SWAP contract with the following characteristics:

- SWAP at a fixed rate of 0.465% (matures on 30 October 2019) for an amount of €67.0 million;
- SWAP at a fixed rate of 0.710% (matures on 30 October 2021) for an amount of €13.5 million.

This hedging instrument meets the definition of a cash flow hedge; the hedging qualification was maintained given that the variable rate tranches of the new Schuldschein loan have the same underlying characteristics and the same interest payment dates as the previous one, with higher notional amounts. Its fair value was recorded in the amount of €391 thousand in other comprehensive income as at 31 December 2018.

Consolidated gross debt was €551,015 thousand as at 31 December 2018, of which €70,603 thousand due within a year.

Characteristics of borrowings (amounts in thousands of euros)	Company carrying the loan	Initial amount	Currency	Total amount of loans as at 31 Dec. 2018	Due dates
2014 SSD loan	AKKA Technologies	119,000	Euros	52,000	oct.-2019
2014 SSD loan	AKKA Technologies	21,000	Euros	7,500	oct.-2021
2017 SSD loan	AKKA Technologies	317,500	Euros	317,500	oct.-2022
2017 SSD loan	AKKA Technologies	127,500	Euros	127,500	oct.-2024
2017 SSD loan	AKKA Technologies	5,000	Euros	5,000	oct.-2027
Citibank loan	PDS Tech	n/a	US Dollars	18,369	-
NEU CP (short term)	AKKA Technologies	n/a	Euros	15,000	-
Finance leases - real estate	AKKA Management Services	6,500	Euros	4,201	March-2029
Finance leases - other	AKKA Management Services	2,462	Euros	522	-
Other non-material loans	-	-	-	3,423	-
TOTAL DEBT AS AT 31 DECEMBER 2018				**551,015**	

Sensitivity analysis was conducted on the basis of the balance of interest-bearing financial liabilities at floating rates as at 31 December 2018, taking into account the hedging instruments implemented in respect of the bonds. The tests were conducted on the basis of a variation of the yield curve of +/-1 percentage point compared with the rate as at the closing date. Such change would have no impact on net profit.

4.13.2 ◆ Liquidity risk

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Non-current financial liabilities	480,412	516,022
Restructured debt - current portion	-	-
Consolidated gross debt	**551,015**	**625,924**
Cash and cash equivalents	(271,785)	(430,892)
Consolidated net debt	**279,230**	**195,033**

As at 31 December 2018, the AKKA Technologies Group had gross cash and cash equivalents of €271,785 thousand, breaking down as €271,542 thousand in cash and €243 thousand in cash equivalents.

The company has conducted a specific review of its liquidity risk, and considers itself able to meet its future payments. Current assets were substantially greater than current liabilities as at 31 December 2018. No detailed disclosures are provided in respect of maturities of less than one year.

4.13.3 ◆ Exchange rate risk

Outside the euro area, the Group has operations in the United Kingdom, Japan, Switzerland, Romania, Turkey, the Czech Republic, China, Dubai, the United States and Canada. These operations accounted for approximately 13.5% of consolidated revenue in 2018, compared with 10.1% in 2017.
Flows of purchases and revenue in local currency are more or less balanced, with the exception of operations in the Czech Republic, where services are invoiced in euros but expenses incurred in local currency.

Investments undertaken in currencies other than the euro accounted for 13.7% of consolidated capital expenditure in 2018, compared with 5.4% in 2017.

AKKA Technologies has implemented the necessary hedges on its foreign exchange risks.

4.13.4 ◆ Investment and counterparty risk

Cash equivalents in the financial statements as at 31 December 2018 represent 0.02% of total consolidated assets (compared with 0.01% in 2017).

There is no counterparty risk, as investments are confined to front-ranking financial institutions.

Owing to its position as a service provider and to the factoring agreement, the AKKA Technologies Group's cash management policy does not include the acquisition of cash equivalents by the operating subsidiaries.

AKKA Technologies is therefore not exposed to investment risk at this time.

4.14 ◆ Tax and social security liabilities

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Social security liabilities	126,730	136,163
Tax liabilities	86,076	71,977
Total tax and social security liabilities	**212,806**	**208,141**

All such liabilities are due in less than one year.

4.15 ◆ Other liabilities

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Other liabilities related to acquisitions (1)	17,510	33,245
Deferred income	31,698	27,310
Other items	14,047	7,338
Total other liabilities	**63,255**	**67,894**

(1) see section 4.1 of these notes

4.16 ◆ Financial instruments

Amounts in thousands of euros	31 December 2018		Breakdown of the carrying amount by category of instrument			
	Carrying amount on the balance sheet	Fair value	Fair value through profit or loss	Assets and Liabilities held for sale	Derivatives	Loans, receivables and liabilities at amortised cost
Securities held for sale	1,517	1,517	-	1,517	-	-
Other non-current assets	38,822	38,822	-	-	-	38,822
Trade receivables	261,908	261,908	-	-	-	261,908
Other current assets related to operating activities	25,480	25,480	-	-	-	25,480
Marketable securities and other current financial assets	243	243	243	-	-	-
Cash and cash equivalents	271,542	271,542	271,542	-	-	-
ASSETS	**599,512**	**599,512**	**271,785**	**1,517**	**-**	**326,210**
Non-current borrowings and derivatives	475,659	475,659	-	-	-	475,659
Debts on non-current finance leases	4,201	4,201	-	-	-	4,201
Current borrowings and derivatives	70,633	70,633	-	-	-	70,633
Debts on current finance leases	522	522	-	-	-	522
Trade payable ad other liabilities	118,055	118,055	-	-	-	118,055
Other current liabilities	63,255	63,255	-	-	-	63,255
LIABILITIES	**732,325**	**732,325**	**-**	**-**	**-**	**732,325**

Amounts in thousands of euros	31 December 2017		Breakdown of the carrying amount by category of instrument			
	Carrying amount on the balance sheet	Fair value	Fair value through profit or loss	Assets and Liabilities held for sale	Derivatives	Loans, receivables and liabilities at amortised cost
Securities held for sale	5,374	5,374	-	5,374	-	-
Other non-current assets	29,247	29,247	-	-	-	29,247
Trade receivables	232,582	232,582	-	-	-	232,582
Other current assets related to operating activities	25,044	25,044	-	-	-	25,044
Marketable securities and other current financial assets	137	137	137	-	-	-
Cash and cash equivalents	430,755	430,755	430,755	-	-	-
ASSETS	**723,139**	**723,139**	**430,892**	**5,374**	**-**	**286,873**
Non-current borrowings and derivatives	511,269	511,269	-	-	1,204	510,065
Debts on non-current finance leases	4,753	4,753	-	-	-	4,753
Current borrowings and derivatives	109,027	109,027	-	-	-	109,027
Debts on current finance leases	875	875	-	-	-	875
Trade payable ad other liabilities	86,225	86,225	-	-	-	86,225
Other current liabilities	67,894	67,894	-	-	-	67,894
LIABILITIES	**780,043**	**780,043**	**-**	**-**	**1,204**	**778,839**

The Group mainly has level 1 and level 2 assets (marketable securities and term deposits) (prices quoted in an active market).
Level 2 (fair value determined by reference to observable data) relates to derivative contracts.
Level 3 (fair value determined by reference to unobservable market data) is not applicable in the periods presented.

5. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

5.1 ◆ Components constituting net cash at year-end

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Cash	271,542	430,755
Cash equivalents	243	137
Net cash at year-end	**271,785**	**430,892**

5.2 ◆ Change in net working capital

Amounts in thousands of euros	31 Dec. 2018	31 Dec. 2017
Inventories	(6,341)	(892)
Trade receivables	(2,042)	(5,666)
Other receivables	8,101	13,044
Other non-current assets	(13,213)	24
Trade payables	23,519	(7,837)
Tax and social security liabilities	19,116	1,939
Other liabilities (excluding debt related to acquisitions of fixed assets)	1,310	(8,657)
Change in net working capital	**30,450**	**(8,046)**

5.3 ◆ Impact of changes in the scope of consolidation

The impact of changes in the scope of consolidation corresponds to earn-out and purchase price payments net of cash contributed by the acquired companies.

5.4 ◆ Dividends paid to shareholders of the parent company

	in 2018	in 2017
Amount of dividend paid (in thousands of euros)	13,768	11,804
Dividend per share (in euros)	0.70	0.60
Adjusted dividend per share (in euros) (*)	0.70	0.60

* taking into account the allocation of one free share for every 10 shares post-distribution

The General Shareholders' Meeting will be asked to approve the payment of a dividend of €0.70 per share in 2019.

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CONSOLIDATED FINANCIAL STATEMENTS

6. FEES PAID TO AUDITORS

The following table provides information about the fees paid by AKKA Technologies SE, its wholly-owned subsidiaries and its joint activities to each of the statutory auditors tasked with auditing the AKKA Group's annual and consolidated financial statements.

Amounts in thousands of euros (Excl. VAT)	2018			2017		
	EY	ORFIS	DELOITTE	EY	ORFIS	DELOITTE
Statutory audit						
Issuer (AKKA Technologies SE)	92	-	-	-	46	49
Fully consolidated subsidiaries	451	88	41	-	319	362
Statutory audit - Total	**543**	**88**	**41**	**-**	**365**	**411**
% of total fees	54.2%	8.8%	4.1%	-	46.4%	41.0%
Other work	**330**	**-**	**-**	**-**	**-**	**10**
% of total fees	32.9%	-	-	-	-	1.0%
TOTAL FEES	**873**	**88**	**41**	**-**	**365**	**421**
% of total fees	*87.1%*	*8.8%*	*4.1%*	*-*	*46.4%*	*42.0%*

7. SUBSEQUENT EVENTS

None.

8. INFORMATION ON RELATED PARTIES

8.1 ◆ Purchases and sales of goods and services

The following companies meet the definition of related parties within the meaning of IAS 24:

- Idéactive Events (event organisation);
- Saône Valley, Andromède Valley, Ralosa (property leasing);
- BMC Management & Investment, HR Management & Investment, Valvest Management (professional assistance and consulting services).

As transactions with these three companies are not considered material, they are not disclosed in these notes.

8.2 ◆ Compensation paid to members of the executive and management bodies

Amounts in thousands of euros	2017	2018
Fixed compensation	2,908	3,807
Variable compensation	-	-
Directors' fees	90	120
Benefits in kind	-	-
Supplementary pension plans	None.	None.
TOTAL COST TO THE COMPANY	**2,998**	**3,927**

In 2017 and in 2018, no free shares were granted to members of AKKA Technologies' executive and management bodies.

9. OTHER INFORMATION

9.1 ◆ Financial instruments

As at 31 December 2018, there was no reclassification between the various categories of financial instruments.

9.2 ◆ Lease commitments

In preparation for the application of Standard IFRS 16 on 1 January 2019, the Group has selected a dedicated software to centralise all data relating to operating leases as of the end of 2018.

An initial valuation of the commitments was performed on the basis of leases with a residual term of over 12 months as at 1 January 2019, in accordance with the option authorised by the full retrospective approach set out in standard IFRS 16.

Debt not discounted, in thousands of euros		Due dates		
		< 1 year	1 to 5 years	> 5 years
Property	148,198	24,258	66,503	57,437
Vehicles	4,238	3,051	1,187	-
Others	376	260	116	-
Total	**152,813**	**27,569**	**67,806**	**57,437**

Rental expenses amounted to €55,550 thousand as at 31 December 2018 (€53,692 thousand as at 31 December 2017).

9.3 ◆ Information relating to risk management

In the course of their operations, companies within the Group are subject to audit by tax authorities and social security bodies. The Group is subject to regular audits of all of its accounting, tax (income tax, subsidies, research tax credits, VAT, etc.) and social security (social security contributions and taxes levied on wages) reporting obligations, for subsidiaries operating both in France and internationally.

Ongoing disputes with the tax administration relate chiefly to research tax credits ("CIR") and, in particular, to the manner in which expenses incurred by approved sub-contracting companies for the determination of their own Research Tax Credit are taken into account. A ruling by the Council of State in late 2016 upheld the retroactive application of the change of doctrine by the tax administration in respect of the research tax credit (crédit d'impôt recherche – CIR), and an exceptional impairment of €24 million was recorded by the Group on 31 December 2016 for research tax credits for the years 2010 to 2014 to take account of this change and supplement the provisions for all ongoing checks.

Litigation filed with the Administrative Court and Court of Appeal continued in 2018. After taking into account the opinions of our independent legal and tax advisors, no significant change in the risk estimation has occurred during the year.

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AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE GENERAL MEETING OF AKKA TECHNOLOGIES SE

for the year ending 31 December 2018

As required by law and the Company's articles of association, we report to you as statutory auditor of AKKA Technologies SE (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the statement of changes in consolidated equity for the year ended 31 December 2018 and the notes (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 3 May 2018, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2020. We performed the audit of the Consolidated Financial Statements of the Group for one year.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of AKKA Technologies SE, that comprise of the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the statement of changes in consolidated equity of the year and the disclosures, which show a consolidated balance sheet total of € 1.256.289 thousand and of which the consolidated income statement shows a profit for the year of € 53.058 thousand.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2018, and of its consolidated results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Company for the financial year ended 31 December 2017 were audited by another auditor, who has issued an unqualified opinion on these consolidated financial statements on 26 March 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Revenue recognition on fixed-price contracts

Description of the key audit matter

The Group executes amongst others fixed-price contracts and the contribution of those contracts to the total consolidated revenues for the year ended 31 December 2018 is significant.

As indicated in note 2.1 of the Consolidated Financial Statements, the revenues and the margins of such contracts are recognized on the basis of work completed.

For fixed-price contracts, the services are recognized on the basis of work completed, taking into account an estimate of the amount remaining to complete the contract. For fixed-price contracts, where the work completed plus what remains to be done to fulfil the contract exceeds the total revenue from the contract, the excess amount is recognized as "provision for losses on completion" in liabilities, under the heading "current provisions".

The recognition of the revenues and margin of fixed-price contracts was considered to be a key audit matter due to their volume and significance on the Consolidated Financial Statements and due to the inherently judgmental estimations used on the determination of the progress et the expected costs to complete the contract, as indicated in note 1.3 of the Consolidated Financial Statements.

Summary of the procedures performed

- We have examined the internal control system, including management review controls, relating to the process of contract follow up, the revenue and margin recognition, and, when applicable, the provisions for losses on completion. We have performed tests, on a sample basis, on the key internal controls implemented in the main companies of the Group.
- We have tested, on a sample basis, the consistency between the accounting data and the analytical and management data on which contract management and follow-up are performed.
- For a selection of contracts, we have determined on the basis of multiple criteria deemed relevant in relation to the risks incurred, corroborated the main assumptions used for their recognition at the reporting date (percentage of completion, costs already incurred and costs yet to be incurred) with the information obtained during interviews with the teams in charge of contract management and follow-up, as well as with the information and the technical and commercial documentation collected.
- We have also assessed the adequacy and completeness of the information disclosed in notes 2.1, 1.3 et 3.1 of the Consolidated Financial Statements.

Goodwill impairment test

Description of the key audit matter

Goodwill resulting from the Group's acquisition policy was recognized as an asset in the consolidated balance sheet for a total amount of €360,8 million, or 28,7% of total assets as of 31 December 2018.

It is allocated to 15 cash-generating units (CGU) corresponding to geographical areas. In conformity with IAS 36 "Impairment of Assets", the Group carries out impairment tests at least once a year, in accordance with the methods described in notes 2.10 and 4.2 of the Consolidated Financial Statements.

These tests are performed by CGU or group of CGUs, based on a 5-year projection of free cash flows related to the activity (operational cash flow, changes in working capital and investments), plus, where applicable, the corresponding research tax credits.

This projection is determined using the CGU's budget data and taking into account past experience and future prospects. Beyond this horizon, the Group calculates a terminal value of the CGU corresponding to the discounting of the free cash flows related into perpetuity.

The discount rate is determined in accordance with IFRS and is calculated taking into account a risk-free rate, a risk premium and a sector beta. Given the location of the different CGUs or groups of CGUs with goodwill, a country risk premium was also taken into account.

Their determination of the recoverable amount of the CGUs is based on material estimates or assumptions made by management, including the discount rate, the perpetual growth rate and the 5 year plan, to which the valuation is sensitive.

These various factors led us to consider the valuation of goodwill as a key audit matter.

Summary of the procedures performed

- We examined the internal control environment and the compliance with prevailing accounting standards of the methods used by management to measure goodwill.
- We have compared the cash flow projections with the budgets and medium-term plans drawn up by management, and analyzed their consistency with the Group's past performance and the economic environment in which it operates;
- We have critically examined the methods and parameters used to determine the discount rates applied to projected cash flows, by recalculating them, comparing them with those used by leading financial analysts and comparing them with our internal databases, with the support of our valuation specialists;
- We have assessed the relevance of the sensitivity scenarios used by management and the relative information presented in the note 4.2 of the Consolidated Financial Statements.
- We also have assessed the adequacy and completeness of the information included in notes 2.10, 4.1 et 4.2 of the Consolidated Financial Statements.
- Responsibilities of the management body when preparing the Consolidated Financial Statements

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

ur objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, as well as to report on these matters.

Aspects relating to Board of Directors' report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been in prepared accordance with article 119 of the Belgian Company Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide reasonable assurance regarding the Board of Directors' report.

The non–financial information required by article 119, § 2, of the Belgian Company Code has been included in the Board of Directors' report on the Consolidated Financial Statements. The Company has prepared this non-financial information based on the "Global Compact of the United Nations". However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with the "Global Compact of the United Nations". We do not express any form of reasonable assurance regarding the individual elements included in this non-financial information.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 134 of the Belgian Company Code were duly itemized and valued in the notes to the Consolidated Financial Statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Diegem, Belgium, 18 March 2019

Ernst & Young Bedrijfsrevisoren CVBA

Statutory Auditor

Represented by

Eric Van Hoof

Partner*

*Acting on behalf of a BVBA/SPRL

19EVH0098

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CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

I the undersigned, Mauro Ricci, Chairman and Chief Executive Officer, hereby declare that, to the best of my knowledge:

a) [1]The financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, liabilities, financial position, and earnings of the issuer and the entities included in the consolidation;

b) [1]The management report includes an accurate review of the business developments, earnings, and financial position of the issuer and of the entities included in the consolidation, as well as a description of the main risks and uncertainties that these entites face.

18 March 2019

Chairman and CEO

akka-technologies.com