VusionGroup

Press release

March 27, 2024

VusionGroup – FY 2023 Results:
Strong Profitability Improvement

- **FY 2023 revenue of €802m for annual growth of +29% versus 2022**
- **EBITDA of €102m, +75% versus year-ago; EBITDA margin of 12.8%, +3.4 points compared to 2022**
- **Net income of €79.6m, +328% versus previous year**
- **Sharp improvement in net cash (+€67.7m)**
- **A dividend of €0.30 per VusionGroup share to be proposed at next AGM**
- **2024 full-year revenue target of €1 billion and ongoing profitability improvement**

The following 2023 financial figures are presented under IFRS standards, and also in adjusted terms before IFRS 15 adjustments related to the Walmart U.S. contract which began in Q4 2023, and which do not have a cash impact. Details of these adjustments are provided at the end of this press release.

In € millions(*)	**2023**	IFRS15 Adjustment[1]	2023 Adjusted[1]	2022	IFRS	Adjusted
Revenue	**802.0**	(3.7)	805.6	620.9	+29%	+30%
EBITDA	**102.3**	(3.7)	106.0	58.6	+75%	+81%
% of revenue	*12.8%*		*13.2%*	*9.4%*	*+3.4 pts*	*+3.7 pts*
Net income	**79.6**	44.9	34.6	18.6	+328%	+87%
% of revenue	*9.9%*		*4.3%*	*3.0%*	*+6.9 pts*	*+1.3 pt*
Change in net cash	**+67.7**	-	+67.7	(48.8)	+€116m	+€116m

(*) Audit procedures in progress

Thierry Gadou, Chairman and CEO of VusionGroup, commented: *"2023 was the first year of our 5-year Vusion '27 strategic plan, and will remain in the history of VusionGroup as a year of decisive achievements in terms of expansion to the United States, innovation with the launch of EdgeSense and VusionOX, and profitable growth, despite the challenging economic environment faced by the retail and consumer industries. We have been able to drive strong profitability growth and positive cash flow, even with the Group's strategic R&D investments and the conclusion of significant M&A transactions (acquisition of Memory and Belive). 2023 also marks a turning point as we will propose a €0.30 per share dividend at the next Annual General Meeting. We are very pleased to be able to begin this practice and hope to maintain it into the future. 2023 was also a year of notable progress on our ESG agenda. We continued to pursue efforts to reduce our carbon intensity and have formalized the*

[1] Restated figures reflect the reported financials before adjusting for certain non-cash IFRS restatements related to the Walmart contract, which began in Q4 2023. The non-cash impact of these restatements is -€3.7m for actual sales invoiced on the new Walmart contract which started in Q4 2023. Net income also reflects a +€48.6m adjustment related to the revaluation of the fair value of the warrants granted to Walmart, which are subject to specific conditions. Please see the detailed explanatory note at the end of this press release.

objectives of our path to reducing carbon emissions by 2030, in alignment with the Paris Agreement. Our R&D strategy continues to focus on the objectives of our Roadmap for Positive Commerce, with solutions that help our customers to develop local and low-carbon e-commerce, reduce food waste, encourage responsible consumption, and contribute to more value-added local jobs. The true strength of our Group resides in our almost 900 employees who represent 40 nationalities; convinced, as we are, that motivation is the engine of performance, we have continued to foster a culture of motivating, exciting, and fulfilling work. In 2023 our Board of Directors made progress on its task of adapting the Group's governance to reflect the strong international growth of the past few years and recent changes in our shareholder base. With our order book at an all-time high, VusionGroup benefits from a strong degree of visibility and confidence in its objective of attaining the milestone of €1 billion in 2024 revenue."

Strong growth in 2023 in line with guidance

The Group's 2023 full year sales reached €802.0m and €805.6m in adjusted terms, for +30% growth versus 2022.

In EMEA, top line increased almost +32% versus the previous year to €642m and accounted for close to 80% of the Group's total annual sales.

Revenue in the Americas and Asia-Pacific (Rest of World) totaled €160m and €163m in adjusted terms for growth of almost +22% compared to 2022. This growth is expected to accelerate sharply in 2024, fueled by sales in North America where the Group made a decisive breakthrough when it signed a contract with Walmart. Several other significant contracts have also been signed.

Global order entries grew +39% in 2023 to €950m.

VAS[2] Growth

One of the important axes of the Vusion'27 strategic plan lies in the expansion of our non-ESL solutions towards Cloud/SAAS, Data, Computer Vision, AI and Retail Media solutions, to fully digitalize stores and enable retailers and their suppliers to better take advantage of this digitization in terms of operational performance and customer experience. In this regard, 2023 was an important build-out year in this area, notably with the acquisition of Memory and Belive. The integration and collaboration of these new entities with Captana, Markethub and Engage allows us to work on very innovative and high value-added solutions that will be launched in 2024. In parallel, the Group has started recruiting teams internationally for the expansion of these solutions, notably in the United States.

Our installed base of Cloud-connected ESLs grew rapidly in 2023 to reach more than 17,000 stores and 82m ESLs. This momentum is expected to continue its accelerated course.

Sales of software, services, and non-ESL solutions (VAS) reached €109m in 2023, a year-over-year increase of +17%. Within VAS revenue [2], recurring services[3] -- which represent 39% of VAS sales or €42m -- are growing at a faster rate than total VAS revenue. Conversely, non-recurring services[4] decreased slightly to €67m in 2023 within a challenging macroeconomic environment in which retailers have slowed or delayed some of their projects, often due to internal resource constraints.

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[2] VAS: Software, services, and non-ESL solutions

[3] "Recurring VAS" revenue includes revenue generated by subscriptions to VusionCloud and its SaaS computer vision (Captana and Belive) and data analytics (Markethub and Memory) solutions, as well as contracts for recurring services.

[4] "Non-recurring VAS" revenue includes the revenue generated by installation and non-recurring professional services; the sale of equipment such as Captana cameras, video rails and other screens used for retail media (Engage), as well as the sale of industrial and logistical solutions (PDidigital).

A similar momentum is expected to continue for the VAS top-line in 2024, with non-recurring revenue impacted by ongoing macroeconomic-related pressure, and continued growth in recurring revenue.

Ongoing profitability improvement driven by growth in the variable cost margin

Profit and Loss Statement *

In € millions	2023	IFRS 15 Adjustment[1]	2023 Adjusted[1]	2022	Change IFRS	Change Adjusted
Revenue	**802.0**	(3.7)	**805.6**	620.9	**+29%**	**+30%**
Variable cost margin % of revenue	201.9 *25.2%*	(3.7)	205.5 *25.5%*	131.4 *21.2%*	+54% *+4.0 pts*	+56% *+4.3 pts*
Operating expense % of revenue	(99.5) *12.4%*		(99.5) *12.4%*	(72.8) *11.7%*	+37% *+0.6 pt*	+37% *+0.6 pt*
EBITDA % of revenue	**102.3** *12.8%*	(3.7)	**106.0** *13.2%*	58.6 *9.4%*	**+75%** *+3.4 pts*	**+81%** *+3.7 pts*
Depreciation and amortization expense	(36.5)		(36.5)	(27.2)	+34%	+34%
Non-recurring or non-cash items	(14.3)		(14.3)	0.3	N/A	N/A
EBIT % of revenue	**51.5** *6.4%*	(3.7)	**55.1** *6.8%*	31.7 *5.1%*	**+62%** *+1.3 pt*	**+74%** *+1.7 pt*
Net Financial Income (Expense)	43.0	48.6	(5.6)	(6.1)	N/A	-7%
Tax	(14.9)		(14.9)	(7.1)	+111%	+111%
Net income % of revenue	**79.6** *9.9%*	44.9	**34.6** *4.3%*	18.6 *3.0%*	**+328%** *6.9 pts*	**+87%** *1.3 pt*

* Audit procedures in progress

In 2022 the Group saw its profitability improve significantly, with EBITDA increasing to €58.6m and EBITDA margin growing to almost 9.4%, an expansion of almost 2 points compared to 2021. This trend continued into 2023 with an EBTDA margin that grew almost 3.4 points compared to 2022, for an increase of more than 5 points in two years. For the first time in several years, and in alignment with what was announced at the Capital Markets Day in November 2022, the profitability growth delivered in 2023 comes mainly from improvement in the variable cost margin (VCM).

The VCM grew to €201.9m in 2023, for a margin rate of 25.2% of revenue. Adjusted VCM[1] reached €205.5m in 2023, compared to €131.4m in 2022, for a +56% increase, and a VCM margin rate of 25.5% of revenue in 2023 compared to 21.2% for the previous year, marking a 4.3-point improvement during the year.

The improvement in the VCM rate was driven mainly by three factors:

- More favorable purchase prices for components, following the strong price increase at the end of the COVID pandemic, with 2022 showing the highest costs since 2020.
- A more favorable EUR/USD exchange rate for the Group in 2023 compared to 2022.
- A more favorable mix within VAS, with stronger growth of high-margin recurring services (cloud, data, AI), compared to non-recurring services, which did not grow between 2022 et 2023.

Operating expense was €99.5m in 2023 compared to €72.9m the previous year and represented 12.4% of 2023 revenue versus 11.7% of revenue in 2022. This increase is due primarily to the acquisition of Belive and Memory, whose business models – as is typical of software companies – comprise higher operating expenses, at least in the early years of the business, alongside higher operating margins. The Group does not anticipate a decrease in the operating expense ratio in 2024. Indeed, significant headcount increases are taking place at the central corporate level, and in the United States (where average salaries are higher than in other VusionGroup geographies) to support strong growth in the American market.

EBITDA, or operating income before depreciation, amortization expense and other non-recurring and non-cash items, was €102.3m in 2023 and €106.0m on an adjusted basis[1], for +81% growth versus €58.6m in 2022.

Adjusted EBITDA margin[1] was more than 13% of revenue in 2023, compared to 9.4% of revenue in 2022, a +3.7-point improvement, driven mainly by the higher VCM.

Depreciation and amortization expense increased +34% in 2023, for a total of €36.5m (compared to €27.2m in 2022). This increase is directly tied to VusionGroup's significant capital expenditure in R&D and innovation, and particularly to the start of amortization of the development expense tied to the new EdgeSense solution.

Non-cash and non-recurring items represented an expense of €14.3m in 2023, compared to income of €0.3m in 2022, and were comprised primarily of a non-cash IFRS 2 expense of €12.4m related to the performance shares granted to the Group's employees between 2021 and year-end 2023. It also includes legal fees related to M&A and the refinancing which took place in December 2023. The €0.3m income reported in 2022 includes a €7.6m IFRS2 expense and a €6.7m gain related to the Group's sale of its stake in the Chinese joint venture.

Net Financial Income (Expense)

Net financial income was €43.0m in 2023. As was the case in the financial statements of H1 2023, IFRS net financial income or expense includes the impact of the change in fair value of the stock warrants granted, under specific conditions, to Walmart. The initial fair value of the stock warrants, at the time they were granted in early June 2023, was €163m. Factoring in the change in VusionGroup's share price, the warrants were valued at €115m on December 31, 2023. The difference between these two valuations, or +€48.6m, is accounted for in net financial income/expense.

Other than this IFRS restatement, which has no cash impact, net financial expense was -€5.6m, compared to -€6.1m in 2022, or a decrease of -7%, accounted for by -€11.4m in financial expense, and the balance resulting from net foreign exchange rate gains totaling +€5.8m.

Pre-tax income totaled €94.5m in 2023, compared €25.6m in 2022. This level of profit led to a tax expense of -€14.9m in 2023 compared to a tax expense of -€7.1m in 2022.

Net income

VusionGroup's 2023 net income reached €79.6m. Adjusted to exclude the non-cash IFRS charges related to the Walmart contract, 2023 adjusted net income[1] totaled €34.6m, for +87% growth compared to the €18.6m net income reported in 2022.

Capital Expenditure

R&D expenditure accounted for most of VusionGroup's capital expenditure in 2023. During the year, the Group launched EdgeSense, a system that is set to revolutionize ESLs and the digitalization of shelves. The Group also launched VusionOX, the new secure IoT cloud platform, based on the Bluetooth protocol. These major innovations, developed over several years, were critical to signing the Walmart contract. The powerful functionalities they provide retailers, consumers, and suppliers will profoundly change the market in the years to come.

The other significant capital expenditure is accounted for by the industrial production lines for the new EdgeSense range of products. However, these lines are pre-financed by the first large customer to roll out this innovation, so VusionGroup's cash position is not impacted by this investment.

Capital expenditure in €m (*)	**H1 2023**	**H2 2023**	**FY 2023**	**FY 2022**
R&D and IT expenditure	44.9	19.3	**64.2**	**44.2**
Of which: EdgeSense (HW)	30.8	6.3	37.2	22.4
Industrial investments	1.6	17.6	**19.1**	**4.4**
Of which: EdgeSense production lines, financed by customers		16.5	16.5	0.0
Other	1.6	2.5	4.1	2.5
TOTAL CAPEX	48.0	39.5	87.5	51.1
EdgeSense production lines financed by Walmart		(16.5)	(16.5)	
Cash Capex	48.0	23.0	71.0	51.1
Cash Capex / Revenue	12.6%	5.4%	8.8%	8.2%

(*) Audit procedures in progress

In 2023 the Group's capital expenditure totaled €87.5m before pre-financing, €71.0m in Cash Capex (net of customer pre-financing; please see comment below) compared to €51.1m the previous year.

In H2 2023 VusionGroup invested in production lines located at the premises of and operated by its assembly partners, in order to produce the EdgeSense range of products. This investment, which is expected to continue over the coming years, aims to guarantee sufficient levels of production capacity to ensure the large volumes required by the first large customer to roll out the new solution. This customer has agreed to pre-finance the entire investment, as their volume needs will absorb a large portion of the production capacity. Additionally, if these production lines were used to manufacture products for other customers, VusionGroup would pay a fee to the customer who pre-financed these industrial assets. The first of these pre-financed lines is expected to be operational in H2 2024.

In its disclosure, the Group makes a distinction between Total Capex and the expenditures that have a cash impact – Cash Capex – which is the capital expenditure net of what has been pre-financed by customers.

Cash Capex was temporarily higher in H2 2022 and H1 2023 when the Group finalized and industrialized the new EdgeSense solution. The EdgeSense project, in particular, accounts for the Cash Capex/Revenue ratio increase to over 8% in 2022 and 2023. With the finalization of EdgeSense, the H2 2023 Cash Capex / Revenue ratio has decreased to approximately 5%, in line with the Group's guidance for a ratio in a range of 5% to 7% through 2027.

Strong net cash generation

The Group ended 2023 with a positive net cash position of +€27.3m, for an improvement of €67.7m compared to the net debt position of -€40.5m at year-end 2022.

Consolidated Cash Flow Statement (€m) (*)	FY 2023	FY 2022
Adjusted EBITDA	106.0	58.6
Impact of IFRS 16	(3.8)	(2.3)
Capex	(87.5)	(51.3)
Change in Working Capital	155.9	(27.7)
Tax	(13.2)	(2.0)
Free Cash flow	157.4	(24.7)
Net Financial Expense	(6.0)	(5.2)
Share buy-back	(5.0)	
Financial Investments (inc. M&A)	(91.5)	
Impact of the changes in consolidation scope	4.7	(18.6)
Others	8.2	(0.3)
Change **in Net Debt**	**67.7**	**(48.8)**
Net **Cash** / **(Debt) before IFRS16**	27.2	(40.5)
Cash	199.9	33.9
Debt (before impact of IFRS16)	(172.7)	(74.4)

(*) Audit procedures in progress

At the end of the year, the Group successfully refinanced its maturing lines of credit by:

- The establishment of a large international bank pool for a loan totaling €150m, comprised of (i) an amortizable €90m term loan, to be used in particular to refinance the bridge loan for the acquisition of the companies In the Memory and Belive, and (ii) a €60m revolving credit facility (RCF) to meet the Group's general financing needs;

- The emission of a €40m bond, maturing in 2030, as a Euro Private Placement, to be used to refinance the existing €40m bond which matured at year-end 2023.

Regarding 2023 cash flow, both H1 and H2 2023 saw a positive evolution in net cash (with positive changes of +€34.5m in H1 2023 and +€33.3m in H2 2023). This achievement is particularly noteworthy in light of:

- The financing needs for strong growth;
- Strategic R&D investment, and external growth (acquisition of Belive and Memory) in H1 2023;
- A negative seasonality impact on working capital in H2 2023 (with Q4 2023 generating much higher revenue than Q3 2023).
- Share repurchases totaling €5m.

These expenditures have been more than fully offset by the strong EBITDA and working capital improvements.

In 2023, the Group continued to improve all items of operational working capital thanks to rigorous management and efficient information systems, with inventories going from 100 to 51 days, receivables from 60 to 45 days, and supplier payables from 82 to 60 days. In total, operational working capital improved from 79 to 45 days (121.6 M€ or 15% of turnover).

The increase in customer down-payments also strongly contributed to the improvement of total working capital. This is also an element inherently linked to the improvement of our strategic positioning and our business model. The Group is indeed better able today to negotiate satisfactory contractual terms that allow our company to manage large contracts without financing risks or weakening our balance sheet. We develop with our major customers real partnerships of value creation in the long term that are balanced and healthy.

VusionGroup expects to continue to generate positive cash flow in 2024.

2024 Outlook and Targets

With an order book at an all-time high, VusionGroup has a strong level of visibility and confidence in its objective of attaining the milestone of €1 billion in 2024 revenue.

The anticipated growth will be weighted toward H2 2024 due to the planned launch of new EdgeSense production lines in Q2 2024 to fulfill the Walmart contract. VusionGroup expects to generate revenue of €175 -180m in Q1 and €420 - 440m in H1 2024 (for growth of +10-15%) followed by a record H2 2024 with sales revenue of €580 – 600m (+30-40%).

Regarding the geographic distribution of annual sales, VusionGroup targets 50-60% of revenue to be generated in EMEA and 40-50% in the rest of the world, primarily the United States, which in 2024 is set to become the Group's largest market, ahead of Germany. In light of the final stages of a large roll-out in Europe, sales in EMEA will decrease temporarily compared to the record levels reported in 2023 and are expected to begin to grow again in 2025 as a result of large contracts recently signed in the region. Sales in the United States are expected to accelerate strongly, resulting in triple-digit growth.

Total VAS revenue is anticipated to reach €120–140m, a target which takes into account the ongoing difficult macroeconomic environment for commerce in Europe, which will most likely weigh on the capex allocated by retailers to new and innovative projects, an in particular on non-recurring VAS in H1 which are expected to decrease. However, the recurring VAS objective is to continue to grow strongly compared to 2023, and to reach a year-end revenue target of €60m+. It should be noted that 2024 forecast only include a small part of the recurring revenues tied to the large roll-outs planned during the year, which will ramp-up in parallel of stores installations and will therefore be only visible in 2025. On the basis of planned roll-outs, the recurring VAS revenue is forecast to more than double in 2025.

VusionGroup expects to generate robust order growth during 2024.

VusionGroup also expects profitability improvement to continue, with adjusted EBITDA margin[1] growing by 50 to 100 bps in 2024 and continued positive cash flow for the year.

Given this positive outlook and the successful refinancing carried out at year-end 2023, the Group remains confident in its ability to secure sufficient financing through the life of its Vusion '27 strategic plan.

VusionGroup strengthens its governance

To reflect the strong international growth VusionGroup experienced in the past years, the evolution of its capital structure over the last 18 months, and as a continuation of the changes put in place at year-end 2022, the Board of Directors of the Group will propose two new independent non-executive directors (as defined by the Afep-Medef Code) to the next Annual General meeting of shareholders, scheduled to be held on June 19th.

Peter Brabeck-Letmathe has been named Vice-Chairman of the Board of Directors and Lead Independent Director. Mr. Brabeck-Letmathe will also serve as Chairman of the new Strategy and ESG Committee. The naming of at least two new independent board members will be proposed at the next Annual General Meeting, which will increase the proportion of independent directors to 60% of the Board. One of those directors will be named by Bpifrance, which currently holds 8.21% of VusionGroup's shares. The second new director is expected to reflect Vusion's increased presence and growth in the United States.

The Group also announces that it has promoted two members of the executive committee to the position of Deputy CEO in order to support the Chairman and CEO in the management and transformation of the Group for the execution of the Vusion '27 strategic 5-year plan:

- In the context of strong growth acceleration in the United States in the coming years, Philippe Bottine has been named Deputy CEO in charge of the Americas region, product management, and the global supply chain.
- With the aim of strengthening central corporate functions, Thierry Lemaitre has been named Deputy CEO in charge of Finance, Legal, Information Systems, Internal Control, Risk Management, and Security.

These two internal promotions will allow the Chairman and CEO of the Group to spend more time on the strategic transformation of the Group.

Philippe Bottine, 44 years old, is an engineer who began his career in venture capital, based in California. He joined VusionGroup in 2009 and was responsible for R&D (where he contributed to several innovations and acquisitions) and the Group's industrial supply chain. Since relocating to the United States in 2016, Philippe has built VusionGroup's American success story over the course of a few years.

Thierry Lemaitre, 56 years old, was previously Chief Financial Officer at Wanadoo, Numéricable, and SFR. He joined VusionGorup in 2016 as Chief Financial Officer, contributing his significant experience to structure the information systems and processes that have enabled the Group's growth over the past few years. The Group's financial rigor and performance are his creation.

"*The Group's great strength resides in its solid management. In particular Philippe Bottine and Thierry Lemaitre have built two key pillars for the Group's performance, both in 2023 and for the future: success in the United States and financial strength*", concluded Thierry Gadou.

About VusionGroup

VusionGroup (ex- SES-imagotag) is the global leader in providing digitalization solutions for commerce, serving over 350 large retailer groups around the world in Europe, Asia and North America. The Group develops technologies that create a positive impact on society by enabling sustainable and human-centered commerce.

By leveraging its IoT & Data technologies, VusionGroup empowers retailers to re-imagine their physical stores into efficient, intelligent, connected, and data-driven assets. The Group unlocks higher economic performance, facilitates seamless collaboration across the value chain, enhances the shopping experience, creates better jobs, cultivates healthier communities, and significantly reduces waste and carbon emissions.

VusionGroup consist of six families of solutions which bring the full potential of IoT, Cloud, Data, and artificial intelligence (AI) technologies to the service of the modernization of commerce: SESimagotag (ESL & Digital Shelf Systems), VusionCloud, Captana (computer vision and artificial intelligence platform), Memory (data analytics), Engage (retail media and in-store advertising), and PDidigital (logistics and industrial solutions).

VusionGroup supports the United Nations' Global Compact initiative and has received in 2023 the Platinum Sustainability Rating from EcoVadis, the world's reference of business sustainability ratings.

VusionGroup is listed in compartment A of Euronext™ Paris and is a member of the SBF120 Index. Ticker: VU – ISIN code: FR0010282822

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Note on the IFRS Restatements related to the new Walmart contract

Two IFRS restatements related to the new Walmart contract impact 2023 financial disclosures:

1. On June 2, 2023, at their Annual General Meeting, the Group's shareholders approved a grant to Walmart of 1,761,200 of stock warrants on the Group's shares. According to IFRS standards, the fair value of these warrants should be calculated. On June 2, 2023, the fair value of the warrants was established at €163m. A contract asset and a financial debt were thus recorded in the consolidated accounts for this amount.

   The contract asset, which is a fixed amount, is amortized in proportion to the forecast revenue generated by the Walmart contract over the duration of the roll-out of the VusionGroup platform in Walmart stores. The reduced revenue impact is customary as the warrants will only have a potential dilutive effect, which was modeled and communicated during the allocation of the warrants in early June 2023. This does not impact the actual sales invoiced to Walmart. This restatement has no impact on the Group's cash flow. It impacts revenue in 2023 by -€1.7m, and all of the Group's income statement lines, in the same proportion. This negative impact to the Group's IFRS accounts will continue until the end of the Walmart contract, in direct proportion to the sales generated by this contract.

   The financial debt is subject to revaluation at each closing, depending on the number of exercisable warrants and the market price of VusionGroup shares. Any change is recorded as financial income in the Group's consolidated accounts. As of December 31, 2023, due to the drop in the stock price of SES-imagotag (now VusionGroup) shares compared to June 2, 2023, the fair value of the warrants granted to Walmart decreased by €48.6m, which generated financial income of this amount in the Group's consolidated accounts. VusionGroup will continue to communicate at each closing the impact on revenue and net income of this IFRS restatement.

2. The impact of future price reductions indexed to the volumes agreed upon with Walmart from the first deliveries of electronic shelf labels (ESLs): The cost of the Group's hardware solutions is a function of the volume manufactured. A significant increase in volume might thus lead to lower cost. Therefore, it has been agreed with this customer that they will be granted price reductions in relation to the future sales volume to which they contribute. The IFRS standard (IFRS 15) requires prices to be averaged over the life of the contract. The application of this restatement in 2023 impacts reported revenue (IFRS) and the margin by -€2.0m compared to the revenue invoiced, even though price reductions will only be granted if and when volumes will have reached certain thresholds. The application of this standard has a negative impact on revenue and all income statement lines, down to net profit.

Glossary

EBITDA
The Group considers EBITDA to be a performance indicator that presents operating income before depreciation and amortization of fixed assets, adjusted for some items during the period that affect comparability with previous reporting periods. It also represents a good approximation of the cash flow generated by operating activities before taking into account investments and changes in working capital. Consequently, restatements include significant non-recurring items or items that will never lead to a cash disbursement.

Net Financial Debt / Net Cash
These indicators define, respectively, the Group's net financial debt or net cash position, calculated based on the following consolidated balance sheet items: (-) Loans (-) Current and non-current lease liabilities (IFRS16) (+) Cash and cash equivalents. If the result is negative, the level of Loans and lease liabilities exceeds the level of Cash and Cash equivalents, and is therefore considered net debt or net financial debt. If, however, the result is positive, then the level of Loans and lease liabilities is lower than the level of Cash and Cash equivalents and is considered Net Cash.

Change in Net Financial Debt / Net Cash

It is the change between the Net Financial Debt / Net Cash between 2 periods. It also corresponds to the Free Cash-Flow of the period.

Change in Working Capital

Change in working capital is calculated based on the following items from the consolidated balance sheet: (+) Receivables (gross value, before depreciation) (+) inventory and works-in-progress (gross value, before depreciation) (-) trade payables (+) current taxes (+) other current receivable (-) other debt and accrual accounts.

Order entries

Order entries represents the year-to-date cumulative value of ESL orders received from customers. These orders are valued based on negotiated selling prices, i.e. before any impact of IFRS 15. Order intake also includes year-to-date VAS revenues.